INSIDE AFRICA

01 August 2016

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EAGLESTONE SECURITIES

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In-depth:
Despite headwinds, Africa's economy is still strong

The African Development Bank, in its latest African economic outlook, forecasts economic growth in Africa to be 3.7% for 2016, almost eight-tenths of a % lower than its forecast for 2015 (4.5%). This lower forecast is as a result of a mixture of factors: the dip in the price of commodities, the economic slowdown in China, droughts in parts of Eastern and Southern Africa, rising levels of insecurity in the Horn of Africa, in the Sahel and in the Lake Chad Basin. In spite of this drop in Africa's expected growth rate in 2016, it is still forecast to be the second fastest growing continent in the world, just behind Asia (6.3%). The global economy is forecast to grow by 3.2% as compared to 1.9% for the United States, 1.5% for the euro zone and 0.5% for Japan.

In addition, Africa still has about six of the fastest growing economies in the world, with economic growth rates all above 6.5%, and these include Ethiopia (10%), the DRC (7.7%), Tanzania (7%), Côte d'Ivoire (8.6%), Rwanda (6.9%) and Kenya (6%). With the exception of the DRC and Côte d'Ivoire, all the countries with the stellar economic growth rates are in East Africa - the most integrated region in Africa.

So, being the second fastest growing region in the world, why then are some analysts pointing to an impending economic crisis in Africa? First, the growth rates in Africa's two largest economies - Nigeria and South Africa - has been well below optimal levels for the past several quarters. Nigeria's real GDP growth rate was 2.7 % in 2015 and its economy is forecast to grow by 2.3 % in 2016. Meanwhile, South Africa's real GDP growth rate was 1.3% in 2015 and its economy is forecast to grow by a paltry 0.6% in 2016. The two economies also face other sets of economic problems. South Africa is dogged by some governance challenges that almost cost it its investment status by the global ratings agencies. And in Nigeria, the authorities' exchange rate policy resulted in its expulsion from the JP Morgan Emerging Markets Bond Index and significant portfolio outflows.

Second, some countries such as Kenya, Angola, Mozambique and Ghana have seen their debt levels rise above 60% and 70% of GDP, and have approached the International Monetary Fund (IMF) for Stand-by Credit Facilities (SCF) and Extended Credit Facilities (ECF), respectively. In spite of these, the debt levels in Africa are still just about 20% so the continent is nowhere close to a debt crisis.

Strong fundamentals in African economies

Huge Infrastructure investments

But besides the fact that the continent's giants are operating at sub-optimal levels, and that some countries have been severely affected by the slump in the prices of commodities and that others have been significantly affected by the El-Nino effect, the fundamentals of African economies are strong - the economies are resilient. First, it is important to note that with the exception of Côte d'Ivoire, which exports cocoa and coffee, the countries above which have experienced economic growth rates over 6% are not producers and/or exporters of commodities. In particular, they are net oil importers. This implies that commodity exports are not the only catalyst for economic growth in Africa, and that economic prosperity can be achieved through sound economic policies, particularly through targeted investments, especially in the infrastructure sector.

FDI inflows into Africa and financial aggregates

Secondly, besides huge infrastructure investments, Africa is the second largest destination for Foreign Direct Investment (FDI) inflows in the world, behind the Asia Pacific region. FDI inflows to Africa have risen from just about $10 billion in 2000 to over $53 billion in 2015 and annual private equity inflows currently stand at about $20 billion. Africa has been attributed a third of the total number of investment climate reforms that have been implemented in the past decade and for the 21 countries in the world that have implemented at least three business reforms, six are African.

It should also be highlighted that Africa's 200 largest banks have increased their combined assets to over $1.5 trillion – almost 75% of the continent's overall GDP. The combined turnover of Africa's 500 biggest companies reached $700 billion in 2014 – almost a third of the continent's overall GDP. The market value of Africa's largest 250 companies is $770 billion - over a third of the continent's GDP. Between $330-350 billion worth of trade finance is intermediated through African banks. In addition, Sovereign Wealth Funds in Africa currently stand at about 162 billion, pension funds at $334 billion and remittances at about $62 billion.

The continent is no doubt facing economic headwinds as a result of the dip in the price of commodities, the economic slowdown in China, droughts in parts of Eastern and Southern Africa, rising levels of insecurity in the Horn of Africa, in the Sahel and in the Lake Chad Basin. But Africa still remains the second fastest growing continent, with six of the fastest growing economies in the world with real GDP growth rates above 6% and which have invested massively in the infrastructure sector.

Africa also receives a significant amount of FDI and private equity flows ($53 billion and $20 billion, respectively). In addition, African banks are healthy (the 200 largest banks have combined assets worth $1.5 trillion - about 75% of the continent's GDP) and the continent sits on a massive amount of untapped financial resources (Sovereign Wealth Funds at about 162 billion, pension funds at $334 billion and remittances at about $62 billion).

Overall therefore, Africa is a resilient continent – over and above the talks of an impending crisis.

(By John Mbu is an economic and policy analyst at the African Development Bank, World Economic Forum)

Angola Spending Cuts May Ratchet Up Recession Risk

Angola is cutting government spending further in response to lower oil revenue. Rising indebtedness and scuttled negotiations with the International Monetary Fund are likely to restrict the country's access to external borrowing, which has so far supported living standards and the exchange rate. A weaker kwanza should see Angola's nominal GDP shrink further in U.S. dollar terms in years to come, with Ethiopia or Kenya overtaking it as the third-largest economy in Sub- Saharan Africa.

Angola has cut planned government spending in 2016 to $24 billion from $30 billion, the ministry of finance announced on July 11, following a reduction in expected revenue to $16 billion from $24.4 billion. That was largely a result of the oil price assumption having been lowered to $41per barrel from $45 previously, with a realized price of $36 per barrel in lQ. With the planned spending cuts, the projected fiscal deficit was only marginally increased to 6% of GDP from 5.5% previously.

The government's 2016 growth forecast was reduced to 1.3% from 3.3% previously, but there is a high risk that it could be negative, as oil production declines and government spending cuts weighs on the non-oil sector. Services accounted for about 25% of real GDP in 2014, compared with 60% for mining and oil, but services and other non-tradable are likely to be severely affected by a reduction in hydrocarbon revenue being injected into the economy. Bloomberg's most recent quarterly survey of forecasters from May saw the Angolan economy expanding by 2% in 2016, down from 3% in 2015.

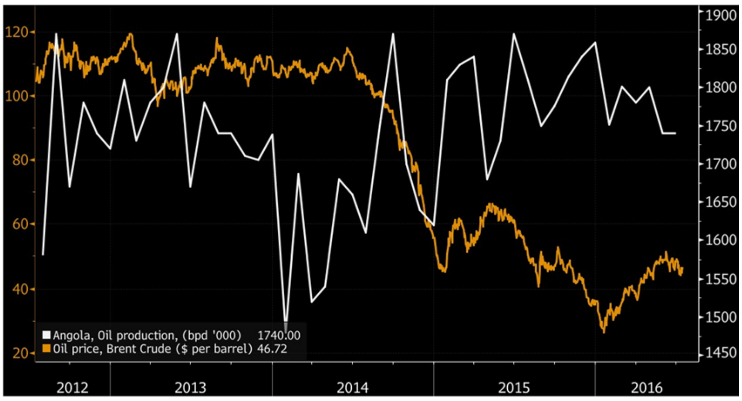
Hard Times in Angola

The government also disclosed that it had raised $11.5 billion in borrowing from November 2015 to June 2016, mainly

from Chinese banks. The financing is similar in size to the expected current account deficit in 2016. However, Angola could be approaching the point where external financing becomes harder to obtain, with government debt now at $48 billion (of which $25.5 billion is external), corresponding to 60% of 2016 GDP, according to IMF forecasts. The country's 2025 Eurobond is similar yields to Zambia and Ghana, two of the most fiscally constrained sub-Saharan African issuers. A sell- off followed a statement by Angolan President Jose Eduardo dos Santos on July 1that government revenue was barely enough to meet debt payments.

Falling Output Adds to Blow from Lower Oil Price

The president's statement appears to have been directed at a domestic audience to prepare the country for further cutbacks in public spending. Oil revenue is still likely to far exceed debt servicing costs of $4.4 billion in the coming 12 months, but obviously that does not support the sarne level of imports as during the 2002-2014 boom years. After increasing over 2014 and 2015, oil production has been declining this year, adding to the impact of lower global crude prices in depressing Angola's export earnings. With rising debt-servicing costs and more limited borrowing options, foreign- exchange shortages and pressure on the kwanza are unlikely to relent in the near term unless oil prices rise steeply.

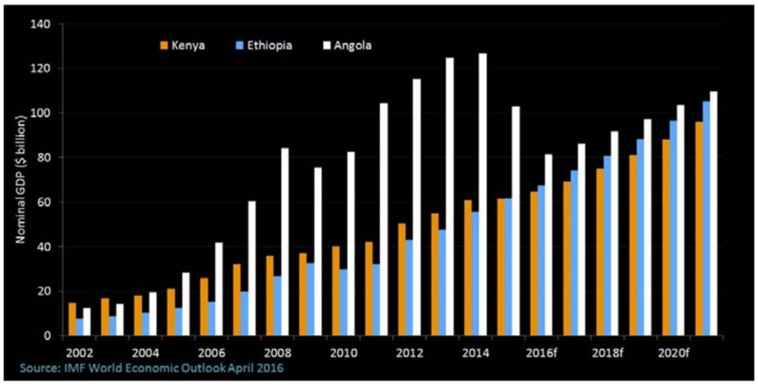


The official exchange rate of 169 kwanza per U.S. dollar is already half of what it was in late 2014 when oil prices began to drop. That has contributed to an acceleration in inflation to 31.8% in June from an average of 8.8% over 2012-2014. However, the kwanza has been trading at 570 per U.S. dollar in the black market, according to local news sources, indicating that further devaluations maybe needed to reduce FX shortages and clear bottlenecks.

Angola Losfog Ground to East African Economies

The Angolan economy is expected to have shrunk by a third in nominal U.S. dollar terms between 2014 and this year, according to the IMF's latest World Economic Outlook from April. However, the IMF's 2016 nominal GDP projection is based on real GDP growth of 2.5% and the kwanza maintaining its current level against the U.S. dollar, which both look unlikely. This means that Ethiopia and Kenya will probably overtake the country in nominal GDP in U.S. dollar terms in the next few years. That's in contrast to the IMF's April projections, which saw the three countries' economies approaching virtual parity at $100 billion in 2021.

That's in line with Bloomberg Intelligence Economics' expectation that growth momentum on the continent will shift toward East Africa in the coming years (see INSIGHT: Oil and Debt to Define Africa's Winners and Lasers). A devaluation of the kwanza would also push Angola's debt-to-GDP ratio to among the highest in Sub-Saharan Africa, which is likely to prevent the government from accessing foreign borrowing in its efforts to boost non-oil growth.



To make matters worse, the IMF announced that Angola had terminated talks about a financial support package on June 30. The institution agreed to loan the government in Luanda $1.4 billion in November 2009 to help it through the aftermath of the global financial crisis, and an IMF program is often a requirement for financial support from other development partners. This will leave Angola dependent on financing from China and commercial creditors, which may pose fewer conditions for borrowing but are likely to demand higher interest rates. This could make it more challenging for Angola to borrow for longer-term investment projects such as infrastructure, which is needed to boost growth in the non-oil sector. *(By Mark Bohlund, Bloomberg Intelligence Economics)*

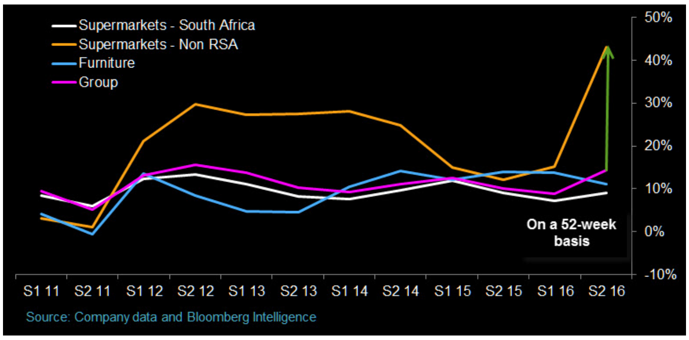
African Supermarkets Overview

Shoprite Africa Sales Surge Should Support Second Profit Pillar

Long-term growth at Shoprite Holdings Ltd., South Africa's leading supermarket, is expected to come from Africa, where it operates in 13 other countries. Shoprite is increasing its commitment in Angola and Nigeria, and accelerating store openings, a decision justified with sales leaping even as economic growth is slowing. In South Africa, the retailer's profit driver, stores continue to open as the portfolio balances its eponymous mid-market chain with the more upmarket Checkers and discounter Usave. Shoprite's African supermarket revenue accelerated in 2H15/16, with constant-currency growth reaching 47%. The increase brought, for the first time, a noticeable uptick to group sales. African growth seems to have been driven by significantly improved same-store sales in immature retail markets such as Angola, Nigeria and Zambia. This has defied the GDP slowdown in these countries and justifies the decision to expand beyond South Africa, the continent's most mature and developed retail market.

Africa Delivers Significant Sales Increase

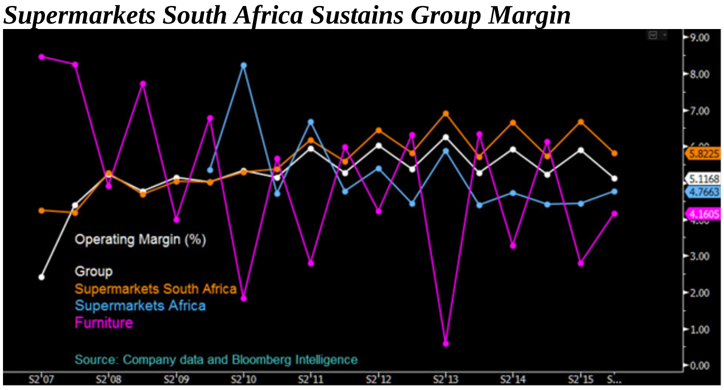
Companies Impacted: Supermarkets South Africa is the largest division, accounting for more than 72% of revenue. Non-RRepublic of South Africa supermarkets are just over 17% of sales, up from 10.6% in 2010. Furniture and appliance retail is 4%, with the balance coming from a variety of other retail businesses.



Shoprite Africa Sales Surge Should Support Second Profit Pillar

Strong same-store sales in the non-Republic of South Africa supermarkets should sustain Shoprite's group operating margin, even in the face of sharp cost increases. While margins outside South Africa are likely to remain below the group average because of a lack of scale and structural operating issues, improving sales can create margin leverage. Supermarkets South Africa remains the profit driver, with the 6.2% 2014-15 Ebit margin well ahead of the BI global peer-group median of 3.6%.

Supermarkets South Africa Sustains Group Margin

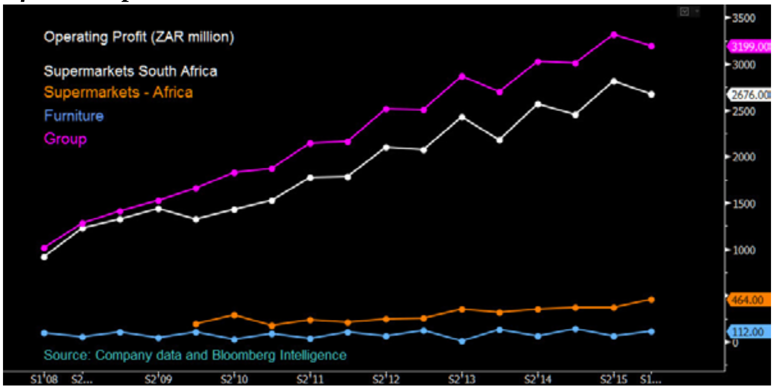


Peer Comparison: Shoprite's Ebit margin of 5.5% is well ahead of local food retail competitors. Pick'n'Pay has an Ebit margin of 2.1%, Massmart 2.7% and Spar 3.1%. Woolwoths Holdings. Which also sells clothing, has an Ebit margin of 9.9%.

Supermarket Sales Gains Should Sustain Shoprite Profit Increases

South African supermarkets have been the engine of Shoprite's profit growth, sustained by steady sales gains, even with unpredictable cost increases. The sharp improvement in African sales in 2H15/16 reinforces the expectation that this division will provide a second profits pillar, sustaining Shoprite's earnings as it expands into immature African retail. This earnings stream is likely to be less steady than the home market because of currency devaluations, such as the naira flotation in June.

African Supermarkets Sales Could Drive Ebit



Companies Impacted: Supermarkets South Africa accounts for about 83% of Ebit, Supermarkets. Non-RSA just under 12% and furniture and appliance stores, 3%.

Earnings Review

The remarkable acceleration in African supermarket sales, defying the economic slowdown in resource rich countries, justifies the decision to accelerate supermarket openings, with about 29 in the 2015-16 fiscal year. This was reinforced by stronger sales in South Africa, albeit with reduced volume growth, as inflation accelerated. Revenue growth should translate into resilient profits, as the company can offset widespread cost increases while maintaining competitive prices.

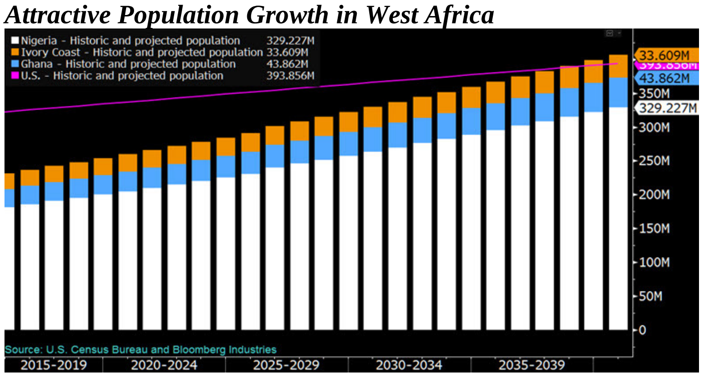
African Expansion Beckons

Nigeria's wholesale and retail industries have avoided the downturn that afflicted the overall economy. At the same time, food inflation has accelerated. The climate is likely to remain difficult in the short term for Shoprite, which has 16 stores in the country, Pick N Pay, which will enter through a joint-venture, and Massmart, given the economy is likely to contract in 2016. All three food retailers anticipate long-term growth from Nigeria, so seem prepared to invest through this more difficult period.

Nigeria Attracts Supermarkets to Feed Population Set to Double

The attraction of a doubling population as Nigeria's is set to do in the next 30 years means that food retailersare opening stores there despite significant logistical challenges in supplying them. Shoprite has been the pioneer, opening with its first store in 2005. It has been joined by Mass-Mart, 51% owned by Wal-Mart, and likely the Carrefour/CFAO joint venture. Most recently Pick n Pay announced that it would enter the market in a joint venture with AG Leventis, a local company.

Attractive Population Growth in West Africa



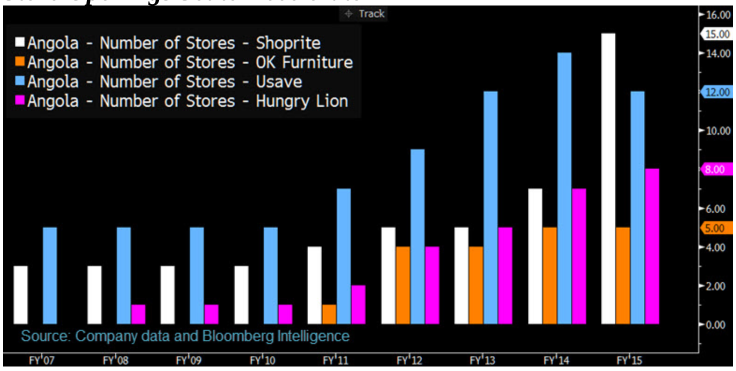
Retailers Jostle as Africa Poised for Switch to Modern Shopping

The low level of modern retail in Africa adds to the attraction of the growing population and long-term rising income. As income increases, shoppers migrate to supermarkets, hypermarkets and other modern retail formats from traditional markets. There is typically an inflection point when modern retail develops rapidly, explaining why groups such as Shoprite, Massmart and Carrefour, with CFAO, are planning to accelerate their expansion so that they have stores in place even as African economies slow.

Shoprite Hastens Angola Expansion for Long Term as Economy Slows

Shoprite is planning to double its supermarkets in Angola, even as the country's economy slows with the lower oil price. The replacement store after a fire at Palanca, historically the company's most productive location, opened in April. It's also opening units outside Luanda, the capital. Other retailers including Spar and local operator Kero also are expanding. Shoprite's longestablished stores could give it a cost advantage after high asset inflation with property typically priced in dollars.

Store Openings Set to Accelerate



South African Leader

Shoprite is the grocery market-share leader in SouthAfrica, reinforcing its position with a focus on low prices, a competitive assortment and store expansion program. Even though the domestic market is relatively mature for an emerging one, it has nevertheless attracted Wal-Mart, the largest global retailer, which acquired the local chain Massmart in 2010. A market-share leader typically gains better terms from suppliers, as long as it continues to generate volume gains from new stores and same-store sales.

Shoprite Tops Pick 'N Pay

Name	2015	2014	2013	2012	2011
Market Share by Geo Area (%)					
Estimated from Government Ret...					
South Africa	100.0	100.0	100.0	100.0	100.0
Pick n Pay		16.2	16.5	16.5	17.7
Woolworths		8.5	8.3	8.1	7.8
Food		5.4	5.3	5.1	4.8
GM&Clothing		3.1	2.9	3.0	3.0
Shoprite- Supermarkets		21.6	21.1	20.7	20.6
Massmart		18.2	18.3		18.0
Spar	13.4	13.3	13.2	12.8	12.4
Russia	100.0	100.0	100.0	100.0	100.0
Magnit -Russia	7.1	6.2	5.2	4.5	3.7
X5 -Russia	6.0	5.1	4.8	4.9	5.0
Metro AG- Russia (Food & Wh...	1.7	1.6		2.0	1.9
DIXY Group- Russia	2.0	1.9	1.6	1.5	1.3

Methodology: Market-share data is based on Statistics South Africa reported sales for two retail categories - 'General Dealers' and 'Food, beverages and tobacco in specialized stores' - as the denominator and reported company sales as the numerator. Other market-share estimates probably use another denominator.

(By Charles Allen, Senior Industry Analyst, Bloomberg Intelligence)

SOVEREIGN RATINGS

Eurozone

01-08-2016	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Austria	Aa1	AA+	AA+	P-1	A-1+	F1+
Belgium	Aa3	AAu	AA	NR	A-1+u	F1+
Cyprus	**B1**	BB-	B+	NP	B	B
Estonia	A1	AA-	A+	NR	A-1+	F1 +
Finland	Aa1	AA+	AA+	NR	A-1+	F1+
France	Aa2	AAu	AA	NR	A-1+u	F1+
Germany	Aaa	AAAu	AAA	NR	A-1+u	F1+
Greece	Caa3	B-	CCC	NP	B	C
Ireland	A3	A+	A	P-2	A-1	F1
Italy	Baa2	BBB- u	BBB+	P-2	A-3u	F2
Latvia	A3	A-	A-	NR	A-2	F1
Lithuania	A3	A-	A-	NR	A-2	F1
Luxembourg	Aaa	AAA	AAA	NR	A-1+	F1+
Malta	A3	BBB+	A	NR	A-2	F1
Neherlands	Aaa	AAAu	AAA	P-1	A-1+u	F1+
Portugal	Ba1	BB+u	BB+	NR	Bu	B
Slovakia	A2	A+	A+	NR	A-1	F1 +
Slovenia	Baa3	A	BBB+	NR	A-1	F2
Spain	Baa2	BBB+	BBB +	P-2	A-2	F2
United Kingdom	Aa1	AAu	AA+	NR	A-1+u	F1+

*Sources: Bloomberg, Eaglestone Advisory (Rating: **Up** , **Down** , No Change, **Initial**)*

North and South America - Asia

01-08-2016	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Argentina	B3	B-	B	NP	B	B
Australia	Aaa	AAAu	AAA	NR	A-1+u	F1+
Brazil	Ba2	BB	BB	NR	B	B
Canada	Aaa	AAA	AAA	NR	A-1+	F1+
China	Aa3	AA-	A+	NR	A-1+	F1 +
Colombia	Baa2	BBB	BBB	NR	A-2	F2
Cuba	Caa2	NR	NR	NR	NR	NR
Hong Kong	Aa1	AAA	AA+	NR	A-1+	F1+
India	Baa3	BBB-u	BBB-	NR	A-3u	F3
Japan	A1	A+u	A	NR	A-1u	F1
Macau	Aa3	NR	AA-	NR	NR	F1+
Mexico	A3	BBB+	BBB+	WR	A-2	F2
Singapore	Aaa	AAAu	AAA	NR	A-1+u	F1+
Uruguay	Baa2	BBB	BBB-	NR	A-2	F3
Venezuela	Caa3	CCC	CCC	NR	C	C
United States	Aaa	AA+u	AAA	NR	A-1+u	F1+

*Sources: Bloomberg, Eaglestone Advisory (Rating: **Up** , **Down** , No Change, **Initial**)*

Region - Africa/Middle East

01-08-2016	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Angola	B1	B	B+	NR	B	B
Bahrain	Ba2	BB	BB+	NR	B	B
Benin	NR	NR	WD	NR	NR	WD
Botswana	A2	A-	NR	NR	A-2	NR
Burkina Faso	NR	B-	NR	NR	B	NR
Cameroon	NR	B	B	NR	B	NR
Cape Verde	NR	B	B	NR	B	B
Egypt	B3	B-	B	NR	B	B
Emirate of Abu Dhabi	Aa2	AA	AA	NR	A-1+	F1+
Ethiopia	B1	B	B	NR	B	B
Gabon	B1	NR	B+	NR	NR	B
Ghana	B3	B-	B	NR	B	B
Iran	NR	NR	NR	WR	NR	NR
Iraq	NR	B-	B-	NR	B	B
Israel	A1	A+	A	NR	A-1	F1
Ivory Coast	Ba3	NR	B+	NP	NR	B
Jordan	B1	BB-	NR	NR	B	NR
Kenya	B1	B+	B+	NR	B	B
Kuwait	Aa2	AA	AA	NR	A-1+	F1+
Lebanon	B2	B-	B-	NP	B	B
Lesotho	NR	NR	B+	NR	NR	B
Libya	NR	NR	WD	NR	NR	WD
Mali	NR	NR	WD	NR	NR	NR
Mauritius	Baa1	NR	NR	NR	NR	NR
Morocco	Ba1	BBB-	BBB-	NR	A-3	F3
Mozambique	Caa3	CCC*-	CC	NR	C*-	C
Namibia	Baa3	NR	BBB-	NR	NR	F3
Nigeria	B1	B+	B+	NR	B	B
Oman	Baa1	BBB-	NR	NR	A-3	NR
Qatar	Aa2	AA	AA	NR	A-1+	F1+
Republic of Congo	B2	B-	C	NR	B	C
Republic of Zambia	B3	B	B	NR	B	B
Rwanda	NR	B+	B+	NR	B	B
Saudi Arabia	A1	A-	AA-	NR	A-2	F1+
Senegal	B1	B+	NR	NR	B	NR
Seychelles	NR	NR	BB-	NR	NR	B
South Africa	Baa2	BBB-	BBB-	P-2	A-3	F3
Tunisia	Ba3	NR	BB-	NR	NR	B
Uganda	B1	B	B+	NR	B	B
United Arab Emirates	Aa2	NR	NR	NR	NR	NR

Sources: Bloomberg, Eaglestone Advisory (Rating: Up, Down, No Change, Initial)

AAA' and 'AA' (high credit quality) and 'A' and 'BBB' (medium credit quality) are considered investment grade. Credit ratings below these designations ('BB', 'B', 'CCC', etc.) are considered low credit quality, and are commonly referred to as "junk bonds".

IMF, WORLD BANK & AFRICAN DEVELOPMENT BANK

Zimbabwe 'On Course' to Clear $1.8B Loan Arrears

Zimbabwe will clear the $1.8 billion of arrears it owes the World Bank, International Monetary Fund and African Development Bank once it has a new financing plan with the three multilateral lenders, Finance Minister Patrick Chinamasa said.

The southern African nation is continuing negotiations with the three on financing industries such as agriculture, Chinamasa said in an interview in Rwanda's capital, Kigali. A survey of how much money is required is being undertaken and once agreed, it will enable the economy to access fresh funding from the three lenders. "A strategy for clearing of arrears is running parallel with negotiations for a country finance program," Chinamasa said. "Neither of them is complete. A country finance program should be in place before and we should be clear how much money we need. Only then can we clear the arrears." Chinamasa said earlier this year the country would repay at least $1.8 billion by the end of June to be able it to resume borrowing. Last week, central bank Governor John Mangudya said Zimbabwe has not paid anything. The nation owes $110 million to the IMF, $1.1 billion to the World Bank and $601 million to the AfDB, Mangudya said.

Chinamasa has been leading efforts to revive the southern African nation's struggling economy and tap fresh financing from the IMF. The economy has halved in size over the past 16 years and about 90 % of the population is out of formal employment. "What Zimbabwe needs right now is new money into the productive sectors of the economy," he said. "Just clearing arrears alone is not enough, it will mean our risk profile improves, but that alone is not enough."

Working Frantically

The government has banned some South African imports ranging from baked beans to wheelbarrows and wants to renegotiate trade deals with the nation that is also its largest trading partner, Chinamasa said. There is "inequity in our trading relations" and discussions on restructuring trade relations would be undertaken by the respective trade ministers. "We should not allow a situation where we are being used as dumping ground for cheap South African goods," he said. The government may have to revise its 2016 growth forecast downwards as productivity declines, he said. Industrial production was very low and the shift toward the informal sector affects revenue collection and the state's ability to pay workers. Zimbabwe has already cut its forecast to between 1.1 % and 1.5 % this year, from 2.7 % earlier, on account of a drought in the region. Chinamasa couldn't say whether the government has money to pay salaries due at the end of July. "We have to work frantically to raise the money for salaries for July and for subsequent months," he said. *(By Felix Njini, Bloomberg)*

IMF Says Nigeria's Economy Will Probably Contract 1.8% This Year

Africa's largest economy will probably contract by 1.8 % this year and curb growth in the entire region, according to the International Monetary Fund. The Washington-based lender cut its 2016 growth forecast for Nigeria from 2.3 % projected in April, according to its World Economic Outlook update released on July 19. The projection for next year was reduced to 1.1 % from 3.5 %. The Nigerian economy will contract for the first time in more than two decades as it "adjusts to foreign-currency shortages as a result of lower oil receipts, lower power generation and weaker investor confidence," the IMF said. Gross domestic product shrunk by 0.4 % in the three months through March as oil output and prices slumped and the approval of spending plans for 2016 were delayed. A currency peg and foreign-exchange trading restrictions, which were removed last month after more than a year, led to shortages of goods from gasoline to milk and contributed to the contraction in the first quarter. Inflation in Nigeria accelerated to 16.5 % in June, the highest in almost 11 years. The Central Bank of Nigeria, which kept its benchmark rate at 12 % in May, will announce its next policy decision on July 26. Six of nine analysts in a Bloomberg survey forecast borrowing costs will stay unchanged. The IMF almost halved its 2016 growth forecast for sub-Saharan Africa to 1.6 % and cut its 2017 projection to 3.3 % from 4 %. South Africa's economy will expand 0.1 % this year and 1 % next year, the lender said. *(By David Malingha Doya, Bloomberg)*

World Bank Stops Funding World's Biggest Power Plant Plan

The World Bank has suspended funding to help develop a $14 billion hydropower project in the Democratic Republic of Congo, a stage in what could become the world's biggest power plant, after a disagreement with the nation over implementation plans. The announcement to halt financing the Inga 3 project followed the Congo's decision "to take the project in a different strategic direction to that agreed between the World Bank and the government in 2014," the Washington-based lender said in a statement on its website, without elaborating further.

The World Bank agreed to $73 million in technical assistance for the first phase of the $100 billion Grand Inga hydropower project which would produce 44,000 megawatts. Inga 3 alone would produce at least 4,800 megawatts, almost double Congo's current installed capacity. China's Three Gorges power plant, at 22,500 megawatts, is currently the world's biggest power plant.

Only 6 % of these funds had been disbursed before the decision to pull its support, the World Bank said. The lender would continue to work with the government to ensure the project's execution follows proper procedures, it said.

Bruno Kapandji, who heads the Inga project for the government, didn't answer calls and staff at his office said he was not available for comment.

The World Bank is halting its funding due to concerns that environmental and social standards would be overlooked as the Congo fast-tracks the project to honor a supply agreement with South Africa by 2021, Joshua Klemm, a policy director at lobby group International Rivers, said in an e-mailed statement. The two ventures which are still in the running to build the project are China Three Gorges Corp. in partnership with Sinohydro Corp., and Madrid-based Actividades de Construccion y Servicios SA with Spain's Eurofinsa SA. The government has said it expects to receive final bids by the end of this month and will select a developer by September. *(By Thomas Wilson Bloomberg)*

Egypt Says IMF Loan Talks to Start in Days

Cash-strapped Cairo hopes to secure multibillion-dollar funding program

An International Monetary Fund delegation is expected to arrive in Cairo this weekend to discuss a multibillion-dollar loan for cash-strapped Egypt as its currency plumbs record lows in the black market.

The government, struggling to mend a floundering Egyptian economy, is seeking funds from the emergency lender and will finalize negotiations with an IMF mission due to arrive in the coming days, its cabinet said. Egypt is hoping to secure $12 billion in funding from the IMF via a three-year support program, officials told local news outlets, which will help plug a total funding gap of about $21 billion in the period. The Egyptian finance ministry and central bank couldn’t be immediately reached. “The Egyptian authorities have asked the IMF to provide financial support for their economic program, “said Masood Ahmed, head of the IMF’s Middle East department.”We welcome this request, and look forward to discussing policies which can help Egypt meet its economic challenges,” he added. Talks for an IMF loan come as the Egyptian pound fell this week to its lowest-ever valuation—at around 13 to a U.S. dollar—on the unofficial black market. Bets have increased that a weaker economy will force Cairo to devalue its currency again after the central bank governor said defending it had been a “grave mistake.” An acute dollar shortage is hurting the already struggling economy. The country largely depends on foreign investments and tourism for hard currency but those have suffered because of political unrest since the uprising in 2011 and a spate of terror attacks. Egypt’s foreign-exchange reserves amounted to about $17.5 billion at end of June, just about half of what the country had before the 2011 uprising.

The central bank has kept the official exchange rate steady at about 8.88 a dollar since devaluing the currency in March. A devaluation of the pound would boost foreign investors’ confidence and increase the Egyptian market’s competitiveness, which would help improve the country’s balance of payments. “If approved, this [IMF loan] would help to plug Egypt’s external financing requirement and improve the economy’s growth prospects. It would also almost certainly entail a further devaluation of the currency,” William Jackson, senior emerging markets economist at Capital Economics, said. He cautioned that Egypt has been on the brink of securing an IMF deal at several points over the past five years before the talks broke down, but noted that an apparent shift toward more orthodox policy-making suggests officials are now more willing to push the deal through. *(By Dahlia Kholaif, Wall Street Journal)*

Egypt says close to securing 3-year IMF loan programme

Egypt said it was close to agreeing an International Monetary Fund (IMF) lending programme to ease its funding gap and restore market stability and was seeking to secure $7 billion annually over three years. Prime Minister Sherif Ismail ordered the central bank governor and minister of finance to complete negotiations for the programme with an IMF team that will visit Egypt in the next few days, the cabinet said in a statement. "We are resorting to the IMF because the budget deficit is very high, between 11 and 13 % within the past six years," finance minister Amr el-Garhy, said in a phone interview with presenter Lamis El-Hadeedi on a private TV channel.

In Washington, the IMF welcomed Egypt's request for financial support and said it would send a mission to Egypt for about two weeks from July 30. The cabinet statement, after a five-hour meeting, was the first official confirmation that talks with the IMF were under way. The statement said talks had been ongoing for three months. "The prime minister stressed the need to cooperate with the IMF through the support program to enhance international confidence in the economy and attract foreign investment, and therefore achieve monetary and financial stability ... targeting $7 billion annually to fund the program over three years," the cabinet statement said.

The government is seeking $12 billion from the IMF, $4 billion a year, which will carry an interest rate of 1 or 1.5 %, el-Garhy said. The package includes issuing $2-3 billion in international bonds which will be offered as soon as possible, between September and October, he added.

Economists welcomed the news, which came after a turbulent few weeks for Egypt's currency, the pound, which has plummeted to new lows on the black market as confusion mounted over the direction of monetary policy. "It's great. Finally," said Hany Genena, head of research at Beltone Securities Brokerage. "Confidence will be restored in the government and central bank. Secondly, we will see flotation of the pound, if not tomorrow, next week, the week after." Genena said he expected the Cairo stock market to surge after the news and for the currency to strengthen on the black market. The black market had already strengthened slightly from lows near 13 to the dollar. Two black market traders contacted by Reuters said they were selling dollars at about 12.80 to 12.85 pounds after the IMF deal was announced. "I think the stock index will hit 8,000 in the next couple of days," Genena added. Egypt's economy has been struggling since a mass uprising in 2011 ushered in political instability that drove away tourists and foreign investors, both major earners of foreign currency. Reserves have halved to about $17.5 billion since then. The dollar shortage has forced Egypt to introduce capital controls that have hit trade and growth, while the value of the Egyptian pound has plummeted on the black market in recent weeks as expectations of a second devaluation this year mount.

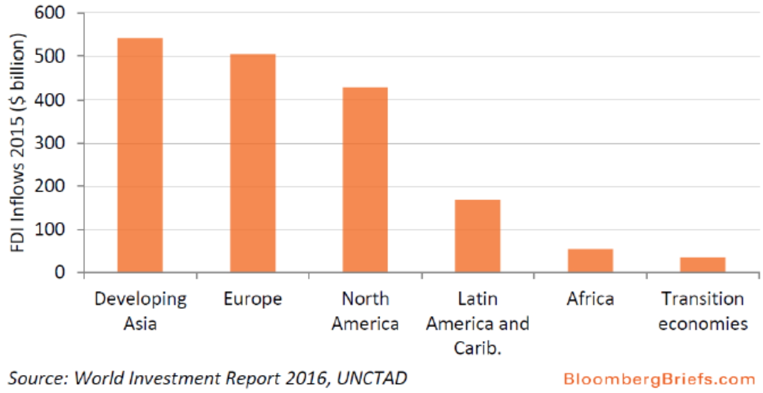
The government has pushed ahead with its reform programme, including plans for a value added tax (VAT) and subsidy cuts that were put on hold when global oil prices dropped. A VAT bill is in its final stages of preparation but has faced resistance in parliament due to concerns over inflation, which has touched seven-year highs since the currency was devalued by 13 % in March. Egypt's ambitious home-grown fiscal reform programme formed the basis of a $3 billion three-year loan deal with the World Bank that was signed in December. But the cash has yet to be disbursed since the World Bank is waiting for parliament to ratify economic reforms including VAT. A cabinet minister told Reuters last month that Egypt had started negotiations with the IMF and that the central bank was leading the talks. A statement released by Capital Economics, an independent economic research company, also welcomed the news. "If approved, this would help to plug Egypt’s external financing requirement and improve the economy’s growth prospects," it said. "This would make a sizeable dent in Egypt’s gross external financing requirement, which we estimate to be around $25 billion over the coming year." *(By Amina Ismail and Lin Noueihed, Reuters)*

INVESTMENTS

African FDI Expected to Return to Growth, Reach $80 Billion by 2020: United Nations

African foreign direct investment inflows are projected to increase by 48 % to $80 billion by 2020, according to Astrit Sulstarova, the head of investment trends and data at the UN Conference on Trade and Development. But despite this growth rate, the region is still likely to lag behind economies in Asia, Europe and the Americas.

Africa Still Playing Catch-Up



(By Ebru Boysan, Bloomberg)

Angola to Privatize 53 Plants at Luanda-Bengo Economic Zone

Full ownership to be transferred to private entities with “sufficient capital, knowledge and technology to boost the industries and strengthen the national economy,” according to Government Gazette dated July 13. Economy Ministry appoints commission to negotiate with potential buyers. NOTE: Luanda-Bengo Special Economic Zone established in 2009 to produce essential goods after 27-year civil war that ended in 2002. *(By Candido Mendes, Bloomberg)*

China is top destination for Angolan exports in 1st quarter

China was the main destination for exports from Angola, mainly oil, in the first quarter of 2016, according to Angolan Finance Ministry figures. In the first three months of the year, Angolan exports to China totalled US$1.16 billion, or a decrease of 50% over the amount recorded in the same period of 2015.

China was also the second largest supplier of Angola in the same period. The value of imported products reached US$418 million, an annual contraction of 47%. From January to March Angolan imports totalled US$2.963 billion, an annual reduction of 41% and exports reached US$2.741 billion, 51% less year on year. In the first quarter of the year the United States was Angola’s main supplier, overtaking China and pushing Portugal into third place, according to Portuguese news agency Lusa. In the period US companies exported goods and services to Angola worth US$485 million, mainly turbojets, turbopropellers and other gas turbines purchased by state power production company Prodel. *(Macauhub)*

Mara Delta to invest $110m more on property in Mozambique

Mara Delta, which is an apse-listed pan African property owner, said it will invest a further $110m in Mozambique by acquiring an additional four properties, and the second stage development of its Anadarko building. The company has, since 2014, invested in six commercial properties in Mozambique, valued at $160m. "We are confident of the long-term growth prospects in Mozambique. The challenges that the country faces are not unique to emerging economies and we are continuously engaging with the Banco de Moçambique on these matters. "Mara Delta has a solid risk strategy in place which includes careful cash flow management around investments, our ability to manage flow of funds through our liquidity facilities in Mauritius and ensuring our anchor tenants are blue chip internationals, securing most of our leases in US dollars," said the company’s head of developments Greg Pearson. "We are currently engaging with financiers for a 7-10 year Mozambique debt package to refinance the in-country debt and fund the acquisition pipeline," he said. "Real estate investment is a long-term play, and we certainly remain committed to the countries we invest in. We have long leases in place and have diversified our portfolio in Mozambique significantly to manage through the economic cycle," Pearson said.

Mara Delta has a management team with over 45 years combined African experience and relationships, and in-country asset and property management teams. CEO Bronwyn Corbett said Mara Delta was focused on creating significant shareholder value, which ensured consistent growth on the African continent. Mara Delta is listed in Johannesburg and Mauritius and also holds a portfolio of assets in Morocco, Zambia, Nigeria, Kenya and Mauritius. *(By Alistar Anderson, BDLive)*

Private investment in industry is critical to Angola’s development

Private investment in manufacturing is critical to the balanced development of the economy and employment growth in Angola, said in Luanda the minister of Economy, cited by state newspaper Jornal de Angola. Abrahao Gourgel also said the government was watching closely and considers promoting conditions for growth of investment without direct support from the state a priority for the country's economic and industrial policy. The minister said that in Angola private investment is less than 5% of GDP, which according to the World Bank, is less than the figures of between 10% and 15% in South Africa and 15% and 20% in Namibia and Botswana. During a conference on private investment in manufacturing, Gourgel admitted that the drop in oil prices had also led to a sharp drop in the growth trend, which slowed to 3% in 2015 and had a huge impact on the main macroeconomic variables including State expenditure. The Minister for Industry, Bernarda Martins, present at the conference, acknowledged that domestic industry was running at below installed capacity and some units are at a standstill or near standstill due to difficulties in importing raw materials and spare parts. *(Macauhub)*

BANKING

Banks

Bank deposits in Cabo Verde will be guaranteed

The creation of a deposit guarantee and other response mechanisms to crises in the banking sector in Praia brought together officials from the Bank of Cabo Verde (Cape Verde) and commercial banks operating in the archipelago, local media reported. At that meeting, the Cape Verdean central bank introduced the others to the basis for the draft Law on the Deposit Guarantee Fund, which is intended to boost the credibility of the banking system. The board of the Bank of Cabo Verde said that the ongoing initiatives aim to strengthen the institutional framework of regulation to increase the stability of the financial sector and prevent banking crises. The governor of the Cape Verdean central bank, João Serra, said after the meeting that the institution is "very closely" following the situation of Portuguese state bank Caixa Geral de Depósitos (CGD). CGD is the majority shareholder of Banco Comercial do Atlântico (BCA), the largest Cape Verdean commercial bank, with 52.5% of capital, and still holds a stake in Banco Interatlântico (BI). João Serra added he hoped the Portuguese bank would not leave Cabo Verde as its departure would lead to "many difficulties, many problems for the Cape Verdean banking system." *(Macauhub)*

Investment banks still glum about outlook

Investment banking confidence is still near historical lows, even though it has recovered slightly from the first quarter, as investment banks grapple with thinning volumes and weak economic growth, according to an EY survey published.

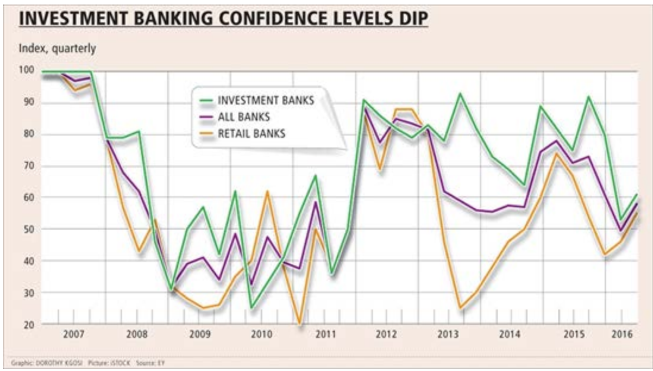
The survey, conducted by the Bureau for Economic Research, showed domestic investment banking confidence was at 61 index points (out of 100) during the second quarter, up eight points from the previous quarter. EY attributed the recovery to the decision by ratings agency S&P Global Ratings to maintain SA's investment-grade sovereign rating. But the confidence level is below the 80 points of the fourth quarter of 2015 and historically low, reflecting greater pessimism about the sector's prospects. Confidence levels in retail banking posted a stronger recovery, rising nine points to 55. Andy Bates, EY Africa's financial services head, said investment banking was more volatile than retail. "Their deal flows are often lumpy and irregular, so it is more difficult to forecast revenue."

All but one investment banking business line reported shrinking volumes, leading to a drop in profit, the first time in more than four years that investment banks reported a quarterly profit drop. Average volumes dropped markedly, with treasury and specialised finance the only line to post marginal improvements in volumes, according to the survey. This tied in with a separate report by Thomson Reuters and Freeman Consulting, which found investment banking fee income plunged about 22% to $173.9m in the first half of 2016. This report covered sub-Saharan Africa.

The only three local banks that made the Thomson Reuters ranking of the top 10 investment banking fee earners were Rand Merchant Bank with $12.5m, Java Capital with $10.2m and Nedbank Capital with $5m. Four made it in 2015.

The EY survey showed weak income growth in retail banking, driven by flat net interest income and narrowing fees and commissions. Net profit growth was the slowest in three years.

Overall banking confidence rose eight points to 58, well below the long-term average of 72 index points — a trend that has been in place since 2013, as "very weak macroeconomic conditions, falling employment levels, weak commodity prices, and capital outflows — causing SA to run a current account deficit" took a toll, according to Bates.



This has placed corporate and household lending under pressure. For banking confidence to recover, SA's economic growth — forecast by the IMF at 0.1% for 2016 — would need to accelerate. "I would think that even a slow increase in the growth forecast will have an impact on retail bank confidence, because it will mean that banks start to feel positive revenue growth on the back of the base effect," Bates said. "(The situation) is essentially that at the very bottom of the cycle, any lift from there is positive — so even if it does not necessarily mean that revenue or profits are at historic new highs, they are better than at the trough of the

cycle." EY's gloomy findings are expected to filter through when the banking sector begins its reporting season late in July, starting with Barclays Africa.
36One Asset Management analyst Nico Smuts said the domestic banking sector was likely to "report a muted performance" for the first half. "As with most domestically focused businesses, the slowing economy is expected to have dampened banks' growth rates," he said. "The two interest rate hikes earlier this year would have bolstered interest revenue, but an increase in credit losses may well have eroded these gains for some of the banks." Smuts said the market would focus on cost control in 2016, rewarding banks that kept a lid on rising costs. "Barclays Africa has shown good cost discipline in 2015, and the interim results will indicate whether it is on track to do the same in 2016," he said. "Nedbank faces some specific challenges north of our borders, where it is a large minority shareholder in Ecobank." Nedbank reported a sizeable loss recently, driven by a spike in impairments, which will be reflected in its interim earnings report. *(By Moyagabo Maake, BDLive)*

Discovery Enters Japanese lnsurance With Sumitomo, SoftBank Deal
Discovery Ltd., South Africa's third-largest insurer by market value, said it has set up a partnership with Japan's Sumitomo Life Insurance Co. and SoftBank Group Corp. to develop and introduce products for the world's third-largest economy. Discovery's Vitality program, which rewards members for exerdsing and eating healthy, will be introduced through Sumitomo and use SoftBank's technological and digital capabilities, Adrian Gore, chief executive officer of Johannesburg-based Discovery, said by phone. The three partners will also create a database to collect health-related information, which will help the insurers to price the products and set up reinsurance, he said. Gore, 52, started Discovery in Johannesburg in 1992 as a health-insurance administrator and it has since branched out into life cover, investment funds, credit cards and property and casualty insurance. lt's now one of the top 40 largest companies in South Africa and has more than 3.5 million Vitality members in countries including the U.K., the U.S., Germany, China, Singapore and Australia. Membership numbers may leap further with Japan being the world's second-biggest insurance market, according to Gore. "The Japanese market is ideal and after speaking with a number of insurers, we felt we had a good fit with Sumitomo," Gore said."We've now got a lot on our plate. We don't need more territories, we need to get more traction." Pending approval from the relevant authorities, the development of the Vitality program for the Japanese market will start immediately. *(By Renee Bonorchs, Bloomberg)*

Standard Bank granted banking licence in Ivory Coast
Standard Bank is gearing up to commence banking operations in Ivory Coast after it secured a banking license. Trading as Stanbic Bank, the Group opened a Representative Office in December 2013, signaling a drive towards establishing a presence in Francophone West Africa. The financial firm believes Ivory Coast stands out for its "diverse, rapidly growing economy and business friendly reputation. The country currently enjoys one of sub-Saharan Africa's fastest GDP growth rates, expected to maintain 7% or more over the next three years. "We are delighted to be actively expanding into this attractive market alongside many of our existing multi-national corporate clients and look forward to partnering with them and other players, as well as supporting enterprises considering entering Côte d'Ivoire and the wider region for the first time", says Stanbic Bank CEO Hervé Boyer. Boyer says Stanbic Bank in Côte d'Ivoire will provide the same high quality Corporate and Investment Banking products, advice and service experience that customers have come to expect across the continent. The mostly French speaking West African Economic and Monetary Union (UEMOA) region was identified as a key growth opportunity and an excellent strategic fit for the Group which has committed to play a leading role in driving Africa's growth. "With the addition of Côte d'Ivoire to our portfolio, we will be able to meet our clients' banking needs in one of the continent's most exciting growth regions," says Victor Williams, Head of Corporate and Investment Banking for Africa. (*By Tintswalo Baloyi, CAJ News)*

Markets

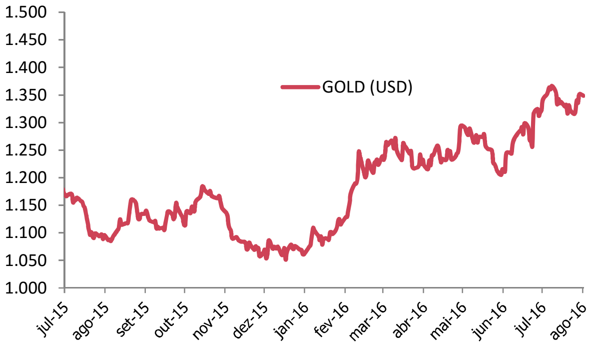
Togo issues first $251 mln, 10-yr sukuk bond with 6.5 pct yield
Togo is selling a 150 billion CFA franc ($251.40 million) sukuk bond with a 10-year maturity and 6.5 % yield, one of the transaction's arrangers said. The subscription period for the sukuk - the first Islamic finance instrument issued by the West African nation - runs from July 20 to Aug. 10, said David Adoté Akueson of arranger SGI Togo. ($1 = 596.6500 CFA francs) *(By by Nellie Peyton, Reuters)*

Egypt's Pioneers Holding plans $80 mln capital increase
Egypt's Pioneers Holding (PHC) plans to increase its issued capital by 708 million Egyptian pounds ($80 mln) by offering one bonus share for every four currently held per shareholder, the company said. The increase will lift the market research and brokerage services company's issued capital to 3.54 billion Egyptian pounds, from 2.83 billion pounds and will be financed through retained earnings, Pioneers said in a statement via the Cairo stock exchange. The bonus shares will be issued at the nominal value of five pounds per share for existing shareholders, said Waleed Mohamed Zaki, head of investor relations. "The shares are due to be distributed starting from Thursday, Aug. 11, after approval from the listing committee," Pioneers said. Pioneers specialises in market research and brokerage services but also has investment arms in real estate, industry and financial services. ($1 = 8.8799 Egyptian pounds) *(By Lila Hassan, Reuters)*

MARKET INDICATORS
01-08-2016

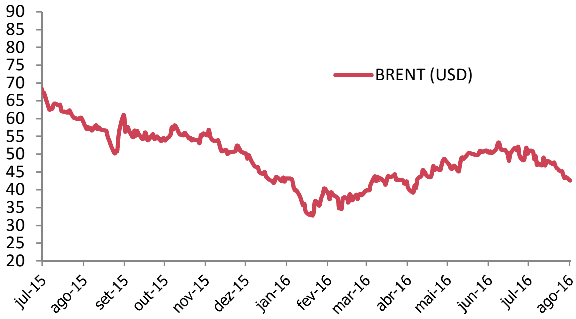
STOCK EXCHANGES		
Index Name (Country)	**01-08-2016**	**YTD % Change**
Botswana Gaborone Domestic Index (Botswana)	9.841,78	-7,17%
Bourse Régionale des Valeurs Mobilières (Ivory Coast)	290,11	-4,55%
Case 30 Index (Egypt)	7.930,14	13,19%
FTSE NSE Kenya 15 Index (Kenya)	176,08	-5,66%
Morocco Casablanca Stock Exchange CFG 25 (Morocco)	20.982,63	10,42%
Nigerian Stock Exchange All Share Index (Nigeria)	27.843,00	-2,79%
FTSE/JSE Africa All Shares Index (South Africa)	53.139,50	4,82%
Tunindex (Tunisia)	5.342,74	5,96%

Source: Bloomberg and Eaglestone Securities



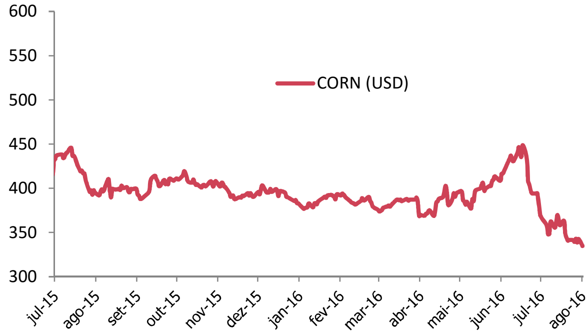
METALS		
	Spot	**YTD % Change**
Gold	1.349	27,05%
Silver	20	47,70%
Platinum	1.156	29,46%
Copper $/mt	4.925	4,68%

Source: Bloomberg and Eaglestone Securities



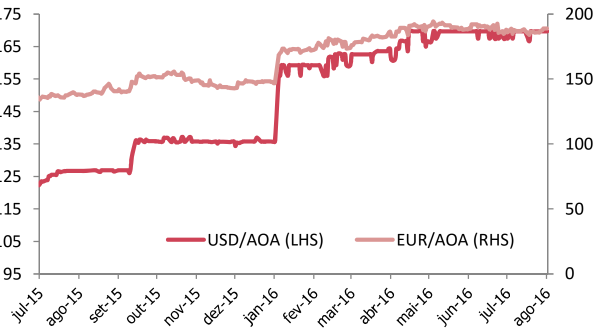
ENERGY		
	Spot	**YTD % Change**
NYMEX WTI Crude (USD/barril)	40,7	9,83%
ICE Brent (USD/barril)	42,6	14,22%
ICE Gasoil (USD/cents per tonne)	368,0	10,10%

Source: Bloomberg and Eaglestone Securities



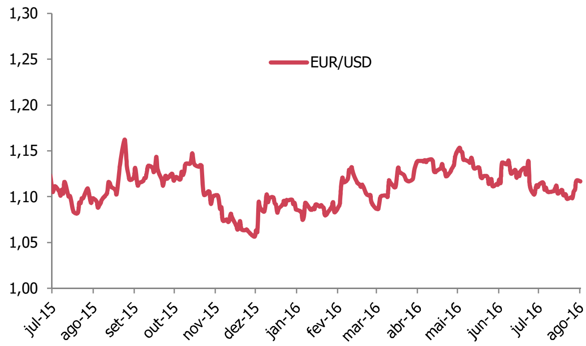
AGRICULTURE		
	Spot	**YTD % Change**
Corn cents/bu.	334,8	-6,69%
Wheat cents/bu.	407,3	-13,35%
Coffee (KC) c/lb	144,4	13,97%
Sugar#11 c/lb	19,2	25,92%
Cocoa $/mt	2944,0	-8,32%
Cotton cents/lb	74,5	17,71%
Soybeans c/bsh	968,8	12,09%

Source: Bloomberg and Eaglestone Securities



CURRENCIES	
	Spot
KWANZAS	
USD	169,219
EUR	188,982
GBP	223,377
ZAR	12,142
BRL	51,793
NEW MOZAMBIQUE METICAL	
USD	69,220
EUR	75,844
GBP	89,634
ZAR	4,967
SOUTH AFRICAN RAND SPOT	
USD	13,932
EUR	15,559
GBP	18,390
BRL	4,265
EUROZONE	
USD	1,12
GBP	0,85
CHF	1,08
JPY	114,42
GBP / USD	1,32

Source: Bloomberg and Eaglestone Securities



Kenya: UAP to acquire Old Mutual firms ahead of listing on bourse

UAP Holdings will acquire all the subsidiaries of Old Mutual Kenya as the firms move to tighten their merger ahead of a planned listing on the Nairobi Securities Exchange (NSE).

UAP-Old Mutual Kenya Group chief executive Peter Mwangi told the Business Daily that the company expects to conclude the acquisition by end of the year, and by July 2017 the overlapping units will have been fully merged. Old Mutual acquired a majority stake of 60.7 per cent in UAP for Sh25.6 billion ($253 million) in July 2015, but the two holding companies have continued to operate similar subsidiaries in life insurance and asset management as they work out the complex merger process. “UAP will acquire the subsidiaries held under Old Mutual Kenya. Once it is done, we will have two life and asset management companies under UAP, which we will then merge into one. Both the acquisition and mergers require approvals from the Insurance Regulatory Authority and the Capital Markets Authority and shareholders however,” said Mr Mwangi. “UAP Holdings is a public company trading over the counter and has issued a listed bond. It was on the path to listing, so it makes sense for us to use it as the listing company for the merged group. It is the natural vehicle to list,” he said.

Old Mutual’s subsidiaries include Faulu Kenya, Old Mutual Securities, OM Asset managers, OM Investment services, OM Properties, OM Capital and OM Life Assurance, which will now all come under the umbrella of UAP. UAP Holdings’ subsidiaries are in life insurance, general insurance, investment management, property management and financial advisory services. The insurer also operates regional units in Uganda, Tanzania, Rwanda, South Sudan and in the Democratic Republic of Congo.

Old Mutual Kenya directly owns part of UAP, with the remainder of the 60 per cent stake held by the mother company through South African-based Old Mutual Emerging markets (OMEM). The restructuring will therefore see Old Mutual Kenya remain a holding company with UAP Holdings as its only asset in the country. In this way, Old Mutual Kenya will own shares in UAP under which all the Kenyan subsidiaries will be held. *(By Charles Mwaniki, Business Daily Africa)*

Mozambique Hires Lazard to Assess External Debts

Mozambique has hired Lazard Ltd. as a financial adviser to help assess its foreign debt as it struggles to service borrowings by state-owned companies. The ministry of economy and finance also appointed White & Case LLP as a legal adviser, it said in a statement on July 18. The two will “assist the ministry with the assessment of Mozambique’s current external debt situation." “The ministry has started to work closely with its advisers, and looks forward to engaging collaboratively in the near future with the various stakeholders of Mozambique,” the statement read. Donors and the IMF suspended aid to Mozambique in April after it owned up to $1.4 billion of undisclosed borrowing by the interior ministry and two state-owned security companies, Proindicus and Mozambique Asset Management. The southern African country, one of the world’s poorest, is struggling to repay its debt after a commodity slump reduced export revenue and a depreciation of the metical, which has lost half its value against the dollar since the start of 2015, boosted the cost of foreign loans. *(By Paul Wallace, Bloomberg)*

AfDB issues 1.250% USD 1 Billion Global Benchmark due 26 July 2021

On Tuesday, July 19, 2016, the African Development Bank (“AfDB”), rated Aaa (Moody’s) / AAA (S&P) / AAA (Fitch), launched and priced a new USD 1 billion 5-year Global benchmark transaction due 26 July 2021.

The new 5-year issue is AfDB’s third USD Global benchmark this year, and follows on from two successful USD 1 billion 3-year Global benchmark transactions priced in February and April respectively, which had both tightened significantly on the secondary market. This new benchmark transaction brings a new liquid and on-the-run reference on the 5-year point of the AfDB curve which had not been refreshed since February 2015.

Given the constructive market backdrop, in spite of the events in Turkey over the weekend, the AfDB decided to seize a clear execution window and announced a new 5-year Global USD transaction on Monday, July 18, 2016 at 10:00 am London time. Initial price thoughts of midswaps +25 basis points area were subsequently released to the market at 12:45 pm London time for this USD 1bn “no grow” transaction.

Initial investors’ reaction was good with interest exceeding the USD 1bn mark before the books were officially opened the following morning at 8:20 am London time with a price guidance of midswaps +25 basis points area, in line with initial pricing thoughts.

The order book grew steadily during the morning session with demand exceeding USD 1.3 billion by 11 am London time. Books for European and Asian accounts closed at 11.30am London time. By 1pm London time, books had continued to grow in excess of USD 1.4bn and the spread was set at m/s+24bps. Books for US accounts eventually closed at 1.30pm London time. The new 5-year benchmark priced at 6.30pm London time at m/s+24bps implying a 23.2bps spread over Treasury and a re-offer yield of 1.336%.

Around 40 investors participated in the transaction, which attracted strong interest from central banks and official institutions who took the majority of the bonds (64%) followed by bank treasuries (22%) and fund managers (10%). In terms of geography, Europe/Middle East/Africa (EMEA) accounts were very well represented (66%) while American (25%) and Asian accounts (9%) completed the placement. *(AFDB)*

Selected Sovereign African Eurobond Data for July 29

Southern Africa	29-07-2016	28-07-2016	27-07-2016	26-07-2016	25-07-2016	22-07-2016	21-07-2016
Angola							
9.500%; 11/12/2025	95,224	95,304	96,221	96,020	97,043	97,597	97,165
Yld	10,456%	10,364%	10,257%	10,275%	10,073%	10,036%	10,040%
Moody's rating	B1						
S&P rating	B+						
Mozambique							
10.500%; 01/18/2023	72,876	72,374	72,372	71,321	72,914	73,192	71,400
Yld	18,090%	18,122%	18,170%	18,435%	18,095%	17,908%	18,392%
Moody's rating	Caa3u						
Namibia							
5.500%; 11/03/2021	107,189	107,215	107,392	107,447	108,145	108,248	108,362
Yld	4,094%	4,061%	4,048%	4,040%	3,850%	3,855%	3,817%
Moody's rating	Baa3						
Fitch rating	BBB-						
Republic of Congo							
4.000%; 06/30/2029	72,979	72,764	72,764	72,764	73,027	72,972	73,270
Yld	9,922%	9,556%	9,553%	9,552%	9,506%	9,511%	9,514%
Fitch rating	C						
South Africa							
5.875%; 09/16/2025	113,908	113,440	113,378	113,383	114,069	114,464	114,258
Yld	4,062%	4,120%	4,130%	4,154%	4,057%	4,017%	4,055%
Moody's rating	Baa2						
S&P rating	BBB-						
Fitch rating	BBB -						
Zambia							
8.500%; 04/14/2024	88,409	88,432	89,631	90,512	92,559	92,625	91,792
Yld	10,855%	10,840%	10,615%	10,467%	10,013%	9,975%	10,140%
Fitch rating	B						
S&P rating	B						
East Africa	29-07-2016	28-07-2016	27-07-2016	26-07-2016	25-07-2016	22-07-2016	21-07-2016
Ethiopia							
6.625%; 12/11/2024	96,226	95,676	96,713	95,857	97,567	97,258	97,713
Yld	7,312%	7,378%	7,246%	7,386%	7,078%	7,145%	7,023%
Moody's rating	B1						
S&P rating	B						
Fitch rating	B						
Kenya							
6.875%; 06/24/2024	95,209	95,355	96,106	95,667	96,744	96,778	96,652
Yld	7,792%	7,738%	7,609%	7,686%	7,483%	7,471%	7,495%
Fitch rating	B+						
S&P rating	B+						
Rwanda							
6.625%; 05/02/2023	99,103	99,089	99,417	99,179	99,857	100,053	99,712
Yld	6,887%	6,941%	6,816%	6,877%	6,729%	6,738%	6,753%
Fitch rating	B+						
S&P rating	B+						
Seychelles							
7.000%; 01/01/2026	99,613	99,613	99,613	99,613	99,613	99,613	99,820
Yld	8,147%	8,147%	8,146%	8,146%	8,145%	8,145%	8,144%
Fitch rating	BB-						
West Africa	29-07-2016	28-07-2016	27-07-2016	26-07-2016	25-07-2016	22-07-2016	21-07-2016
Gabon							
6.375%; 12/12/2024	90,467	90,648	91,070	91,125	92,375	92,208	92,042
Yld	8,109%	8,008%	7,914%	7,912%	7,693%	7,722%	7,750%
Fitch rating	B+						
Ghana							
7.875%; 08/07/2023	87,358	87,457	88,557	90,077	91,531	91,560	91,154
Yld	10,620%	10,579%	10,288%	10,013%	9,668%	9,659%	9,707%
Moody's rating	B3						
S&P rating	B						
Fitch rating	B-						
Ivory Coast							
6.375%; 03/03/2028	100,295	100,607	101,044	101,000	101,667	101,859	101,450
Yld	6,418%	6,353%	6,331%	6,331%	6,216%	6,233%	6,264%
Moody's rating	Ba3						
Fitch rating	B+						
Nigeria							
6.375%; 07/12/2023	98,197	97,677	98,143	98,236	98,730	98,932	99,107
Yld	6,751%	6,801%	6,792%	6,818%	6,693%	6,632%	6,600%
Fitch rating	B+						
S&P rating	B+						
Senegal							
6.250%; 07/30/2024	98,170	98,391	98,640	98,565	99,125	99,040	98,99
Yld	6,654%	6,576%	6,554%	6,563%	6,473%	6,479%	6,464%
Moody's rating	B1						
S&P rating	B+						

Pricing source is the Composite Bloomberg Bond Trader (CBBT)

Fund

Rockefeller fund backs Africa renewables

The family foundation built on the riches of John D Rockefeller's Standard Oil has backed a $177.5m wind and solar power programme in Africa, marking its biggest move into green energy since announcing plans to stop investing in fossil fuels.

The Rockefeller Brothers Fund is part of a consortium of investors supporting a scheme led by Mainstream Renewable Power of Ireland to build 1.3 gigawatts of carbon-free generating capacity in Africa by 2018.

The agreement is the clearest sign yet of the fund making good on its 2014 promise to withdraw from fossil fuel investments and reallocate resources to green energy because of concern about climate change.

That decision drew criticism at the time from some in the oil sector who saw it as a betrayal of an industry that formed the basis of Rockefeller wealth. But Stephen Heintz, president of the Rockefeller Brothers Fund, said this week that the switch to renewable energy was in keeping with the family spirit. He said: "John D Rockefeller was a great visionary who saw in petroleum a product that was going to change the world. If he were alive today he would see that the future is going to be in green power."

About 3.3 % of the $816m fund is still invested in fossil fuel assets — mostly oil and gas companies — but this is down from 7 per cent two years ago and Mr Heintz said these would continue to be sold. The fund, founded by the sons of Mr Rockefeller in 1940 to promote "a more just, sustainable, and peaceful world", has committed $10m to the African renewables scheme. The money will help finance Lekela Power, a joint-venture between Mainstream and Actis, a private equity fund spun out of the UK government in 2004 to invest in the developing world. Lekela is planning wind and solar projects in South Africa, Egypt, Ghana and Senegal.

Mr Heintz said that while there would be environmental and humanitarian benefits from the investment, his fund's main objective was to make money. "This is a continent with a huge energy deficit," he said. "So there is a social impulse [to invest] but it is also an extraordinary opportunity for Africa to leapfrog the old energy systems of the past to the new green energy systems of the future."

The Rockefeller-backed consortium will contribute $117.5m to the fundraising, with a further $60m coming from Mainstream. Other investors include the International Finance Corporation, the World Bank's private lending arm.

Mainstream has been operating in Africa since 2009 and says it is playing an important role in the delivery of US President Barack Obama's "Power Africa" plan to add 30,000 megawatts of electricity capacity to the continent by 2030.

Eddie O'Connor, the co-founder and chief executive of Mainstream, said the falling cost of wind and solar power meant these were increasingly the most affordable options for expanding access to electricity in Africa. "Wind power is about 50 per cent cheaper than new coal capacity in South Africa," he said. "It's not only the righteous thing to do from an environmental standpoint but it's also sensible economically." According to the International Energy Agency, 635m people in Africa — more than half the population — did not have access to electricity in 2013. *(By Andrew Ward, Financial Times)*

ENERGY

EDF and IFC to finance Cameroon's 420MW Nachtigal hydropower plant

Electricite de France (EDF) and the World Bank are joining with the government of Cameroon to fund the €$1.2 billion (US$1.3 billion), 420-MW Nachtigal hydropower plant. EDF will have a 40% stake in the venture and the World Bank's International Finance Corporation and the government of Cameroon each will have 30%, according to DailyMail.com. This agreement "is the fruition of a framework agreement drawn up last year," the website says.

This plant is expected to provide up to one third of the country's electricity needs. It will be located on the Sanaga River 65 km from the capital of Yaounde and Nacthigal Hydro Power Company has a 35-year lease to run the facility. Electricity will be transmitted to the capitol via a 50-km-long transmission line. Construction is scheduled to begin in October and the plant is to be commissioned in 2021. According to DailyMail.com, current installed power generation capacity in the country is 1,292 MW and regular power outages occur. Last year, HydroWorld.com reported on a partnership to develop a pipeline of small hydro projects across Africa, including in Cameroon. *(By Elizabeth Ingram, HydroWorld.com)*

Russian nuclear generator expanding into South Africa's small hydro market

South Africa platinum producer Lonmin PLC has announced a partnership with Russian nuclear power giant Rusatom to develop a pilot small hydropower project beginning next month. Announced during Power-Gen Africa this week, the US$40 million, 2 MW plant will reportedly use equipment manufactured by Hungary's Ganz Engineering & Energy Production Machinery, with South Africa's Blue World Power Systems acting as distributor.

The project will be installed at a Lonmin site in Rustenburg, which is located in South Africa's North West Province. Lonmin officials hope the project will lead to more like it, with the hope that localized small hydro plants at its mining operations can help reduce its use of fossil-fueled generating assets.

According to company officials, Ganz's hydro generators are modular plug-and-play units that qualify for exclusion from South Africa's environmental impact assessment process due to their low impact. The partnership is also part of

Rosatom's effort to diversify its market. The Russian conglomerate is also beginning to manufacture and install wind turbines. *(By Michael Harris, HydroWorld.com)*

IEA report identifies China as leading developer in sub-Saharan hydroelectric power

In its "Boosting the Power Sector in Sub-Sahara Africa" report released earlier this month, the Paris-based International Energy Agency (IEA) quantifies China's extensive involvement in developing hydroelectric power and other energy facilities in sub-Sahara Africa. In sub-Sahara Africa, IEA estimates more than 635 million people live without electricity in the region.

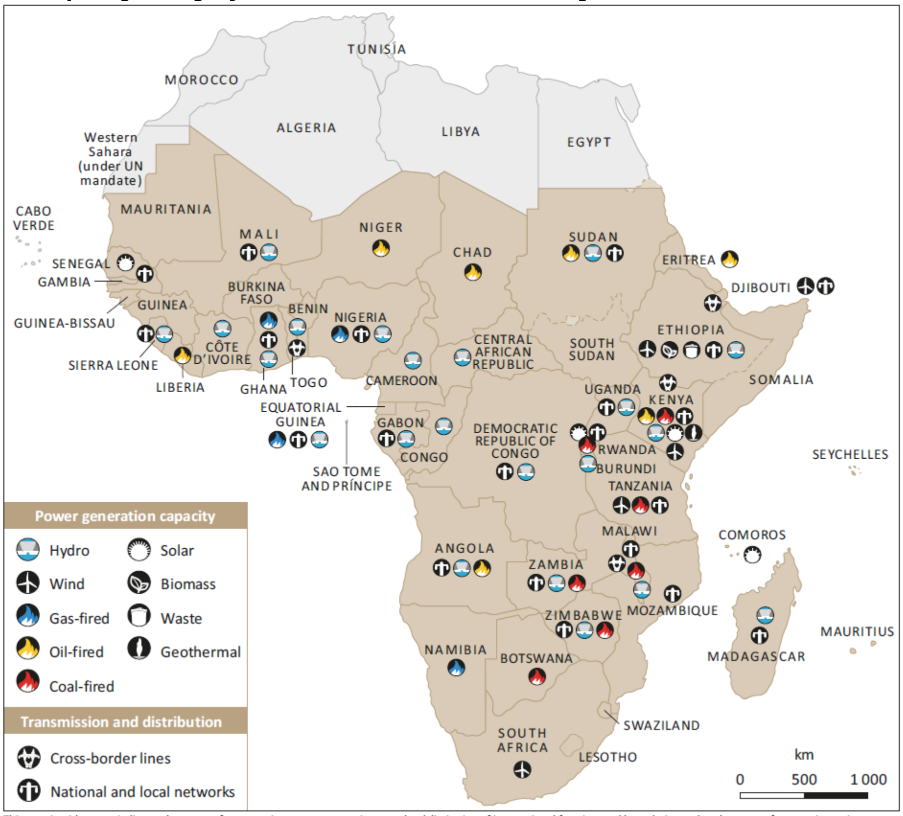
According to the report, "Among Chinese companies, five lead the market in the sub-Saharan power sector: Sinohydro, China Gezhouba Group Corp., China National Electric Engineering, China International Water and Electric Corp., and Shandong Electric Power Construction Corp. (SEPCO). Both Sinohydro and SEPCO are part of the parent company Power Construction Corporation of China (PowerChina). "These five companies together added or are completing three-quarters of the Chinese-added generation capacity [in the region] between 2010 and 2015. On average, their projects are three times larger than projects carried out by other companies."

Out of the leading five companies, Sinohydro is the largest within the African market. The company is incorporated into PowerChina that has energy-related operations in 80 countries.

IEA reports sub-Sahara Africa, is Sinohydro's first overseas market, in which it generates 39% of its overseas revenue in hydro, oil-fired plants and grids. The company currently has 24 projects and a total capacity of 3.8 GW have been built by Sinohydro since 2010 or are under construction.

IEA research indicates, "Chinese-built greenfield projects increase the diversity of the sub-Saharan African power capacity mix and help to accelerate the development of renewables in the region."

Greenfield power projects contracted to Chinese companies, 2010-20



This map is without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

Note: Multiple projects in the same technology are represented by a single symbol in each country.

Key message • Chinese companies contracted greenfield power projects in more than three-quarters of sub-Saharan African countries.

Additional data in the report show 37% of total capacity additions between 2010 and 2015 in sub-Sahara Africa, come from renewable energy that Chinese companies developed.

According to the report, this is amount is significant in that an estimated 120 million people will have access to reliable, affordable power by 2020. *The complete report is available on the IEA website.*

IEA is an autonomous intergovernmental organization established in 1974 and acts as a policy adviser to its current 29 member states. But, IEA also works with non-member countries, especially China, India and Russia. The organization has four main areas of focus: energy security, economic development, environmental awareness and engagement worldwide. (By Gregory B. Poindexter, HydroWorld.com)

Phase two of rehabilitation and upgrade beginning at 40-MW Matala hydropower project in Angola

On July 18, Empresa Publica de Producao de Electricidade (PRODEL) Project Manager, Celso Pontes, announced phase one at the 40-MW Matala hydroelectric project is complete and the detailed design of the second phase is now being prepared.

According to Pontes, phase two involves upgrading the current two turbine-generators and adding a third that will increase the plant's total installed capacity. The amount of the increase and its cost has not yet been determined.

The facility is located on the Cunene River in the province of Huila, in central Angola, on the southwest coast of Africa. Commissioned in 1954, in 2011 facility owner, PRODEL, awarded a US$249.6 million contract to Canada-based SNC Lavalin Inc. to improve the facility's safety and its water storage capacity.

In April, HRW-Hydro Review Worldwide reported, "The rehabilitation of the Matala Dam was primarily necessary to ensure the stability and the structural safety of the dam, which was under risk of collapsing," according to Pontes.

During phase one of the rehabilitation and modernization, in addition to the 29 sluice gates already in operation, a further eight were added. The additional gates allow for the regulation of the flow in a more precise way. "The rehabilitation was also required to ensure the operation of the powerhouse generating capacity and the spillway control systems in order to improve the hydraulic discharge capacity," he said

The principal works performed by SNCL included:

- Construction of a new spillway equipped with eight radial gates;
- Rehabilitation of the concrete structure affected by alkali-aggregate reaction, which caused considerable swelling to occur;
- Evaluation (capacity and structural integrity) of the concrete bridge structure;
- Rehabilitation of the road bridge, including resurfacing of the deck and bearing rehabilitation; and Grouting works.

The Matala hydroelectric is located about 180 km from the city of Lubango in southern Huila province. *(By Gregory B. Poindexter, HydroWorld.com)*

INFRASTRUCTURE

Japan finances bridge construction in Mozambique

Japan donated an additional US$12 million to Mozambique to accelerate the construction of 13 bridges on the Ile to Cuamba road, connecting the provinces of Zambezia and Niassa, under an agreement signed in Maputo. Construction of the bridges began in 2014, as part of a project also funded by the Japanese government with US$38 million, but the floods that hit Zambezia province in January 2015, required additional work, the cost of which will be covered by this new donation.

The cost of the project has therefore increased to almost US$50 million and completion of the work, which was originally scheduled for August, was postponed until the end of 2017.

The deputy minister of Foreign Affairs and Cooperation said the donation of nearly US$50 million to Mozambique will contribute to improving the conditions of roads in the Nacala Corridor and allow more movement of people and goods in the region. Nyeleti Mondlane said construction of the bridges and their roads is one of a number of projects the Japanese government has funded in Mozambique, namely the recovery of the port of Nacala, construction of the Health Sciences Institutes of Nacala and Maputo, and Laboratory for Analysis of Soils and Plants in Nampula province, the latter as part of the Prosavana project. The Ambassador of Japan, Akira Mizutani said in turn that his country would continue to support Mozambique by offering non-reimbursable financing. *(Macauhub)*

Government of Angola awards Luanda water supply project to Portuguese group

The government of Angola has awarded Portuguese group DST (http://www.dstsgps.com/) a project to expand the water supply system on the outskirts of Luanda for US$17.1 million, according to a presidential order . The work is part of the 2016-2017 action plan of priority water supply projects and is carried out "under the financing agreements between the Republic of Angola and the Republic of Portugal," said the order cited by Portuguese news agency Lusa.

The contract, to expand the capacity of the water supply system of the Golf Distribution Centre (outskirts of Luanda), aims to ensure "continued enlargement of (…) access to the supply of drinking water to the population of Luanda province," which has almost seven million inhabitants. The final figures from the Angolan population census, carried out in 2014, showed that half of Angola's estimated 5.5 million households do not have access to clean water. *(Macauhub)*

Guinea-Bissau takes housing and road projects to China-Africa Forum

Guinea-Bissau will present housing and road construction projects to the 4th Forum on China-Africa Cooperation, held in Beijing from 28 to 30 July, the government said in Bissau.

The Minister of Public Works, Construction and Urban Planning of Guinea-Bissau, Malam Banjai, heading his country's delegation at the Beijing meeting, also said there would be an assessment of the actions agreed at the previous meeting, held in December 2015, in Johannesburg, South Africa.

At this meeting, the president of China, Xi Jinping, has announced the availability of US$60 billion to support African countries, an amount that included US$5 billion in interest-free loans and US$35 billion in subsidised loans. The Deputy Foreign Minister Zhang Ming, said in Beijing that the city is ready to receive the foreign ministers and other officials from 53 African countries. Zhang also said that in the first two days of the Forum member countries will evaluate the level of implementation of output decisions of the Johannesburg meeting and on the third day participants will travel to the city of Suzhou, Jiangsu Province, to visit the China/Singapore Industrial Park. *(Macauhub)*

China offers US$7.6bn loan for railway

The Export-Import Bank of China has offered the Tanzanian government a US$7.6bn concessional loan to finance its planned crossborder railway.

The economic rationale of the project has dual aspects, supporting both Tanzania's ambition of becoming a regional transit hub and China's efforts to expand its trade footprint in Africa. Indeed, similar rationale underpinned the country's other big railway investment, with China financing the Tanzania-Zambia line in the 1970s. According to the Tanzanian authorities, there are some "technical issues" to resolve before the latest contract can be signed, but the project "may" enter construction in the current fiscal year (July-June, 2016/17). As per the current plans, the railway will stretch from Tanzania's port of Dar es Salaam to Kigali, the Rwandan capital, and then eastern Democratic Republic of Congo, while a separate branch will be routed to Mwanza port on Uganda's Lake Victoria.

Although improved logistics infrastructure could be a significant boost to the Tanzanian economy, the magnitude of the loan-equivalent to over 15% of the country's GDP-will have a significant impact on the debt profile. Tanzania's solvency is not currently in doubt, with external debt worth 34.7% of GDP in 2015, and the IMF concluded in mid-July that there is sufficient fiscal space for an expansionary policy for "a few years". Even so, viewed in the context of other planned infrastructure projects, there is a risk that borrowing will accelerate beyond the country's means. In addition to the railway, the government is constructing a large greenfield port (total costs estimated at up to US$10bn), planning a pipeline to Uganda's oilfields (US$3.6bn) and recently completed a domestic gas pipeline (US$1.3bn). The port and gas pipeline were debt-financed by China and, given the Chinese involvement in Uganda's oil sector, it is a prime contender for financing the oil pipeline too.

Under our core scenario, the phased construction schedule of these large projects (which will probably take longer than the government expects) and relatively robust economic growth will support debt sustainability. However, the risks to this outlook are rising. The rapid increase in external borrowing will expose public finances to exchange-rate risks and, should the debt-financed projects fail to deliver the anticipated economic returns, the medium-term risk of repayment strains cannot be ruled out. *(Economist Intelligence Unit)*

MINING

Australia’s Mustang Resources discovers rubies in Mozambique

Australia’s Mustang Resources has discovered its first ten rubies at digs in the concession it holds in Montepuez, Cabo Delgado province, northern Mozambique, the company said in a statement.

The discovery of the ten rubies, totalling 2.16 carats, was described by the company as a good sign for the next phases of the concession, located near the concession area of British company Gemfields, where valuable gems have been found. The work, which began on 25 June, are part of Phase 2A of the exploration programme and include well drilling, sampling and processing of the collected product. Mustang’s mining project in Montepuez has three exploration licenses, covering an area of 15,800 hectares. In June 2015, Mustang Resources announced it had discovered Mozambique’s first quality diamond deposit of market value. Sixteen diamonds were discovered at the company’s project at the confluence of the Save River, which divides southern and central Mozambique, and the Runde River, near the border with Zimbabwe. *(Macauhub)*

OIL & GAS

Angola Discussing $500M Loan With Gemcorp

Gemcorp Capital is negotiating with Angola about providing Africa’s biggest oil producer with a loan of about $500m even as the IMF said the country called off talks over financial support, according to a person familiar with the matter.

Talks are continuing to set up a facility for the Angolan Ministry of Finance to enable it to get dollars for the purchase of medicine and food and an agreement hasn’t yet been completed, the person said, asking not to be identified because the discussions are private. Gemcorp is a London-based investor focusing on emerging markets.

A ministry spokesperson in Luanda, the capital, said he couldn’t immediately comment. Gemcorp declined to comment when their offices in Luanda were visited.

A loan may provide some relief for Angola, whose economy has been battered by the plunge in oil prices since mid-2014. President Jose Eduardo dos Santos said the government is generating "barely enough" revenue to pay off its debt.

During a July 1 broadcast on state television. A day earlier, the International Monetary Fund said Angola had called off talks about a bailout loan.

Investors have sold Angolan assets in response. Yields on the country's $1.5bn of Eurobonds due in November 2025 jumped 67 basis points on the day of Dos Santos' comments. Gemcorp, founded two years ago and led by Atanas Bostandjiev, who formerly worked for Goldman Sachs Group and Russia's VTB Capital, has previously done deals in Angola, a 2015 statement from the Angolan government shows. It has a 3% stake in Banco Atlantico and provided the government with a $300m loan in May last year. Deals arranged by VTB Capital in Angola include being among four Russian lenders that provided $278m of loans to the southwest African nation in 2011. Angola later picked VTB to manage a $1bn bond. *(Fin24.com)*

Angola's Sonangol secures funding from British bank

Angolan state oil company Sonangol has taken on a loan of US$1 billion from the Standard Chartered Bank to finance operating expenses in 2015, according to the oil company's annual report.

The loan has a repayment period of five years and was has been taken on at a time of significant financial struggles for the Angolan oil company as a result of the 50% drop in oil revenues, according to Angolan newspaper Novo Jornal.

The annual report admits that due to the "financial position and consolidated results of the Sonangol Group," taking into account the results of 2015 "it was not possible to fully comply with the required financial covenants," in credit agreements, such as debt ratios.

This loan joins other previous transactions between Standard Chartered Bank and Sonangol worth US$3.5 billion in two 84-month loans granted in 2014 and is explained due to the "need to strengthen" finance for "structural capital projects and other operating expenses" of the state group in the oil sector.

The document said Sonangol's net debt to 31 December, 2015, was US$7.5 billion, higher by US$2 billion over the same period of last year.

Long-term debt represented 76% of Sonangol's total debt at the end of 2015. The state oil company ended 2015 with assets of US$38.2 billion and equity of US$15.2 billion, including US$284 million in net profit. *(Macauhub)*

Angola LNG gas processing unit in Soyo closed until August

The Angola LNG gas processing unit in Soyo has closed once again, this time until August for testing and maintenance operations, Reuters reported. The factory reopened in early July after having been closed since April 2014 so the contractor, US group Bechtel, could make changes to the original design. Since it started operating again, the Angola LNG unit has exported four shipments of natural gas against a forecast six to nine before stopping for final testing. Launched in 2007 to take advantage of the natural gas resulting from oil exploration, the project brings together, in addition to Chevron (36.4 %), Angola's Sonangol (22.8 %), BP Exploration (13.6 %), Italy's ENI (13.6 %) and France's Total (13.6 %). It is also one of the largest investments ever made in the Angolan oil industry – US$10 billion – featuring seven tankers and three loading bays and is intended to eliminate the burning of natural gas released as part of oil exploration. *(Macauhub)*

Low crude prices dim hopes for big revenue boost from new Ghana oilfield

In the depths of Ghana's fiscal crisis in 2014 policymakers looked forward to a time when a new oil field would open to boost the economy. That time has come but there's a catch: oil prices have halved since the project started.

The drop in the crude price to under $50 a barrel reduces the short-term boost to government revenue from the offshore Tweneboa-Enyenra-Ntomme (TEN) field at a moment of triumph for Tullow and its partners, who include Ghana National Petroleum Corporation (GNPC). TEN should ramp up production to around 50,000 barrels per day within weeks of coming on stream by the end of August. "There is no way that, even with the new money from TEN, revenue in 2016 will hit what it was two years ago, unless something extraordinary happens with the oil price," said Benjamin Boakye of the Africa Centre for Energy Policy.

Ghana, which also produces cocoa and gold, is following an International Monetary Fund programme to restore fiscal balance and spur growth, which dropped to 3.9 % in 2015 from 14.4 % in 2011, a year after it began producing oil. The government said it had cut its forecast for 2016 GDP growth to 4.1 % from a previous forecast of 5.4 % due to lower export prices and irregular oil production.

Oil output was halted between March and May at the offshore Jubilee field due to a breakdown on a production ship, and the country lost millions of dollars in revenue. It has since restarted and is currently producing around 50,000 barrels per day, far lower than the 120,000 bpd capacity, according to Alex Mould, chief executive of GNPC. Oil holds a special place for the country because optimism about the prospects for rapid economic progress soared when crude began to flow from its offshore Jubilee field in 2010.

But government figures show that revenue from Jubilee fell from $978 million in 2014 to $396 million the following year due to falling oil prices, forcing the government to revise its budget. The hope is that TEN and the Offshore Cape Three Points field operated by Italy's ENI, which is due to come on-stream next year, will help offset the shortfall from Jubilee.

HEART OF THE PROJECT

The deepwater TEN project should weather the low oil prices as a commercial proposition because its production costs are at $20 a barrel and its oil quality is high. In addition, it has a lifespan of more than 20 years. "What will stop us achieving that (start) is if we come across any unplanned events. So far the plan is telling us that we are good within that (end of August) window," said Tony Oldfield, a senior official with the TEN project. At the heart of the deepwater project is a $1.6-billion Floating Production, Storage and Offloading vessel, the Prof John Evans Atta Mills, named after Ghana's late president who died in 2012. The ship was converted from a super-taker at a shipyard in Singapore. It stands over 350 metres long, towering over other vessels in the Gulf of Guinea south of the port city of Takoradi. Project managers say its 4,500-tonne turret, which connects the vessel to the sea floor and prevents it from rotating, can avoid the problems that crippled Jubilee earlier this year. For a start, the TEN bearing is in segments, making it easier to repair than the older Kwame Nkrumah ship that operates in the Jubilee field. In addition, the turret has an automatic greasing system, which will facilitate maintenance. "The Atta Mills is a much better design," Mould said. *(Reuters)*

Kenya to start construction of crude oil export pipeline in 2018

The government of Kenya is to begin the construction of its crude oil export pipeline in 2018 following Uganda's choice to route its pipeline through Kenya's neighbour Tanzania. The government is currently evaluating bids for the pipeline design. The pipeline is expected to be a heated pipeline given the waxy nature of crude oil tested in Kenya. The 865km pipeline will originate in the country's northern region and terminate at a planned port in Lamu. However, concerns that resulted in Uganda seeking alternative route still remain unaddressed. The proximity of the pipeline to Kenya's northern neighbour Somalia remains a major concern. Al Shabab terrorist from the country have carried out several attacks in Kenya in the past and the proximity of an economically significant pipeline close to their territory could become an easy target for the group. Kenya is optimistic it will begin crude production at 2,000/d in 2017. The country plans to transport the crude via road in the interim. However, the cost of transportation coupled with the low price of crude oil is likely to make that plan uneconomical. The Kenya pipeline is estimated to cost US$2.1 billion and is likely to be funded by the government, the oil producing companies and international organizations. *(Ecobank)*

Sirius Petroleum extend Ororo field's license by three years

Sirius Petroleum alongside its partners Owena oil and Guarantee Petroleum have secured a three years licence extension for its Ororo field on OML 95 in Nigeria. The field licence was due for renewal in May and the renewed licence is effective from May 1 2016. The partners will have to pay US$500,000 before July 29. Sirius covered the cost of the renewal alone but will be adding it to capital cost, which is recoverable from its share of oil when production commences. Sirius Petroleum purchased 40% of the field from Owena Oil and Guarantee oil in 2011 and will cover all capital cost till production. However, once production starts, the company is entitled to 88% of the cash flow until it has recovered all the capital cost due from its partners when its share of proceeds will revert to its 40% shareholding interest. The company has also received approval for an Environmental Impact Assessment (EIA) study on drilling of three new wells and installation of wellhead platforms on the Ororo field in July. *(Ecobank)*

Eni gas project awaits approval in Mozambique

Mozambique's long-delayed offshore gas project with Italy's Eni could be approved within months, sources close to the deal said, sparking investments with the potential to transform one of the world's poorest countries into a major energy player. Mozambique made one of the world's biggest gas finds in a decade in 2010, but negotiations with Eni and US firm Anadarko have dragged on for years due to disputes over terms and concerns about falling energy prices.

But Eni had in recent weeks struck deals with contractors and Mozambique's government that could help it to make a final investment decision on October 31, industry sources said.

The company's Mozambique concession is split between two huge gas fields called Coral and Mamba. Reserves in Mozambique's Rovuma Basin amount to about 85-trillion cubic feet — enough to supply Germany, Britain, France and Italy for nearly two decades. It is likely to take at least five years after the investment decision before gas production begins.

Samsung Heavy said last week it was in exclusive talks with Eni to provide a floating liquefied natural gas (LNG) platform as part of a consortium with Technip and Japan's JGC, in a contract worth about $5.4bn. General Electric had also been approved as a contractor, two sources said.

Negotiations with government over tax terms and the funding of the Mozambique national gas company had also moved forward in the past two months, the sources said.

Eni has already reached a deal to sell the gas to BP. "There has been significant progress in the last few weeks. "It's making investors a lot more optimistic the final investment decision isn't too far away," one banker involved in the deal said.

The last major sticking point was how Eni would finance the $11bn development, the sources said. Eni was expected to raise billions of dollars by splitting its concession in two and selling up to 20% of its Mamba gas field, and the operating rights, to Exxon Mobil, sources involved said.

Any sale by Eni would provide a much-needed capital gains tax windfall for the Mozambican government during a period of economic crisis and as it struggles to make repayments on $1.35bn in controversial foreign loans. The IMF suspended aid to Mozambique in April because of the hidden debt. "There's definitely been more urgency on the government side to get these gas deals moving," one industry source said.

While Eni will drill and process gas from floating offshore platforms, Anadarko is building sprawling LNG facilities on the northern Mozambican mainland, causing complications due to local residents having to be relocated.
Anadarko submitted a plan in June to resettle thousands of mostly farmers and fishermen who would be displaced by the LNG project, one of the last hurdles to jump before getting the go-ahead on a $24bn project, two sources said. Mitch Ingram, who was previously with BG, was hired by Anadarko in 2015 to head its LNG business. Ingram’s experience had given investors more confidence about Anadarko’s ability to raise financing, they said. *(By Joae Brock, BDLive)*

Total Group expands network of service stations in Mozambique
French oil group Total plans to invest US$50 million in Mozambique to achieve a 30% share of the service station market by the end of 2017, said the group’s managing director for Mozambique. The group, which opened a service station in the suburb of Magoanine in Maputo, aims to have 60 stations by the end of 2017, compared to the current 43, said Joseph Kouamé, quoted by Mozambican news agency AIM. Kouamé said the portfolio of projects in the fuel distribution sector in Mozambique is quite ambitious and gave assurances that the group intends to consolidate its presence in the Mozambican market. According to information on Total Moçambique’s website the company has service stations throughout the country, and more than half are concentrated in the Maputo and Matola region. *(Macauhub)*

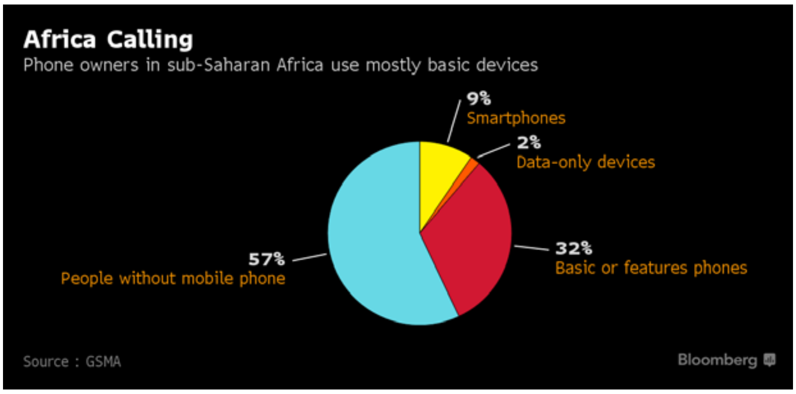
Mozambique debt crisis will not affect Sasol’s gas project
South African company Sasol has said Mozambique’s debt crisis will not affect its gas project in the country. Mozambique defaulted on a debt repayment in May raising concerns about foreign investment in the country. However, Sasol, which is developing the Inhassoro gas field said the country’s financial situation will not affect its own operations. The Mozambique government through its state owned oil company Companhia Mocambicana de Hidrocarbonetos, S.A. has a 15% stake in the project. However, the government will not be making any cash obligation towards the project completion as its capital contribution will be deducted from gas proceed when production commences. Sasol started drilling the first of thirteen wells for the project in June. The drilling campaign is targeting the Inhassoro and Temane reservoir onshore Mozambique. The project is based on a Production Sharing Agreement PSA approved by the Mozambican council of ministers in January. The first phaseis estimated at a total cost of US$1.4billion. Production from the project is expected to start by mid-2019. Gas produced from the field is likely to be exported to South Africa as with previous production by Sasol in Mozambique. Mozambique financial crisis became public in April after IMF halted aids to the country over undisclosed debt of over US$1billion. However, ExxonMobil rumoured interest in ENI and Anadarko stake in Area 1 and 4 licenses could generate as much as US$1.3billion in capital gain tax for the country if the deal scale through. *(Ecobank)*

Samsung Heavy in Talks with Eni to Build Mozambique LNG Platform
Samsung Heavy Industries expects to receive an order this year from Eni to build a floating LNG platform to process huge gas reserves in Mozambique, a spokesman said, a sign a long-delayed project is moving ahead.
Samsung Heavy is in exclusive talks with Eni as part of a consortium with France's Technip and Japan's JGC in a project worth around $5.4 billion. Samsung's share would be worth $2.5 billion, the spokesman said. "We expect the order in the second half of this year," a Samsung Heavy spokesman said.
Mozambique made one of the biggest gas finds in a decade in 2010, offering the opportunity to transform one of the world's poorest countries into a major LNG exporter.
Eni is due to build offshore processing units while U.S. firm Anadarko is planning a vast onshore development. But the projects have faced uncertainty and investors are keenly awaiting long-delayed final investment decisions.
Samsung's announcement opens the door for ENI to make its final call this year, which would make Anadarko's development more likely to proceed, industry sources said. The projects could unlock as much as $30 billion of investment. Mozambique is mired in a deep debt crisis and gas investment is the most likely escape route after donors shunned the southern African country for hiding billions of dollars of state borrowing. *(Reporting by Joyce Lee; Writing by Joe Brock; Editing by Ed Cropley, Reuters)*

TELECOM

Opera wins major market share in SA and rest of Africa
OPERA, the cellphone browser developer and manager, has gained more than 60% of South African market share and more than 70% of African market share in five years.
The company is now trying to attract premium cellphone users with its Opera Max application, which manages to compress data for most Android applications, as has been a feature of its other browsers.
This week, a Chinese consortium has made an offer for Opera, which is a Norwegian company, for $600m. Opera has 10% of the global mobile market.
Senior marketing manager for sub-Saharan Africa at Opera Software, Jo Crawshaw, said Opera Max application was now being directed to SA’s Android phone users and developed markets, where users were more likely to own top-end phones.

Users in Nigeria, Kenya, Ghana and other African countries had entry-and mid-level phones. Many of those who owned top-end phones had already installed Opera Max application. "Perceptions were that Opera was a browser for feature phones and not for smartphones. But Opera Max application has challenged that, and we believe we can attract more top-end smartphones," she said. Crawshaw said Opera had innovated by introducing built-in ad-blocking, data and video compression, and a built-in virtual private network (VPN).
A VPN is a private network that extends across a public network or internet. It enables users to receive data across shared or public networks as if their computing devices were directly connected to the private network. Opera Max reduces data consumption across the majority of applications available on Android phones as much as 50%, offering users cheaper mobile internet access.



Furthermore, users who streamed video on Netflix and YouTube could save about 60% of the data usually spent on this media, without a noticeable loss of quality, Crawshaw said. Opera has said that it expected more than 100-million Android phones to be shipped worldwide with integrated Opera Max by 2017. *(By Alistair Anderson, BDLive)*

Africa's Making New Apps for Old Phones to Tap Google Blind Spot
Africa's startups are seizing an opportunity they say Google and Apple Inc. have missed -- making apps for non-smartphones.
In a region where the average customer doesn't own a smartphone or a bank card, hundreds of millions of people do use some kind of basic phone. That's prompting developers to build no-frills text-based apps, keeping data consumption down and catering to specific local needs of farmers, merchants and small business owners.
Orange SA recently set up a development lab in Cameroon, after opening similar hubs in Ivory Coast and Senegal in the past year. The French mobile company is due to detail its plans to grow the initiative in Africa on July 28, at an event in London. "Africa isn't a lagging copycat market to the U.S. or Europe," said Benedicte David, who heads strategy and customer experience in the region for Orange. "What works here won't necessarily fit there. There are specific local needs and opportunities."
Smartphones allow users to essentially perform all the functions they might do at work, from editing documents and spreadsheets to browsing the web, as well as tap into a wide range of third-party applications. That market is dominated by Apple and Samsung Electronics Co. Feature phones are much simpler and cheaper phones, with smaller screens that are mostly used for calling and texting. Japan's Kyocera Corp. and Blue Products make popular feature phones today.
When Facebook Inc. launched a Facebook Zero text-only entry six years ago, it reached out to phone companies to help make the product accessible. Local entrepreneurs are going down a similar path.
MLouma, a marketplace for agricultural commodities out of Senegal that provides prices and availability data through text and voice, bulked up from a few thousand users to 75,000 through a distribution and co-development deal with Orange. The French carrier backed similar initiatives in Niger -- a service dubbed Labaroun Kassoua -- and another called Senekela in Mali.
Vodafone teamed up with Novartis AG on an SMS for Life service that uses back and forth text messages to manage medication stocks at hospitals in Tanzania. In Senegal, Karangue sends text messages to families to remind them of regular doctor's appointments and to have their children vaccinated.
Consumers are typically charged on their prepaid phone account or monthly bill for these services, mostly on a per-use basis, and carriers cut a deal with developers to receive distribution fees or shared revenue. Though sub-Saharan Africa is the world's least developed region for mobile, the area's wireless subscribers add up to 400 million, and 100 million more will be added by 2020, according to estimates by wireless industry association GSMA.
Handset equipment rates range from about 1 in 5 people in Burundi to 4 in 5 people in Botswana, and the portion of the population that owns a phone across the region is about 1 in 2. In contrast, less than 5 % connect to the internet using a smartphone.
Carrier Backing
Carriers are organizing startup pitches in Africa and making parts of their network technology available for entrepreneurs to integrate their new services into. They're also developing apps themselves. The more new services subscribers are attracted to use, the greater the potential phone bills each month.
MTN Group, Africa's largest mobile-phone company, this year partnered with Zambian entrepreneur hub BongoHive and said it will sponsor local technology and provide access to its network's assets to startups. Others, including Safaricom Ltd, Bharti Airtel Ltd and Vodafone Group Plc, have made mobile payments platforms available to developers over the past year in countries like Kenya, Malawi, Ghana and Tanzania. "Those who think there's no

money to be made in Africa are wrong," said Pierre Gattaz, head of France's business lobbyist Medef. He created a digital ambassador role this year at the group, and appointed Olivier Midiere to promote French tech abroad.

More Lucrative

In some cases, it's proving more lucrative than smartphones though, because of scale, said Arnauld Blondet, head of product marketing for Africa and the Middle-East at the Orange Technocentre. "Text messaging has its limits -- no pictures, short text... But it allows us to reach a much bigger crowd," he said.

Orange's Football Fan Club application is a good illustration: The company started a text message service for soccer scores and stats across its markets in Africa, as well as a smartphone app that was downloaded about 300,000 times. It says the low-tech option generates more revenue, as customers query the platform through text message more than 1 million times each month.

Developing new revenue streams and services in Africa through digital, mobile banking and the startup ecosystem is one of the key points Orange will discuss at its London event this week. That means they'll keep betting on old phones until smartphones take over. *(By Marie Mawad and Alexandre Boksenbaum-Granier by Bloomberg)*

Number of Unique Mobile Subscribers in Africa Surpasses Half a Billion - GSMA report

More than half a billion people across Africa are now subscribed to mobile services as the continent continues to migrate rapidly to mobile broadband networks, reveals a new GSMA study. 'The Mobile Economy: Africa 2016' was published today at the GSMA Mobile 360 – Africa event being held in Dar es Salaam, Tanzania, 26 – 28 July. The report also highlights the increasing contribution of Africa's mobile industry to the regional economy, including employment and public funding, and mobile's role as a platform for digital and financial inclusion.

"More than half a billion people across Africa are now subscribed to a mobile network, providing them not just with connectivity but a gateway to a range of other essential services in areas such as digital identity, healthcare and financial services," said Mats Granryd, Director General, GSMA. "The rapid move to mobile broadband networks is also unlocking new opportunities for consumers, businesses and governments, growing an ecosystem that last year added more than $150 billion in value to Africa's economy."

Network Investments and Smartphones Driving Mobile Broadband Adoption

The report finds that there were 557 million unique mobile subscribers1 across Africa at the end of 2015, equivalent to 46 per cent of the continent's population, making Africa the second-largest – but least penetrated – mobile market in the world. Africa's three largest markets – Egypt, Nigeria and South Africa – together accounted for around a third of the total subscriber base. The number of unique mobile subscribers is forecast to reach 725 million by 2020, accounting for 54 per cent of the expected population by this point.

African mobile subscribers are rapidly migrating to mobile broadband networks and services, a result of ongoing network rollouts and the increasing availability of affordable mobile broadband devices and tariffs. Mobile broadband (3G/4G) accounted for just over a quarter of total connections2 at the end of 2015, but is expected to account for almost two-thirds by 2020. By mid-2016, there were 72 live 4G networks in 32 countries across Africa, half of which have launched in the last two years. Meanwhile, the number of smartphone connections3 in Africa is forecast to more than triple over the next five years, rising from 226 million in 2015 to 720 million by 2020.

Mobile's Contribution to African GDP, Jobs and Public Funding to Increase

The use of mobile technologies and services across Africa generated $153 billion in economic value last year, equivalent to 6.7 per cent of the region's GDP4. This contribution is expected to increase to $214 billion by 2020 (7.6 per cent of expected GDP) as countries in Africa continue to benefit from the improvements in productivity and efficiency brought about by increased take-up of mobile services. Africa's mobile ecosystem also supported 3.8 million jobs in 2015 and made a $17 billion contribution to the public sector via general taxation. The number of jobs supported is forecast to rise to 4.5 million by 2020, while the tax contribution is expected to increase to $20.5 billion.

The report also explains how mobile is powering innovation and entrepreneurship across Africa. It notes that there are now approximately 310 active tech hubs across the region, including 180 accelerators or incubators. Mobile operators are supporting this ecosystem by opening up APIs to third-party developers in areas such as messaging, billing, location and mobile money, which has allowed start-ups to scale quickly.

Mobile technology is also playing a central role in addressing many of the social challenges in Africa, including the ability to provide citizens with official identities, tackling the 'digital divide' by enabling access to the mobile internet, and delivering financial inclusion via mobile money services. The number of mobile subscribers in Africa that access the mobile internet has tripled in the last five years, reaching 300 million by 2015, equivalent to a quarter of the African population. An additional 250 million subscribers are expected to become mobile internet users by 2020, bringing the total to 550 million (41 per cent of expected population).

"The positive transformational impact of mobile is being felt more profoundly in Africa than anywhere else in the world; Africa's mobile industry is at the forefront of helping to deliver the United Nations' Sustainable Development Goals5," added Granryd. "We are focused on creating a better future for citizens and businesses across Africa, providing access to essential information and services, improved employment and economic opportunities, and greater productivity and competitiveness."

The new report 'The Mobile Economy: Africa 2016' is authored by GSMA Intelligence, the research arm of the GSMA. To access the full report and related infographics, please visit: http://www.gsma.com/mobileeconomy/africa/. *(GSMA)*

RETAIL

South African groups invest in retail in Mozambique

South African company African Property Investimentos Lda plans to invest about US$60 million in construction of a shopping centre in the city of Nampula, capital of the province of the same name in northern Mozambique, under a memorandum of understanding signed.

The memorandum, signed by representatives of the company and the Municipal Council of the city of Nampula, also includes redevelopment of the former Nampula Agro-Industrial Fair, and African Property Investimentos Lda will be responsible for paying compensation to traders who currently work in the area.

The shopping centre will have parking, banks, restaurants and clothing stores and other facilities, according to Mozambican news agency AIM.

In the city of Tete, South African group Shoprite opened its second shopping centre, after opening its first about seven months before. The governor of Tete, Paul Aude, said at the time he wanted to see local agricultural products on the shelves of this new shopping centre, "in order to encourage farmers and business links." *(Macauhub)*

Strong operations in West Africa lift Shoprite results

Shoprite's stronghold in West Africa helped the domestic retailer report better-than-expected results in July, but the company has yet to successfully branch out in East Africa.

There is market speculation that Shoprite may soon exit Uganda — its last remaining exposure to East Africa.

Shoprite's other African operations outside SA include Angola, Botswana, Ghana, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Nigeria, Swaziland, Zambia, and the Democratic Republic of the Congo.

It bowed out of Tanzania in 2014, selling its stores to its East African rival, Nakumatt.

Shoprite also failed to enter Kenya after talks with Uchumi — one of the big retailers there — came to naught.

Rumours of a pull-out from Uganda began in June 2015. Shoprite has previously shot down the speculation, but said it could not comment, as it was in a closed period and, "therefore, not in a position to comment on matters of a strategic nature".

Trade Intelligence MD Maryla Masojada said that Shoprite's focus was on West Africa, with Nigeria and Angola being primary growth zones for the group.

In southern Africa, Shoprite had already achieved economies of scale in Zambia. "They have already earmarked R1.5bn in capital expenditure for Angola and Nigeria. They haven't really gone after East Africa. In Kenya, specifically, there are strong players like Nakumatt who already know the market well," she said. Non-South African operations contribute about 16.4% of total turnover. The retailer, however, is aiming for 50% of revenue from these regions.

Masojada said SA already had a densely populated formal retailing sector that left little space for further growth.

Formal retailing in East Africa, on the other hand, was less than 1%, while in West and Central Africa, it comprised less than 10%. "Africa is a city-by-city challenge. Expansion in Africa for most retailers is also hindered by the lack of infrastructure and red tape. "It isn't an easy win," Masojada said.

In its operational update, Shoprite reported a 32.6% acceleration in sales in its non-South African operations.

Kagiso Asset Management investment analyst Simon Anderssen said this had been better-than-expected, in light of challenging consumption growth in some of the countries in which Shoprite operated. "The reopening of one of their largest stores during the year contributed to this strong performance," he said. *(By Collen Goko, BDLive)*

Massmart will 'suffer' as long as lease issue persists

Massmart says the ongoing market inquiry into the grocery retail sector will not affect proceedings at the Competition Tribunal, should it decide to hear its case concerning long-term lease exclusivity agreements.

Retailers Spar, Pick n Pay and Shoprite argued that there was no basis for the Tribunal to hear the case and that the market inquiry under way would address the concerns the Wal-Mart owned company had raised.

But Frank Snyckers SC on behalf of Massmart said the outcomes of the inquiry would be merely recommendations and non-binding. "The overlap is not so important. The inquiry is broader and general and is not aimed at making a finding or validating a fact. The Tribunal will be asked to look at a specific issue — we (Massmart) pose a particular national competition threat, which is being done away with thanks to the national long-term exclusivity agreements." Snyckers

SC said for as long the referral proceedings did not continue, Massmart would suffer a significant prejudice. "The inquiry will release its findings and recommendations provisionally next year May. But that is not up to Massmart or the Commission. But no matter what happens in the inquiry, we will continue to be excluded from competing nationally as findings will be non-binding," he said.
In the stay application, Spar and Shoprite allege that the issues raised by Massmart in its referral are the same issues under investigation in the market inquiry.
The grounds for exception by all three retailers are that Massmart failed to specify the specific terms of the lease agreements that it impugns. The retailers in this case say facts alleged by Massmart fall short of the requirement of rule 15(1) of the Tribunal rules, since the specific terms or clauses of the condemned lease agreements are not identified in the referral.
Massmart first filed a complaint with the competition authorities in September 2014, which the commission refused to investigate. Massmart has now directly approached the Tribunal, which has the power to set aside such exclusivity clauses. *(By Collen Goko, BDLive)*

Pick n Pay's new structure 'not enough'
The pyramid structure that secured control of Pick n Pay in the hands of the Ackerman family is set to be unwound, 36 years after it was put in place to ward off a suspected hostile bid.
The dismantling will result in Pick n Pay Holdings (Pikwik) being delisted at the end of August. From that date Pick n Pay Stores will be the only point of entry for investors.
But control of the company will remain firmly in the hands of the Ackermans through the issue of unlisted B shares in Pick n Pay Stores. The unlisted shares, which will be issued only to the Ackermans and will have no economic rights, will ensure the family controls 52.8% of the voting rights in Pick n Pay Stores.
The change in the control structure did not go down well with all the shareholders attending meeting, which dragged on for more than three hours. While the Pikwik shareholders, who will enjoy a R3bn-plus windfall, were enthusiastic supporters, shareholders in Pick n Pay Stores, who are facing a 34% dilution in their voting rights, were far from enthusiastic. Activist Theo Botha was not persuaded that the promised benefits of increased liquidity in Pick n Pay Stores and improved ability to raise capital were adequate compensation for the dilution in his voting rights.
Independent director Jeff van Rooyen told the meeting the Ackerman family had made it "abundantly clear" from the start that the pyramid would not be collapsed unless they could keep control. "As the controlling shareholder this was their prerogative; they put the proposal to us and said they would not vote on it, that it would be up to the minorities to decide," he said, explaining the difficulty the board faced as it tried to remove the pyramid but retain control.
Of the Pikwik shareholders, 99.35% voted in support of the proposal, and 82.5% of Pick n Pay Stores gave their support.
Analysts said most shareholders were invested in both companies and so would have supported the deal. The 17.5% of Pick n Pay Stores that opposed it represented a large portion of the investors who are invested only in Pick n Pay Stores.
Pikwik shareholder Chris Logan told the meeting he was delighted with the proposal, but added, "It's unfortunate you didn't go the whole way." Logan said he had approached founder Raymond Ackerman in the late 1990s about getting rid of N shares, which were used at the time (in addition to the pyramid) to secure control.
The N shares were removed in 1998. Logan wondered if the next step in moving towards what he called a "full democratic dispensation" would take another 18 years. He said removal of the pyramid would save on the costs of running the holding company, which were R2.6m in financial 2016. CEO Richard Brasher said the dilution in voting rights at Pick n Pay Stores "is more maths than substance", as there had always been a controlling shareholder in Pikwik. "This may not go as far as some people want but it is progress, take it."
After the two annual general meetings that followed the general meetings, Ackerman thanked Brasher for his leadership. "You've completely rejuvenated Pick n Pay," said the man who, in 1967, set up one of SA's most successful retail groups.
In his chairman's comments ahead of the Pick n Pay Stores annual general meeting, Gareth Ackerman said updating the structure would enable it to present a more coherent face. "It is only a small part of the modernisation of our company, and is clear evidence of us addressing concerns raised by shareholders," he said, referring to years of agitation by some shareholders. *(By Ann Crotty, BDLive)*

AGRIBUSINESS

Tanganda Targets $22 Million Revenue Increase
ZIMBABWE'S largest tea producer, Tanganda Tea Company aims to more than double export revenue to $22 million by 2019 through increased sales of packed tea and new crops. Tanganda, a subsidiary of Meikles Group has invested about $4,4 million in the development of new plantations of macadamia and avocado and the new crops are expected to support the company's export drive.It also spent $4 million in new tea packing machinery, placing it in a position to compete with other global tea packers.

In the full year to March 2015, Tanganda reported revenue of $21,1 million. "Our exports currently account for about 50 % of turnover, but in the next two to three years, our exports will double," Tanganda managing director Mr Henry Nemaire said. "We will have an additional $12 million from exports of packed tea and from new crops. We have been investing heavily in developing new crop . . . we are now the biggest grower of macadamia by hectarage and the biggest avocado grower in Zimbabwe," he added.
Tanganda, which has capacity to pack about 6 000 tonnes of tea products annually is mainly exporting to Mozambique and the lower end market of South Africa. It is also planning to grow its market share in neighbouring Zambia and Namibia, Mr Nemaire said.
Zimbabwe consumes about 4 000 tonnes of tea products annually and imports accounts for 25 %. Mr Nemaire said Government should consider adding tea products on import restrictions to support viability of local producers. "We are a big sector employing 10 000 people. We need support from the Government," he said. Tanganda started in the 1920s as a tea growing experiment and has since grown to become a thriving business employing thousands and supporting small scale farmers.
The company is divided into two main operating divisions -- agricultural and beverage. The agricultural division is based in Chipinge and consists of six estates inter-cropped with tea, coffee, avocados and macadamia nuts.
The beverage division consists of a tea blending and packaging plant in Mutare. Packed tea from this factory is sold and distributed through distribution depots in Harare, Bulawayo, Gweru and Mutare. Major company brands include, Tanganda, Stella, Silver, Joko, Tanganda Special Blend, Tanganda Tips, Fresh Leaves, Tanganda Healthy Green, Nella Rooibos bags and Natra Fresh Rooibos, and High Country Coffee. The company bottles water from one of its select perennial natural springs from the many natural springs in the estates. *(By Martin Kadzere, allAfrica.com)*

Zimbabwe to launch programme to boost maize production
Zimbabwe has started rolling out a $500m programme to boost maize production to meet domestic food demand. The three-year plan was aimed at raising plantings and expanding irrigation to increase production of the dietary staple to 2-million tonnes a year, Vice-President Emmerson Mnangagwa told reporters. The country harvested 742,000 tonnes of maize in the 2014-15 season, less than the 1.8-million tonnes needed by the Zimbabwean population. Zimbabwe is suffering food shortages as rural parts of the country have been hit by the worst drought in at least two decades. Southern African countries need $2.7bn to cope with the effects of the dryness that has left 23-million people in urgent need of humanitarian assistance, the Southern African Development Community (SADC) said. In June, the UN’s World Food Programme stopped giving some people money to buy food in Zimbabwe because of the nation’s lack of dollars. The initiative is aimed at helping 300,000 people affected by drought. *(By Godfrey Marawanyika, BDLive)*

Portuguese company plans to move some production to Angola
Portuguese meat products company Sicasal is preparing to transfer some of its production to Angola following a 50% drop in exports to the West African country, the company’s chairman said in Luanda. Alvaro Santos Silva, who is in Angola as part of a Portuguese business delegation that, together with the Minister of Agriculture, Luis Capoulas Santos, is visiting the country to strengthen institutional bilateral and business cooperation, also said that in 2015 the company exported 40 million euros’ worth of products to the Angolan market. The chairman of Sicasal told Portuguese news agency Lusa the company had already invested US$10 million buying equipment and an area of 10,000 square metres in Viana, on the outskirts of Luanda, where it already employs about 60 people. The company is initially considering importing raw materials from Portugal and later move on to raising livestock depending on availability of foreign currency in the market. Sicasal mainly exports canned goods and frozen pork to Angola. *(Macauhub)*

Potato processing plant invests USD 10 million
Chibia - Investments made in the farming and industrial sector by the business group Jardins da Yoba in the last five years in Chibia Municipality, 42 kilometers south of Lubango, southern Huila province, amounted to USD 10 million, said the production manager, João Saraiva.
The businessman was speaking to the press, in that locality during an assessment visit made by the minister of Economy, Abraão Gourgel, to agricultural fields and potato processing plant, assigned to the group. The Investments, according to João Saraiva, served for the creation of two farms, one in the Chaungo region and another in Chimukua, outskirts of Chibia, both occupying about 300 hectares of arable land, which are produced in large-scale, cereals, tubers and vegetables to supply the domestic market. The group also invested in the construction of a potato processing plant, a cold chain for conservation of their products and not only production of chickens and eggs, creating medium and large animals as well as for seed production of this tuber. *(Angop)*

Ivory Coast Cocoa Harvest Said Likely to Decline for Second Year
The 2016-17 cocoa harvest in Ivory Coast, the world’s largest producer of the beans, will probably decline for a second year. The country will probably produce 1.65 million metric tons of beans in the season that starts Oct. 1, according to a person familiar with government forecasts who isn’t authorized to speak publicly. The main crop, which runs from October to March, is estimated at 1.2 million tons while the mid-crop reaped from April to September is seen at 450,000

tons. The nation probably produced about 1.7 million tons in the 2016 season compared with a record 1.8 million tons in the preceding 12 months. This season's Harmattan -- dry winds that blow over West Africa from the Sahara desert -- was the worst in three decades, damaging crop quality. That led traders including Cargill Inc., Olam International Ltd., Sucres et Denrees SA and Armajaro to forecast large shortages in the year ending in September. Bean deliveries to ports in Ivory Coast in the last three months of the year are expected to be about 750,000 tons, 13 % less than in 2015. The media office at state-run regulator Coffee-Cocoa Council didn't answer calls for comment. The CCC plans to auction 1.1 million tons of the chocolate-making beans via a forward-selling system in the 2017 season, according to the person. The regulator has sold 1.7 million tons forward in 2016. *(By Baudelaire Mieu Bloomberg)*

UPCOMING EVENTS

Africa Singapore Business Forum 24-25 August 2016 - Singapore
www.iesingapore.gov.sg/asbf2016

Ministerial Conference on Ocean Economy and Climate Change in Africa September 1-2, 2016 Mauritius
http://www.worldbank.org/en/events/2016/06/29/ministerial-conference-on-ocean-economy-and-climate-change-in-africa#2

Uganda - UK Investment Summit, 10 September 2016- Troxy – LONDON
This summit will provide attendees with the strategies, techniques and tools that you need to successful do business in Uganda. *http://www.ugandanconventionuk.org/* *info@ugandanconventionuk.org*

First edition of the International Precious Stones Fair from 12 to 15 September in Nacala, Mozambique
Expecting more informations

Mining on Top – Africa London Summit 19-20September, Raadisson Blu Portman Hotel London
www.miningontopafrica.com

Africa Hotel Investment Forum Rwanda 5-6 October 2016 Radisson Blu Hotel & Convention Center - Kigali, Rwanda
http://www.africa-conference.com/rwanda/

Private Equity in Africa Summit - Creating Value and Market Growth - London 26 October 2016
https://live.ft.com/Events/2016/Private-Equity-in-Africa-Summit

FT Mozambique Summit - Accelerating a return to growth and stability - Maputo 02 November 2016
https://live.ft.com/Events/2016/FT-Mozambique-Summit

23rd Africa Oil Week – Africa Upstream – Cape Town 31st October – 4th November 2016
http://aow.globalpacificpartners.com/events/?fa=overview&id=966

Angola's International Fisheries and Aquaculture Fair 2016 runs from 24 to 27 November
Expecting more informations

FT African Infrastructure Financing and Development 2017 - London 23 March 2017
https://live.ft.com/Events/2016/FT-African-Infrastructure-Financing-and-Development-2017

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Disclosures

Eaglestone was founded in December 2011 with the aim to be a committed partner for the development of businesses located primarily in Sub-Saharan Africa and to support the development of renewable energy projects on a global basis.

The company has three business activities - financial advisory services, asset management and brokerage - and currently has offices in Amsterdam, Cape Town London, Lisbon, Luanda and Maputo

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