INSIDE AFRICA

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In-depth:
Angola decides against EFF

Angola is no longer seeking financial support via a three-year extended fund facility (EFF), according to the IMF.
A Fund team visited Angola earlier in June and discussed the possibility of an EFF. However, according to the IMF spokesman Gerry Rice, the president, José Eduardo dos Santos, had more recently informed the Fund of a decision to "continue policy dialogue ... only within the context of the Article IV consultation". This change of approach is negligent given the seriousness of the economic and financial challenges facing Angola. A shortage of revenue arising from low oil prices, and compounded by poor governance, means not only that the government is struggling to pay for basic public services but that the kwanza has fallen sharply against the US dollar, while inflation rose above 29% in May. In an effort to tackle inflation the Banco Nacional de Angola (the central bank) has instituted a series of interest-rate rises, and on June 30th increased its benchmark interest rate to a record 16%, the third increase this year, and no less than 700 basis points up on its January 2015 level.
Nonetheless, pressures on the currency, inflation and the public finances are set to continue. Earlier in June, Mr dos Santos admitted that Sonangol, the state-owned oil company, had not remitted any payments to the finance ministry since January.
Under the terms of an EFF Angola would have been eligible to borrow as much as US$1.5bn a year, up to a cumulative total of US$4.5bn. This money would have been made available in return for commitment to certain reforms to fiscal management and transparency. By choosing not to take on the EFF, Angola is not only declining financial assistance, but putting at risk the additional credibility that engagement with the IMF brings. It is clear that the authorities are unwilling to adopt the tough reforms-and transparency-necessary if a fundamental rebalancing of the economy is to be achieved (although some reform is likely to continue under the Article IV process). Choosing instead to seek further bilateral loans, probably from China, will also put more pressure on the country's debt/GDP ratio-we were already expecting this to rise close to 39% this year, and upward revisions are now likely. *(Economist Intelligence Unit)*

Namibia: Country Outlook

POLITICAL STABILITY: The South West Africa People's Organisation (SWAPO), which has governed Namibia since the country achieved independence in 1990, will continue to dominate the political scene. The president, Hage Geingob, has strong popular backing, demonstrated by his overwhelming victory in the November 2014 presidential election, in which he secured 87% of the popular vote--the largest share in Namibia's post-independence history. A simultaneous election for the National Assembly (the lower house of parliament) resulted in an equally convincing victory for SWAPO, which secured four-fifths of the votes cast.
ELECTION WATCH: The next presidential and legislative elections will take place in 2019. SWAPO's continuing dominance of Namibian politics partly reflects the benefits of incumbency, as well as the strong support of the country's media--including the usually uncritical coverage of SWAPO's campaigning by the single domestic television channel. However, it is also a reflection of a weak and divided opposition. In recognition of this fact, five of the country's opposition parties have entered into a loose co-operation agreement. However, the arrangement falls well short of an electoral pact or formal coalition. Even if the opposition succeeds in presenting a more united front ahead of the next general election, it will struggle to weaken SWAPO's hegemony; under the party-list system used in national elections, each party is allocated seats in proportion to its share of the national vote, so an opposition alliance would be unlikely to have much success unless it were able to cut into SWAPO's vote in major towns and its northern Oshivambo-speaking heartland.
INTERNATIONAL RELATIONS: The expansion of economic ties with other countries in the region--notably Angola, Zambia and South Africa--will remain a priority. There will be a particular focus on South Africa; a Bi-National Commission has been tasked with developing closer economic and political links between the two countries. However, South Africa has recently been pushing to revise the Southern African Customs Union (SACU) revenue-sharing formula, which could harm relations if South Africa succeeds and significant adjustments are made. Relations with Western trading partners are expected to remain strong, supported by closer trade integration, with an upcoming Economic Partnership Agreement with the EU that entitles Namibian exporters to tax- and quota-free access to European markets. Strong commercial ties with China are underlined by the US$2bn investment that is being made by China General Nuclear Power Holding Corporation in developing the giant Husab uranium mine and an agreement in May that will open up the Hong Kong beef market to Namibian exporters.
POLICY TRENDS: The policy agenda in the early part of the forecast period will be guided by the fourth national development plan (NDP4), which runs from fiscal year 2012/13 (April-March) to 2016/17 and which incorporates the provisions of an industrialisation policy that focuses on agro-processing, mineral beneficiation and import-substituting industries. The government remains committed to much-needed infrastructure development (particularly with regard to electricity provision) to allow Namibia to tap into its logistical potential. Reflecting this, an NDP5 programme will run concurrently with a separate, high-impact development package, the "Harambee Towards Prosperity for All" programme, which will run from 2016/17-2020/21. Spending for the programme will be built into successive budgets over the years it runs for and has a special emphasis on poverty alleviation and infrastructure improvement. However, finding the means to finance what the Bank of Namibia (BoN, the central bank) estimates is a US$15.5bn infrastructure

deficit will be challenging, particularly in the near term under tight fiscal conditions. Private funding for major infrastructure projects such as the Trans-Kalahari railway--which would link coal mines in Botswana to expanding port facilities in Namibia--will also be difficult to secure over the forecast period given low commodity prices.

ECONOMIC GROWTH: Preliminary data show that Namibia registered robust economic growth of 5.7% in 2015, which The Economist Intelligence Unit believes may be optimistic considering a slump in mining and manufacturing, and may be revised downwards at a later date. We still forecast that economic growth in 2016 will ease to 5.3% given ongoing uncertainty in the mining sector, lower government spending and water shortages caused by drought. Construction growth will remain robust, though, principally because of the development of a new port facility in Walvis Bay and a major dam--the Neckartal Dam--which are both due for completion in 2017, in addition to continued development of the giant Husab uranium mine. Once these projects are completed, the wind-down in fixed investment will be more than offset by a substantial ramping-up in production as new mining capacity comes on stream. When fully operational (some time in 2017), Husab is set to become the second-largest uranium mine in the world and could triple Namibia's uranium output. A boost to growth will also come from the start of mining activity at the Z20 deposit operated by Rössing Uranium (part of the Rio Tinto group) and--possibly--the Etango mine, operated by Bannerman Resources (Australia). We expect real GDP growth to reach a forecast period peak of 6.2% in 2017, boosted by strengthening copper and gold prices and beneficiation activity. Continued expansion in manufacturing will sustain relatively high economic growth in 2018, of 5.4%, before the incremental increases in mining and beneficiation growth begin to lessen and progressively tighter monetary policy weighs on consumption. Together, this will cause the overall rate of economic growth to weaken to an average of 3.6% in 2019-20.

INFLATION: The bulk of Namibia's imports will continue to be sourced from South Africa. As a result, domestic inflation will remain heavily influenced by inflationary trends there, as well as more generally by trends in oil and food prices. Although averaging a comparatively subdued 3.4% in 2015, inflation picked up to 6.5% year on year in April 2016. Higher electricity tariffs, currency weakening and rising local food prices caused by a severe (El Niño-linked) drought will more than offset another year of low-cost oil--raising average inflation to 6.8% in 2016. Despite an easing of domestic demand growth in response to monetary tightening, rising oil prices in 2017-18 will keep inflation at an average of 5.9%. A modest fall in global oil and food prices and a more stable currency will see inflation ease to an average of 5.2% in 2019-20.

EXCHANGE RATES: The Namibia dollar will remain pegged at parity to the South African rand in 2016-20, despite increasing pressure within Namibia to break the link with the rand as the South African currency plunged against the US dollar in 2015. There has been some currency stabilisation since then, however, and in April the rand rallied for a third consecutive month, to R14.64:US$1 (its strongest level for five months), trimming the annual rate of depreciation to 21.9%. The rebound from January's record lows stems from several factors, including interest-rate rises by the South African Reserve Bank (SARB, the South African central bank), a comparatively prudent South African budget in February, expectations that US rates will rise fairly slowly and monetary loosening in the euro zone. Nonetheless, the rand resumed a weakening trend in early May, within a context of significant daily volatility, and the Namibia dollar will remain vulnerable to how global developments, such as the slowdown in China (a major trade partner) and weaker commodity prices, affect its neighbour. The sluggish pace of real GDP growth and a persistent current-account deficit, which requires inflows of volatile foreign portfolio investment to fill the gap, will also weigh on the South African currency, as will the risk of a sovereign credit downgrade to junk status by ratings agencies.

Overall, the rand's recent rally will not be sustained and the currency will slide to an average of R16.15:US$1 in 2016 (from an average of R12.76:US$1 in 2015). We expect a more gradual depreciation during the remainder of the forecast period, to R17.77:US$1 in 2017 and R20:US$1 in 2020 (helped by monetary tightening).

EXTERNAL SECTOR: Increased gold, copper and uranium production as new mines come on stream will just offset deteriorating terms of trade as commodity prices remain depressed--causing the merchandise trade deficit to narrow in nominal terms in 2016, after two consecutive years of a widening deficit. Higher global prices for diamonds and more higher-value downstream diamond exports, along with significantly increased uranium production, largely from the new Husab uranium mine, will be particularly important factors behind a more significant expansion in earnings in 2017. Export growth over the remainder of the forecast period will be sustained on the back of continued rises in gold and copper output from new mines and stronger prices for zinc.

Meanwhile, growth in capital goods imports is set to slow in 2016, following the completion of a number of key mining projects in late 2015, while currency depreciation and monetary tightening will curb import demand. Fast-rising global oil prices will cause imports to pick up in 2017, and remain high throughout the forecast period. Although the trade deficit will remain large, it will narrow to 17.5% of GDP in 2020. *(Economist Intelligence Unit)*

Tanzania: Country Outlook

POLITICAL STABILITY: The Economist Intelligence Unit does not expect Tanzania to face significant threats to its underlying stability during the forecast period, although growing polarisation among the country's political factions will be a source of some volatility. Following its victory in the October 2015 general election, the long-standing ruling party, Chama Cha Mapinduzi (CCM), will retain a firm grip on power, under the leadership of the president, John Magufuli. However, after securing electoral strongholds in several urban hubs, the opposition is galvanised and increasingly well

co-ordinated. We expect the political scene to grow increasingly competitive over the forecast period, marked by mass protests and colourful parliamentary politics. Although this reflects the consolidation of democratic principles, there is a downside risk that the CCM will struggle to adjust to genuine multiparty politics and revert to increasingly repressive tactics to retain control.

ELECTION WATCH: The next nationwide polls are not scheduled until 2020. The CCM's convincing victory in the 2015 polls suggests that Ukawa is not yet an electoral threat at a national level.

However, Ukawa, a coalition of opposition parties, gained momentum during the previous election campaign in 2015, benefiting from better organisation, more funding and several high-profile defections from the CCM. We expect Ukawa to remain broadly intact throughout 2016-20, with parties likely to be co-ordinated in their demands for constitutional reform and increasingly collaborative in their contributions to local-level politics. The opposition are yet to make headway into rural areas--where the CCM's well-oiled party machinery engenders robust grass-roots support--but its control of municipal authorities in urban hubs (notably Dar es Salaam, the country's commercial capital) will act as a litmus test for the opposition's ability to govern.

INTERNATIONAL RELATIONS: Following several high-level corruption scandals in recent years, as well as international observers' concerns over democratic shortcomings in Zanzibar, Tanzania's relations with its main donors will remain strained. Governance concerns led to the cancellation of a US-financed grant programme in March and there is a downside risk that other donors will follow suit. However, we expect most donors to remain engaged, with the government's ongoing efforts to tackle corruption and improve fiscal transparency aiding relations. Aid inflows are, however, now in a phase of structural decline. Meanwhile, political, commercial and economic ties are set to deepen with Asian countries (particularly India--Tanzania's main trade partner--and China, its main bilateral creditor).

POLICY TRENDS: The government will pursue broadly orthodox macroeconomic policies, while seeking to stimulate growth and job creation. Mr Magufuli has pledged to improve public-sector efficiency in a bid to limit fiscal waste and remove bureaucratic impediments to doing business. However, divergent interests within the central government, relatively strong powers in other layers of government and low institutional capacity will hinder the pace of reform. Moreover, a subtle trend has emerged under the Magufuli administration to centralise decision-making and, although this is intended to save costs, there is a risk that it will further erode the capacity of public institutions and weaken the business environment.

ECONOMIC GROWTH: Real GDP growth is forecast to average 6.3% a year in 2016-20 (a slight slowdown from the 6.8% yearly growth registered over the previous five years). This brisk growth trend reflects relatively robust domestic demand, as well as strong growth in the construction and services sectors. Services contribute almost 50% of GDP and, spurred by private-sector activity in telecommunications and financial services, the sector will continue to expand briskly over the outlook period.

Manufacturing is also expected to continue registering steady growth, aided by a more reliable power supply, the availability of domestic gas and Tanzania's growing integration into regional markets. However, the sector will remain dominated by resource-based manufacturing, as the lack of skilled labour limits progress up the value chain. Agriculture will remain the mainstay of the economy in rural areas, although it will continue to be constrained by inadequate infrastructure and weather-related shocks.

INFLATION: Year-on-year inflation is forecast to decline slightly in 2016 (to an average of 5.2%, from 5.6% in 2015), with the effects of currency depreciation offset by low global prices for oil and food. We expect inflation to accelerate in 2017, to an average of 6.1% year on year, fuelled by a rebound in global oil and food prices (which are forecast to increase by 38% and 5% respectively), before gradually falling thereafter, to 4.8% in 2020. Food is the largest component of Tanzania's consumer price index; there therefore remains a risk that weather-related shocks to domestic food production will push inflation above our baseline scenario.

EXCHANGE RATES: After losing almost 17% of its value against the US dollar in 2015, the Tanzanian shilling is expected to continue to slide throughout the forecast period, albeit at a significantly slower pace. Downward pressure in 2016 will be driven by the country's sizeable fiscal and current-account deficits, as well as the continuing strength of the dollar as the Federal Reserve (the US central bank) pursues monetary tightening; we therefore forecast an annual average exchange rate of TSh2,185:US$1, down from TSh1,990:US$1 in 2015. Thereafter, the government's tighter fiscal stance and higher inward investment will result in a progressively slower rate of depreciation, with the shilling forecast to average TSh2,538:US$1 in 2020.

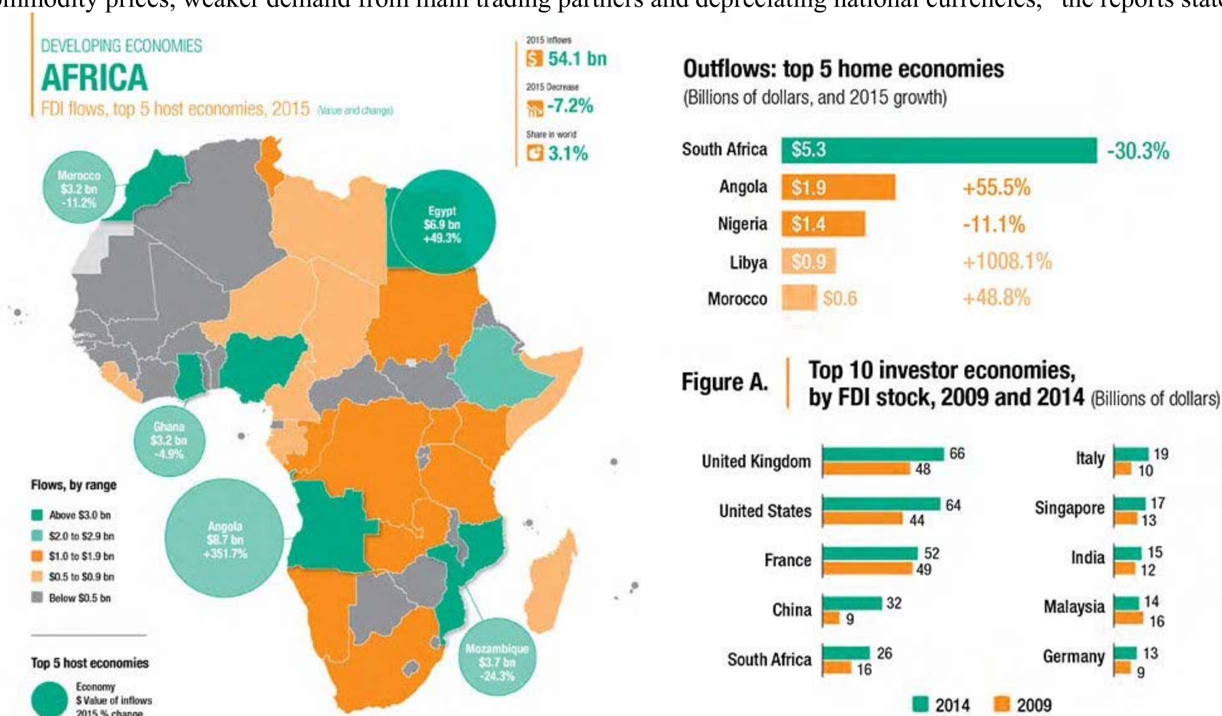
EXTERNAL SECTOR: After contracting to an estimated 8.8% of GDP in 2015 (from 11.6% of GDP a year earlier), the trade deficit is expected to remain relatively flat at a yearly average of 9% of GDP in 2016-19. Import growth will be subdued in the near term, helped by low oil prices, before picking up pace thereafter as domestic demand accelerates, global prices recover and investments in the construction and energy industries draw in capital inputs. Export growth will continue to be driven by manufactured goods (which increased by 9% year on year in 2015, overtaking minerals as Tanzania's primary export), as well as rising re-exports as the ports industry expands. We also expect steady growth in agricultural exports (coffee, tea and cotton) as productivity-enhancing measures are rolled out, but export performance will be held back by sluggish demand in key export markets. The authorities' agreement to export gas to Uganda would significantly boost the trade balance but, with feasibility work still incomplete, we have not yet included this in our projections. *(Economist Intelligence Unit)*

FDI into South Africa fell to ten-year low in 2015, Unctad shows

Foreign direct investment (FDI) inflows to South Africa slumped to a ten-year low of only $1.8-billion in 2015, a 69% decline, the latest World Investment Report (WIR16) shows. Inward FDI into Africa's most developed economy was recorded by the United Nations Conference on Trade and Development (Unctad) as being $5.7-billion in 2014, having peaked a year earlier at $8.3-billion.

The weak performance came amid a 2% increase, to $17.9-billion, in FDI into the Southern African region as a whole. However, this rise was driven mainly by a record $8.7-billion inflow to Angola, which was largely attributable to intracompany loans. Mozambique was the second-largest regional recipient with inflows of $3.4-billion, 24.3% down on the 2014 figure. Unctad attributed the South African slump to a "lacklustre economic performance, low commodity prices and higher electricity costs". South Africa's inward FDI stock, at $125-billion, remained large in the regional context, however, with Southern Africa's inward stock standing at $195-billion.

The country's FDI outflows also fell 30% last year to $5.3-billion, from $7.7-billion in 2014. South Africa remained the continent's largest homegrown investor, but China overtook it as the largest investor from a developing country. Developed economies, led by the UK, the US and France, remained the largest investors in the continent. South Africa's outward FDI pullback came amid a 25% decline in FDI outflows from Africa as a whole, to $11.3-billion. "Investors from South Africa, Nigeria and Angola reduced their investment abroad owing to factors such as lower commodity prices, weaker demand from main trading partners and depreciating national currencies," the reports states.



Nevertheless, South Africa's outward FDI stock rose to $163-billion, with a good potion held in the rest of Africa. FDI inflows to Africa, meanwhile, also fell to $54-billion – a decrease of 7.2% when compared with 2014. The WIR16 states that rising investment into North Africa – FDI to Egypt rose nearly 50% to $6.9-billion – was offset by decreasing flows into sub-Saharan Africa, especially in natural-resource-based economies in West and Central Africa. Inflows to Nigeria also fell to around $3.2-billion. International FDI inflows, however, rose 38% to $1.76-trillion dollars on the back of a surge in cross-border mergers and acquisitions to $721-billion, from $432-billion in 2014. Flows to developed economies nearly doubled to $962-billion, up from $522-billion in 2014, with the share of developed economies in world FDI inflows surging from 41% in 2014 to 55% in 2015. In the US, FDI almost quadrupled to $379-billion, making it the largest recipient of FDI in 2015. However, much of the corporate activity was attributed to strategic reasons and for tax inversion purposes. Discounting for these large-scale corporate reconfigurations implies a more moderate increase of about 15% in global FDI flows, the WIR16 states. The value of announced greenfield investment was $766-billion.

AFRICA OUTLOOK

Despite the depressed global economic environment, Unctad expects FDI inflows to Africa to recover in 2016, owing to liberalisation measures and some privatisation of State-owned enterprises. "FDI inflows to Africa are expected to return to a growth path in 2016, increasing to $55-billion to $60-billion. This increase is already becoming apparent in announced greenfield projects in the first quarter of 2016, particularly in North Africa, but also in Mozambique, Ethiopia, Rwanda and United Republic of Tanzania," Unctad says. FDI flows are also expected to increase in Kenya and Tanzania, which now allow 100% foreign ownership of companies listed on their stock exchanges. Privatisation of State-owned commodity assets in countries such as Algeria and Zambia could also provide a boost to inflows. Globally,

however, FDI flows are expected to decline in both developed and developing economies during 2016, with Unctad forecasting that FDI flows are likely to contract by between 10% and 15%. *(Engineering News)*

SOVEREIGN RATINGS

North and South America - Asia

	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
04-07-2016	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

Eurozone

	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
04-07-2016	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

Region - Africa/Middle East

04-07-2016	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	Caa1*-	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-	B	NR	B	B
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

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

AfDB approves USD 245 million to finance Uganda-Rwanda transport project and boosts regional trade in East Africa

On Wednesday, June 22, 2016, the African Development Bank approved USD 245 million in loans and grants to the Governments of Uganda and Rwanda to finance a transport project that will boost regional trade and decongest traffic from Kampala (Busega) city to Mpigi. Uganda and Rwanda are landlocked countries and transport infrastructure is a key factor to stimulate socio-economic activities and improve competitiveness.

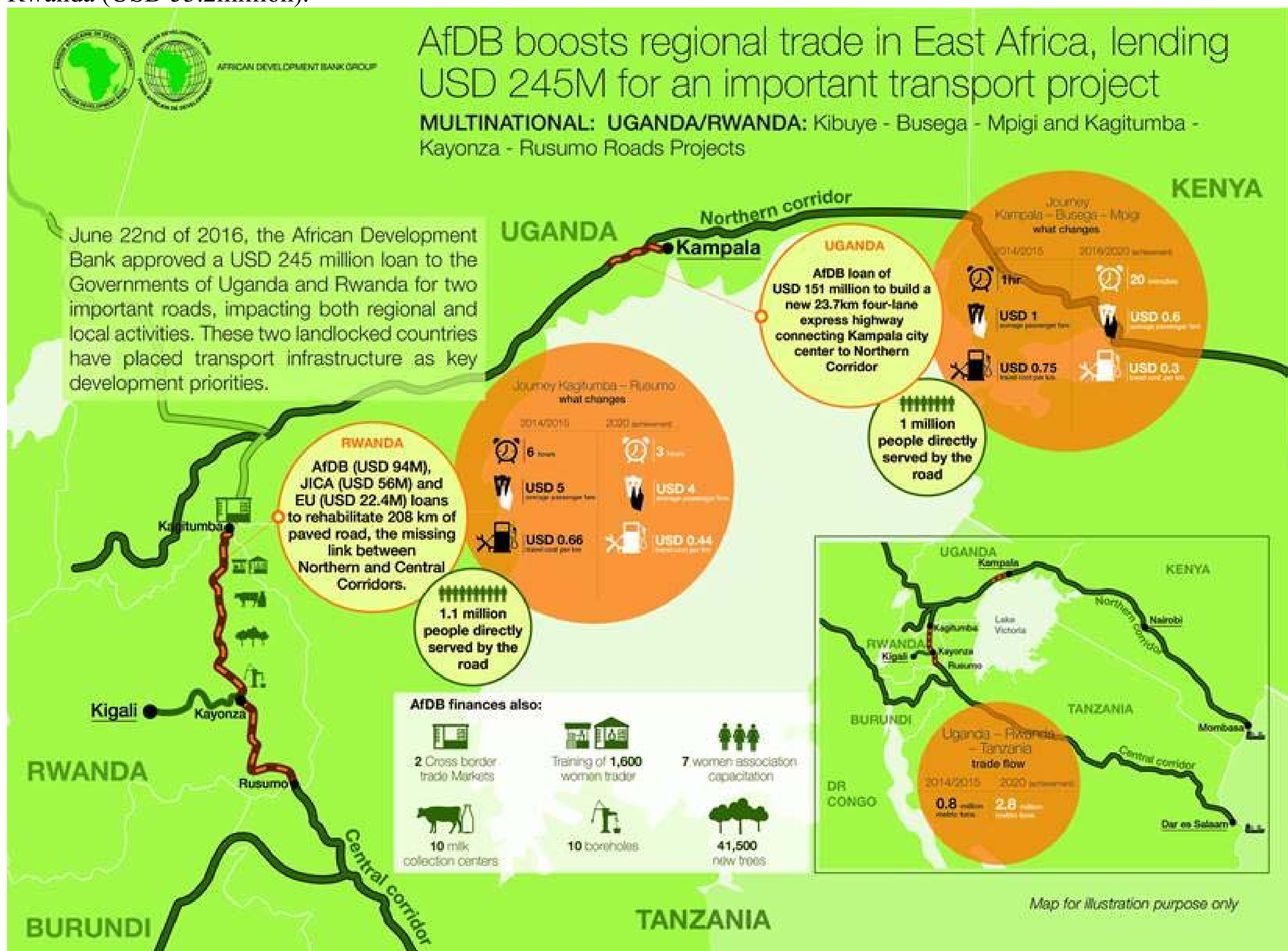
In Uganda, the Bank's USD 151 million will finance the construction of a 23.7-kilometre expressway, which will facilitate the journey between Kampala (Busega) and Mpigi on the Northern Corridor, a major trade route in the region. In Rwanda, the USD 94-million Bank loan will finance the rehabilitation of a 208-km road (Kagitumba-Kayonza-Rusumo) in eastern Rwanda. These roads are vital links, which support the regional integration objectives of the East Africa Community (EAC) and the Great Lakes Region, contributing to poverty reduction and regional integration

across Uganda, Rwanda and Tanzania. The project also includes the construction of two cross-border markets at Kagitumba and Rusumo; training of women traders and entrepreneurs.

In Uganda, the existing Busega-Mpigi road is highly congested especially at Busega, handling over 26,000 vehicles per day on a two-lane road. Average vehicle travel time from Busega to Mpigi will be reduced from one hour to 20 minutes on the completion of the project. In Rwanda, the average vehicle travel time on the Kagitumba-Kayonza-Rusumo road will be reduced by 50%, from six to three hours. The road construction will be completed in 2½ years.

The direct beneficiaries of the project are traders and transporters who use the Northern Corridor via Mirama Hills/Kagitumba and the Central Corridor, via Rusumo and the 2.14 million people living within the Busega-Mpigi and Kagitumba-Kayonza-Rusumo areas. “The project will contribute to poverty reduction, improve the quality of life of people in the area by providing socio-economic facilities. It will also contributes to agriculture development and food security; and facilitates industrialization through reduced transportation and logistics costs”, said Amadou Oumarou, Director of the AfDB’s Transport & ICT Department.

The total project cost is estimated at USD 376.5 million, co-financed by AfDB (USD 244.6 million), Japan International Cooperation Agency (USD 56.3 million), European Union (USD 22.4 million) and the Governments of Uganda and Rwanda (USD 53.2million).



ACCF grants US $0.8 million to enhance climate finance readiness in Côte d’Ivoire and to make two transboundary projects climate-resilient

The **Africa Climate Change Fund (ACCF)** announced on May 3 the approval of two technical assistance projects totaling US $0,8 million that will strengthen the capacity of Côte d’Ivoire to access climate finance and integrate climate resilience into two transboundary projects in Togo and Benin and in Zambia and Zimbabwe.

A grant of $430,000 will support Côte d’Ivoire in enhancing its capacity to mobilize international resources to fight against climate change. The country’s major development sectors are subject to very high climate vulnerabilities that already resulted in important economic losses and negative impacts in the local populations. The agricultural production has dropped significantly due to heavy crop losses related to seasonal disturbances and the country has also registered strong coastal erosion and flooding in the recent years. Given the magnitude of the challenges, Côte d’Ivoire seeks to develop climate finance readiness activities that will improve the ability of the country to attract climate finance.

The project will be implemented by the Ministry of Environment and Sustainable Development and shall develop and structure two specific projects that will be submitted to international climate funds (Green Climate Fund and Adaptation

Fund). The project will further strengthen national capacities by providing capacity building to key national government officials in design, project management and mobilization of climate finance. Finally, the project will also finance a study aimed at identifying, within the Ivorian institutional framework, national institutions with the potential to become accredited as implementing agencies of the Green Climate Fund.

A second grant of $347,000 will focus on enhancing knowledge and capacity and facilitating partnerships for climate-proofing African infrastructure projects, as well as promoting climate-resilient infrastructure development in two transboundary projects. A component of the Abidjan-Lagos Coastal Corridor road infrastructure project in Togo and Benin, which is vulnerable to the impacts of climate change, particularly floods, sea level rise and coastal erosion, will be climate-proofed. In addition the project will integrate climate change resilience into the Batoka Gorge Hydropower project, a strategically important project for Zambia and Zimbabwe that will provide clean and reliable electricity supply.

The grant will also strengthen the capacity of 100 policy-makers from the Economic Community of West African States (ECOWAS) and Southern African Development Community (SADC) in integrating climate risks resilient measures in projects from energy and transportation sectors. Finally, the grant will facilitate partnerships between international financial institutions and facilities that promote the development of climate-resilient infrastructure in the region and the African countries.

The announcement brings to eight the total number of ACCF projects approved since the Fund's establishment in 2014, totaling $3.3 million. Previously approved projects include one continent-wide project as well as projects in Mali, Cabo Verde, Swaziland, Tanzania (Zanzibar), and Kenya.

Angola gives up asking for financial assistance from the IMF

Angola has given up the idea of requesting financial assistance from the International Monetary Fund (IMF), intending only to receive technical support, said in Washington the IMF spokesman Gerry Rice. Rice added the President of Angola had informed the IMF that Angola wanted to continue only with the dialogue component of consultations under Article IV and not in the context of discussion of the Extended Fund Facility (EFF). He added that a new mission of the Fund would travel to Luanda, probably in October for consultations under Article IV. The International Monetary Fund announced on 6 April that Angola had requested an assistance programme for the next three years, the terms of which were discussed at the spring meetings in Washington, continuing in Luanda in the first half of June. At the end of the visit, the head of the IMF mission, Brazilian economist Ricardo Velloso, said the Fund was waiting for a decision from the Angolan government on whether it would continue with its application for financial assistance. *(Macauhub)*

Mozambique Gets Support to Increase Agricultural Productivity While Strengthening Natural Resources Resilience

The World Bank Board of Executive Directors approved US$40 million (of which US$26 million in grants) in support of the Republic of Mozambique's Agriculture and Natural Resources Landscape Management Project. It will contribute to the sustainability of natural resources while improving the livelihoods of targeted rural households in Mozambique.

Mozambique's two decades of capital-intensive economic growth with limited linkages to the local economy has had little impact on poverty reduction. The country's current economic challenges bring to the fore the need to deepen growth in labor-intensive sectors such as agriculture and forestry, which have the potential to ensure greater inclusiveness of growth.

Mozambique's substantial natural capital includes an estimated 36 million hectares of arable land and 40 million hectares of natural forests. However, the country's natural resources are being rapidly depleted: 220,000 hectares of natural forests are lost every year, and erosion is pervasive. Ensuring the sustainability and resilience of the natural resource base on which agriculture and forestry depend, particularly soil and water, is critical for sustainable development.

"I'm pleased with the approval of this project as Mozambique has a lot to benefit from its potential in the agricultural and forestry sectors, said **Mark Lundell, Country Director for Mozambique.** *"Low productivity, marginal use of improved inputs and labor-saving technologies, poor use of agronomic knowledge, and limited rural infrastructure are some of the factors hindering the development of these sectors."*

More than twenty thousand households, including particularly women, will thus directly benefit from the project's increased market access, new technologies and mechanization, productive inputs and infrastructure, as well as access to land titles (individual and communal), financing, and value chains. Another 100 small and emerging commercial farmers and 25 small, medium and large enterprises will access grants and commercial finance, as well as technical and business support and training, for business development and expansion. Furthermore, the project will improve rural infrastructure and enhance institutional performance in integrated landscape management across the country, thus reaching a significant number of indirect beneficiaries.

This project is part of a Program or series of projects designed to be scalable by expanding coverage geographically over time. The Project will focus on the provinces with high levels of poverty and agriculture and forestry potential in the central (Zambeze province) and northern region of the country (including Nampula province).

"Agriculture can have positive or negative impacts on natural resources depending on the adopted practices and their effects on land cover and ecosystems," added **Mark Austin, World Bank task team leader for the operation**.*"This project encourages sustainable agriculture practices and seeks to increase productivity while strengthening the resilience of natural resources and productive systems."*
The Project is aligned with the government's five-year plan, Plano Quinquenal do Governo (2015–2019), and the World Bank twin-goals of ending extreme poverty and boosting shared prosperity in the world.
IDA Credit: $14.0 million equivalent
IDA Grant: $26.0 million equivalent
Terms: Maturity = 38 years; Grace = 6 years
Project ID: P149620
Project description: The objective of the project is to integrate rural households into sustainable agriculture and forest-based value chains in the Project Area and, in the event of an Eligible Crisis or Emergency, to provide immediate and effective response to said Eligible Crisis or Emergency.

INVESTMENTS

Mission from India discusses buying pulses in Mozambique
A mission from India headed up by the secretary for Consumer Affairs, Hem Pande, headed to Mozambique where it will discuss the issue of pulses with the local authorities, the Indian government said in a statement. The statement from the Ministry for Consumer Affairs, Food and Public Distribution, cited by the Press Trust of India, said that the "high level delegation" would explore short and long term measures to import pulses from Mozambique on a "government to government" basis. The delegation includes officials from the Ministries of Trade and Agriculture as well as state company Metals and Minerals Trading Corporation (MMTC). A similar delegation has also been sent by the Indian government to Myanmar to analyse the possibility of importing pulses from the country. As well as Mozambique, India also plans to explore other opportunities in African countries, such as Malawi, by leasing land to produce pulses that will later be exported to the country. The price of these products, which include beans, lentils and peas, has been increasing in India. Production in 2015/2016 fell to 17 million tons and demand totalled 23.5 million tons. *(Macauhub)*

Macau can help Guinea-Bissau to attract investment from China
Agriculture, fishing, tourism and mining are priority areas where Chinese companies can invest in Guinea-Bissau, said in Macau a delegate of Macau Forum from the West African country. Malam Becker Camara also said during a seminar on Guinea-Bissau organised by the Macau Trade and Investment Promotion Institute (IPIM) jointly with the Permanent Office of the Forum for Economic and Trade Cooperation between China and Portuguese Speaking Countries (Macau), the Macau platform can help with the internationalisation of products from their country. The director of IPIM, Gloria Ung, said that in Guinea-Bissau there is "a vast area for cooperation with companies from China and Macau." "Chinese companies can use Guinea-Bissau as a platform and base for developing cooperation and for development with other countries in West Africa in order to access the markets of the Economic Community of West African States," said Ung. In her speech Ung recalled that along its coast Guinea-Bissau has large untapped oil and gas reserves. In April 2014, the "Meeting of Businesspeople for Economic and Trade Cooperation between China and Portuguese Speaking Countries" was held in Guinea-Bissau for the first time. *(Macauhub)*

Singaporean companies eyeing niche opportunities in Africa
Singapore's government is actively encouraging its businesses to explore commercial opportunities in Africa, a region currently accounting for only about 1% of its total global trade. "Some of our companies have already established themselves in Africa over the years in certain niche industries," said Dr Koh Poh Koon, Singapore's minister of state for trade and industry, at a session organised for African-focused media outlets. He said although Singapore is a small country, there are some industries where its companies have significant experience. For example, the city-state sees itself as an expert in the area of urban planning, and wants to export this expertise to Africa. "Singapore has limited land, so master planning for the long term is part of our psyche," noted Dr Koh, highlighting a new town development in Tanzania promoted by Singaporean company Hyflux in conjunction with a local partner. The Star City project is expected to comprise an industrial/logistics park; residential areas and a university town.
Water solutions is another area of interest. "Our companies are pretty good in things like water technologies and water recycling. This was borne out of necessity because we were short of drinking water. Through research and innovation our companies have turned a limitation that we had into a huge opportunity. And they are using this technology to compliment the needs of a growing sub-Saharan Africa by providing technology and services to recycle water and to also provide clean drinking water," explained Dr Koh.
In transport and logistics, shipping company Pacific International Lines is already active throughout the continent, and, according to Dr Koh, port operator PSA International is eyeing opportunities to manage African ports. In the education sector, Singapore's Institute of Technical Education (ITE) has already partnered with some African countries to improve vocational training.

Lessons for Africa

Singapore is globally seen as a development success story, having transformed itself from a poor country in the 1960s to one of the world's most competitive economies.

According to Dr Koh, Singapore managed to industrialise by making it attractive for multinationals to set up shop in the country. "In the early years when we became independent, I think we went through very much the same thinking process as African nations today – how do we create enough jobs for our people to give them a good income? So we went onto the industrialisation track. And one of the things we did was to bring in the multinational companies (MNCs) – making the economy open enough and attractive enough for them to be here. Because unless you yourself have all the necessary know-how to start all the industries by yourself, how can you begin to create all these jobs out of nowhere?

"When MNCs come in they create jobs, but they also create an ecosystem for other SMEs to support them… And when MNCs come, they also bring along the financial institutions, and then along the way you grow the financial sector. The banks want to be there where their customers are."

Dr Koh stressed the importance of providing a favourable business environment for multinationals. "When you ask people to put in millions and millions of dollars in infrastructure, they want to have certainty and transparency. They want to know that you are not going to expropriate their investments through an unstable political system or corruption… The rule of law is very important, especially if you don't have any investment treaties that you have signed with the home country of the MNC… If they cannot see transparency and certainty, they are not going to come."

He also cautioned against having unrealistic development ambitions. "Some countries want to build high-tech industrial parks, because they are captured by the notion of high technology and innovation. But you got to ask yourself if you've got the workforce for that. You cannot go on the same bandwagon as someone else in a different phase of development.

"Smart city is a term that many people use. However, the question is: do you have the people with the level of education, the level of technological savviness? Is your entire ecosystem ready for smart technology? At the end of the day, the smart city and the smart technology must make life better for people. It must not increase the rich-and-poor divide. If everyone in the country doesn't even have a computer, it means only the rich can use the smart technology and the smart services." *(How we made it in Africa)*

Transcorp Hilton Abuja Begins $100m Renovation Project

Transcorp Hilton Abuja has announced the commencement of a major renovation that will upgrade the five-Star Transcorp Hilton Abuja guest experience in every aspect. "The upgrade is the first of its kind in the 30-year history of the hotel and it underpins our commitment to delivering an experience that cannot be duplicated by any other hotel. The Transcorp Hilton hotel set the gold standard decades ago and will continue to set high standards for others to follow," the Managing Director/CEO Transcorp Hotels Plc, the owners of Transcorp Hilton Abuja, Valentine Ozigbo said. A statement yesterday explained that when the renovation is completed, Transcorp will offer guests a brand new and ultramodern furnishing concept to rival other five-star hotels worldwide. It stated that all 670 guest rooms and suites have been redesigned by award-winning Swedish interior design company, Living Design, who has added an extra touch of luxury to the exquisite finish and furnishing.

The complete renovation, when finalised, will include refurbishing of the Executive Lounge, elevators and elevator lobbies, meeting rooms, Congress Hall and the hotel lobby, it added. "The spa and restaurants will also be upgraded to reflect the standards of the modern traveller with high expectations. The hotel will remain open during the renovation. Disruptions will be minimal, as no more than three floors will be closed at any given time. "Selected services and facilities are to be relocated in order to ensure guest comfort and satisfaction, as the hotel remains operational and committed to exceeding expectations during the improvement period. "Transcorp Hilton assures all guests that customer satisfaction is of utmost importance. "We are excited to unveil the on-going renovations to our guests and community as another stride towards maintaining our position as one of Africa's leading hotels," its General Manager, Etienne Gailliez The full renovation will be completed in 18 months. In addition to the upgrade of Transcorp Hilton, the statement explained that Transcorp Hotels Plc has also embarked on two major hotel projects, Transcorp Hilton Ikoyi Lagos and Transcorp Hilton Port Harcourt to extend its luxury accommodation and conferencing facilities to guests beyond Abuja and Calabar. *(This Day)*

We must boost intra-African trade now

Africa has 14 trade blocs that were designed to facilitate greater cross-border trade and intra-African cooperation. These include the Greater Arab Free Trade Area, the Mano River Union, the Economic Community of the Great Lakes Countries, as well as the Regional Economic Communities (RECs). The latter fall under the banner of the African Economic Community, which was established in 1991 and enacted in 1994. The RECs include the Community of Sahel-Saharan States, the Common Market for Eastern and Southern Africa, the East African Community, the Intergovernmental Authority on Development and many others.

Despite the establishment of these trade blocs, regional exports constitute nearly 11% of the total goods exported – the rest are shipped out of the continent. Compared to other major economic regions in the world, this is a relatively low figure. In the United States, intra-regional trade accounts for 40% of total trade. Whereas in the EU it accounts for 60%.

Given the fact that exports support economic growth, increasing intra-African trade could provide solutions to issues such as the trade deficit and food production and security for many African nations.
One of the most disappointing regional deficits is in the agricultural sector. Whereas Africa has the potential to autonomously feed itself, most nations produce goods that they do not consume, whilst consuming those that they do not produce. Arguably, our nations must redirect the objectives of these various trade agreements to support the domestic industries, the regional trade, and the economic and demographic growth. This might narrow the trade gap and bring the domestic prices of finished goods down.
A 2014 Economist Intelligence Unit report attributes the lowest regional score on its Global Food Security Index to sub-Saharan Africa, whilst noting that high import costs are a major consequence of this fact. Along with relative poverty, the latter exacerbates the negative social consequences of expensive imports. According to this publication, limited transport and logistics infrastructure across large geographical areas make intra-African trade complex and costly. The fact that only 5% of Africa's imported cereals come from other African countries highlights the scarcity of logistic capacity across the continent. However, these observations may be replicated across other commodities, such as metal and plastic, which are predominantly imported from outside of the continent.
Despite these challenges and the ensuing global economic headwinds, sub-Saharan Africa is set to grow by around 4.5% in 2016, which is far more than the world's major economies. This is favourable because it confirms that governments still have the financial capacity to invest in business-critical infrastructure, which can further boost future regional trade and GDP growth in the continent. Nonetheless, the support of commercial intra-Africa trade ventures requires a reassessment of the efficacy of the existing trading blocs. Today, many of our nations are members of various such blocs, with complicated and potentially contradictory policies. Whereas, the strategic objective of these blocs ought to be simplicity and consistency across the board, based on mutually beneficial tariffs and light regulation.
For instance, Kenya, Nigeria and Angola have been prioritising infrastructure for several years because it is crucial to the development of a domestic SME production capacity. Recently, the heads of state of Angola, Democratic Republic of Congo (DRC) and Zambia attended the relaunch of the renewed Benguela railway, which links the sea port of Lobito with hinterlands of the three countries. This is a major example of how neighbouring countries draw mutually beneficial growth paths for trade and development. Such initiatives must be supported by facilitation in the circulation of goods from one nation to another in order to attract commercial investments.
Another initiative that supports intra-African trade are the seven private equity investment funds established by the Angolan Sovereign Wealth Fund (FSDEA) for infrastructure, real estate, healthcare, agriculture, timber, mining and mezzanine capital opportunities within sub-Saharan Africa. FSDEA has been actively screening and investing in medium-size ventures that provide long-term financial returns for the Republic of Angola and catalyse private sector activity domestically and in other sub-Saharan African countries. So far, these funds have invested over US$400m in timber, infrastructure, mining, mezzanine capital and real estate projects. The FSDEA expects to raise this investment commitments to $1.2bn by the end of 2016. The private equity funds that it has established favour projects that support the development of domestic value chains and related industries. To enhance its investment reach, the FSDEA is attracting co-investors from the continent and abroad by securing greenfield opportunities that are structured to generate long-term sustainable revenues that are socially enhancing for the host nations.
Accordingly, sub-Saharan African nations must focus more intensely on attracting investments that support business growth, especially those in energy and transport infrastructure. In this regard, the role of governments is the facilitation of trade with regional nations via multilateral agreements, in order to secure viable markets for upcoming African businesses. Cooperation amongst different countries with different political systems, culture, economic and political objectives is not an easy goal to achieve. But given that amongst these differences that are a myriad of similarities in the reality faced by our peoples today, at the very least, facilitation trade, simplification of cross-border trade regulations and an implicit understanding that all stand to benefit from cooperation, is key for agreeing on a stable and interdependent growth path throughout Africa. José Filomeno dos Santos is the chairman of the board of directors of the Angolan Sovereign Wealth Fund (FSDEA). *(How we made it in Africa)*

BANKING
Banks

BIC Bank opens first branch in Namibia

Luanda - The Angolan International Credit Bank (BIC) opened its first branch in Windhoek, capital of the Republic of Namibia.

According to a press release from the Embassy of Angola in Namibia, the ribbon cutting was carried out by the Secretary of State for Finance of Namibia, Natangue Ithete, on behalf of the Namibian Finance minister. On the occasion, Natangue Ithete stressed that the opening of the bank is a vote of confidence to the Namibian financial sector in terms of economic growth and work environment. BIC intends to open twenty agencies in the next five years throughout the Namibian territory. *(Angop)*

Africa's insurance market a 'giant waking up'

When KPMG, the advisory company, held its inaugural East Africa Insurance Conference in February, organisers were surprised that more than 100 industry participants attended. James Norman, KPMG's regional insurance head, was equally enthused when a similar number attended the launch of a report on the sector last week. "There's a real buzz about the sector because opportunities are immense," he says. "There's a young population, a growing middle class — most with smartphones — and an increasingly large diaspora coming back," he says. "There's a whole new generation of savvy consumers with disposable incomes and large infrastructure projects being built." Lukas Mueller, head of north and sub-Saharan Africa at reinsurer Swiss Re, is also bullish on the region, describing it as a "giant waking up". He says the opportunities are many and varied — from infrastructure and agriculture to catering for the growing middle class. "The insurance market is closely linked to economic growth," he says. "When incomes rise you have more insurable assets." However, he also describes the sub-Saharan African insurance market as a "diverse picture".

South Africa accounts for almost 80 per cent of all premiums in sub-Saharan Africa and the country has an insurance penetration rate — the total value of insurance premiums as a proportion of GDP — of about 13 per cent, well above the developed world average. Of the rest, Kenya is among the most advanced, with a penetration rate of 3 per cent. Nigerias, in comparison, is about 0.3 per cent, even though it is Africa's largest economy.

This diversity mirrors the continent's broader economy. Commodity exporters, such as Nigeria and Angola, are struggling to achieve meaningful growth, while those nations with more diversified and less commodity-dependent economies — such as Ivory Coast, Tanzania and Kenya — are doing much better. Delphine Maidou, chief executive of insurer Allianz's global corporate and speciality Africa arm, says insurers should focus on the markets "that are getting the biggest foreign direct investment projects" but that the so-called "laggards" should not be neglected. "You've got to stick with them while diversifying your portfolio because eventually the cycle will come back," she says. Allianz is following her advice. Last October it opened a division in Kenya, its 12th sub-Saharan Africa operation. It comes a year after Prudential, the London-based insurer also started operations in east Africa's largest economy, although that was through the purchase of a local player, Shield Assurance. In December 2013 Prudential bought Express Life Insurance in Ghana to enter that market.

Other deals include South Africa's MMI Holdings buying two-thirds of Kenya's Cannon Assurance last year, which then merged with Metropolitan Life Kenya.

Muammar Ismaily, a Nairobi-based insurance analyst at Exotix Frontier Research, expects there to be much more consolidation, particularly in east Africa. "There are dozens of players, but only a handful control the majority of the market," he says. "And with new capital adequacy rules coming in Kenya in 2018, many companies are going to have to merge or be taken over if they want to survive."

The new rules in Kenya, which come into effect in 2018, are part of what analysts say is a growing trend of improving regulation, albeit from a low base and with a need for firmer enforcement. One example of this need for tougher enforcement is the extent of fraud in the market. KPMG's Mr Norman estimates premiums in sub-Saharan Africa would, on average, be 20 per cent lower if it were not for fraud. Part of the reason for the fraud, he believes, is insurance companies' failure to innovate in controlling costs, keeping tabs on their agents and, most importantly, getting to know their customers. "There's a trust deficit gap — people don't buy insurance because they don't trust the providers," Mr Norman says. "They don't think the promise [that a claim will be paid] is going to be delivered. Claims are not paid quickly, fairly or correctly. It's a huge pain point across the continent." There are some signs of innovation. Nigeria, for example, is starting to see the first price comparison sites, such as Topcheck. Meanwhile, Ms Maidou says Allianz is seeing high demand for its recently created cyber insurance products. Another innovation, she suggests, is greater use of technology — for example, using satellites to assess agricultural claims — which is expected to become increasingly important for the industry as large scale commercial agriculture takes off. "Do you need to go to a field in a country where you don't have an office when a satellite can do the job for you?" she asks.

However, it is at the other end of the market, in microinsurance, where the greatest innovation and disruption is emerging. Katerina Kyrili, head of African business development at Bima, which distributes and manages microinsurance payments in 25 developing countries, says insurance is not just for the relatively wealthy. She says this is indicated by Bima's 23m customers, 40 per cent of whom are in sub-Saharan Africa and 60 per cent living on less than $2.50 a day. Offering life insurance for premiums as low as $0.50 a month — for a potential payout of $4,500 — Ms Kyrili says Bima provides products that are easy to understand, such as offering cash for medical bills rather than blanket payments. "Our view is the solution is all about product design," she says. "It's not just about affordability but an experience that's accessible, simple enough to communicate and won't create confusion but create incentives." *(Financial Times)*

Old Mutual says could dual-list wealth, emerging markets units

Old Mutual said its preferred option after splitting into four would be to have two of the new companies listed on both the London and Johannesburg stock exchanges. The Anglo-South African company expects to complete its restructuring by the end of 2018.

The changes include carving out its emerging markets operations to create a new South African holding company and a company that would mainly comprise the group's wealth operations.

Chief Executive Bruce Hemphill said the firm had also received approaches for its businesses from industry and private equity players. "We are still going through a process," he told Reuters by phone. "We have settled on a preferred route, (but) that does not preclude the possibility of someone coming along with an offer." Old Mutual Wealth was valued by analysts earlier in the year at 3-4 billion pounds ($4.01-$5.35 billion). Hemphill said despite recent market fluctuations following last week's referendum vote for Britain to leave the European Union, Britain was still a "sure bet" in the longer term. He declined to comment on the sale of Old Mutual Wealth's Italian unit, which has attracted four private equity bidders in its final stages, sources told Reuters last week. But he said Old Mutual was going through a process of "cleaning up" the Italian wealth business. The firm said it plans to distribute a "significant proportion" of its stake in Nedbank Group Ltd to the shareholders of the new South African holding company. The FTSE 100-listed company also said it plans to continue cutting its 65.8 % stake in U.S. asset management firm OMAM. Old Mutual said it faces headwinds from weakness in the South African rand and from lower equity markets, but said gross sales in the year had been strong. Old Mutual shares were up 4.6 % to 186.3 pence at 0826 GMT in line with a bounce in financial stocks following a severe sell-off this week. Old Mutual will hold its annual general meeting, along with an extraordinary general meeting where shareholders will vote on Hemphill's proposed 1,000 % bonus. ($1 = 0.7483 pounds) *(Reuters)*

Standard Bank projects Mozambican economy to grow by just 2 pct in 2016

Standard Bank has lowered its growth forecast for Mozambique’s economy in 2016 from 5.6 % to 2 % and predicts that public debt will reach 100 % of gross domestic product (GDP) by December, according to the June economic bulletin.

In the report, signed by chief economist Fáusio Mussa, the bank also forecasts that the prices of goods will continue to increase, with average inflation of between 17 % and 19 % in 2016 based on current assumptions. Standard Bank says that annual inflation rose by 98 basis points to 18.3 % and the average rate rose 142 basis points to 8.6 %, reflecting the depreciation of the metical (69 % against the dollar in May) and the bad performance of the agricultural sector. “These figures reflect strong food inflation of 31.9 % year on year in May, representing a record high, and non-food inflation of 5.8 %,” says the document. The report highlights the difficult situation that Mozambique is experiencing, including a fall in the supply of foreign currency, foreign direct investment slowdown and reduction in export earnings due to falling commodity prices. *(Macauhub)*

Kenya's NIC Bank eyes cheaper deposits to boost margins

Kenya's NIC Bank is doubling its branch network to 50 by the end of next year to recruit new customers, particularly in the small business sector, allowing it to cut its deposit costs and boost margins, its chief executive said. John Gachora told Reuters the mid-tier lender which is known for asset financing has a net interest margin of 6.5 %, below the industry trend of 7-10 %. "Our cost of funds is relatively high and that is why the strategy to expand our branch network, reach more pockets of deposits and liquidity," he said in his office. NIC, which also operates in Tanzania and Uganda, has traditionally concentrated on serving large corporations out of branches located in the main cities. "We need to serve more selected retail and SME (small and medium enterprise) customers," Gachora said, adding extra branches will be in places accessible by the target customers. "We want cheaper deposits and we believe they will be available within the SME and retail segment," he added.

NIC was appointed by state receiver Kenya Deposit Insurance Corporation (KDIC) last week to assess the liabilities and assets of Imperial Bank, which was put into receivership last October after fraud was uncovered. NIC got the right to take over some of Imperial's performing assets when it finishes the due diligence. Gachora said the acquisition of those assets was not NIC's main motivation. "Even if there was no real strategic reason to do it, we probably would have come in to say, let's help," he said, adding its role will help to resolve the closure of Imperial faster and help restore confidence in the sector.

The closure of three small and medium sized banks in the span of nine months to April unnerved investors and prompted the central bank to step in and offer liquidity to lenders. "The first ingredient in banking is confidence. When confidence is broken, it doesn't matter who broke it, you also get affected," said Gachora. Shareholders of Imperial obtained a temporary court order to block the move by KDIC and the disposing of any assets saying it might lead to a lack of transparency and undervaluation of assets. Gachora said they would carry out due diligence of Imperial's assets, with a view to acquiring the good bit, when the court reviews the matter and allows them to continue. "From an NIC perspective we are known for professionalism and we will live up to that professional expectation," he said. *(Reuters)*

Tech

Orange launches France–Africa money transfers

In mid-June Orange launched a service enabling its subscribers in France to transfer money via mobile phone to Orange Money customers in Côte d’Ivoire, Mali and Senegal.

The Orange Money service, launched in Côte d’Ivoire in 2008, now has over 18m customers in 14 African countries. They use it to carry out transactions such as payments and money transfers.

Orange launched the first international money transfer service for Orange Money customers between Côte d’Ivoire, Mali and Senegal in 2013. In March 2015, this service was expanded to transfers to and from Airtel Money customers in Burkina Faso, Côte d’Ivoire and Senegal. *(African Business)*

Markets

Ambitions for rupee as trading currency in Africa

India's pharmaceutical exporters want to make deals with Nigeria and other African oil exporters using the Indian rupee as trading currency, according to India's Business Standard news website.

Around 20% of India's pharmaceutical exports go to Africa but business has been hit by liquidity problems in oil-exporting countries following the fall in the oil price. Some companies report a 30% fall in exports to African countries, with the usual payment cycle of three months now stretching to as many as eight.

The agreement could resemble a currency-swap agreement that Nigeria made to ease trade with China in April. Under the deal, a substantial amount of Nigeria's foreign reserves were to be converted into yuan, allowing Nigerian traders to pay for imports using the Chinese currency. *(African Business)*

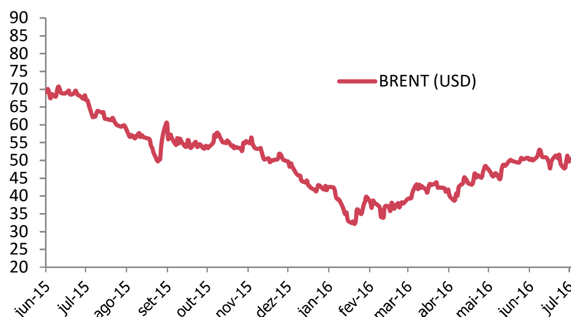
MARKET INDICATORS
04-07-2016

STOCK EXCHANGES		
Index Name (Country)	**04-07-2016**	**YTD % Change**
Botswana Gaborone Domestic Index (Botswana)	10.081,31	-4,91%
Bourse Régionale des Valeurs Mobilières (Ivory Coast)	303,29	-0,21%
Case 30 Index (Egypt)	7.163,22	2,24%
FTSE NSE Kenya 15 Index (Kenya)	176,39	-5,49%
Morocco Casablanca Stock Exchange CFG 25 (Morocco)	20.132,77	5,95%
Nigerian Stock Exchange All Share Index (Nigeria)	29.241,99	2,09%
FTSE/JSE Africa All Shares Index (South Africa)	52.552,47	3,67%
Tunindex (Tunisia)	5.333,82	5,78%

Source: Bloomberg and Eaglestone Securities

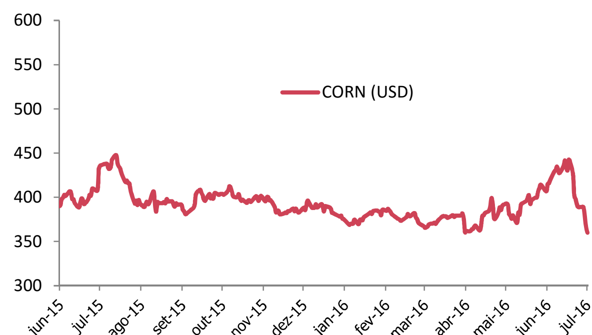
METALS		
	Spot	**YTD % Change**
Gold	1.352	27,35%
Silver	20	46,50%
Platinum	1.064	19,11%
Copper $/mt	4.911	4,38%

Source: Bloomberg and Eaglestone Securities



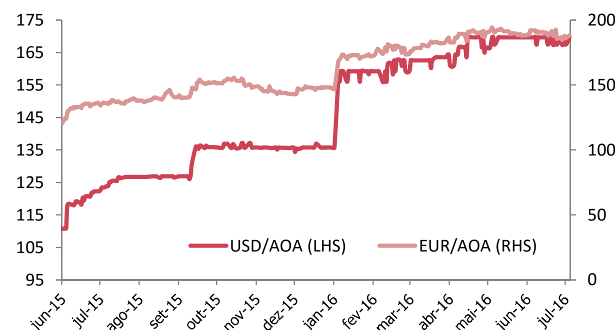
ENERGY		
	Spot	**YTD % Change**
NYMEX WTI Crude (USD/barril)	49,1	32,56%
ICE Brent (USD/barril)	50,5	35,49%
ICE Gasoil (USD/cents per tonne)	446,5	33,58%

Source: Bloomberg and Eaglestone Securities



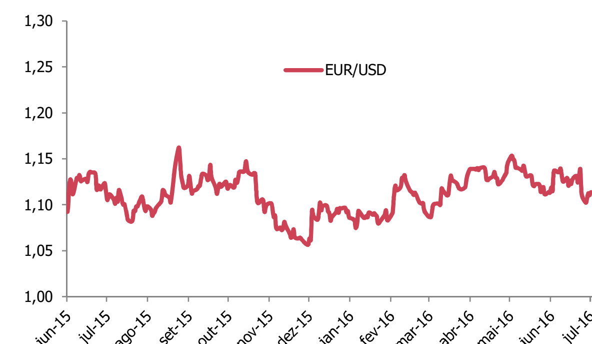
AGRICULTURE		
	Spot	**YTD % Change**
Corn cents/bu.	360,0	0,35%
Wheat cents/bu.	430,3	-8,46%
Coffee (KC) c/lb	146,4	15,55%
Sugar#11 c/lb	20,8	36,35%
Cocoa $/mt	2995,0	-6,73%
Cotton cents/lb	65,0	2,70%
Soybeans c/bsh	1137,5	31,62%

Source: Bloomberg and Eaglestone Securities



CURRENCIES	
	Spot
KWANZAS	
USD	169,217
EUR	188,215
GBP	224,368
ZAR	11,657
BRL	52,326
NEW MOZAMBIQUE METICAL	
USD	61,610
EUR	70,804
GBP	84,486
ZAR	4,244
SOUTH AFRICAN RAND SPOT	
USD	14,515
EUR	16,146
GBP	19,246
BRL	4,489
EUROZONE	
USD	1,11
GBP	0,84
CHF	1,08
JPY	114,14
GBP / USD	1,33

Source: Bloomberg and Eaglestone Securities



Selected Sovereign African Eurobond Data for June 03

Southern Africa	01-07-2016	30-06-2016	29-06-2016	28-06-2016	27-06-2016	24-06-2016	23-06-2016
Angola							
9.500%; 11/12/2025	94,841	98,842	99,281	97,688	96,428	97,029	98,720
Yld	10,487%	9,772%	9,706%	9,939%	10,238%	10,173%	9,806%
Moody's rating	B1						
S&P rating	B+						
Mozambique							
10.500%; 01/18/2023	72,777	72,876	71,011	71,229	70,460	72,673	73,584
Yld	17,948%	17,948%	18,460%	18,892%	19,227%	18,099%	17,753%
Moody's rating	Caa1/*-						
Namibia							
5.500%; 11/03/2021	106,288	105,596	105,945	105,195	104,896	104,239	105,384
Yld	4,264%	4,386%	4,314%	4,493%	4,567%	4,732%	4,456%
Moody's rating	Baa3						
Fitch rating	BBB-						
Republic of Congo							
4.000%; 06/30/2029	72,729	72,529	72,250	72,169	72,159	72,104	71,708
Yld	9,544%	9,670%	9,815%	9,656%	9,709%	9,769%	9,954%
Fitch rating	B						
South Africa							
5.875%; 09/16/2025	112,322	111,617	111,502	110,502	109,253	109,261	109,692
Yld	4,283%	4,380%	4,390%	4,523%	4,687%	4,675%	4,628%
Moody's rating	Baa2						
S&P rating	BBB-						
Fitch rating	BBB -						
Zambia							
8.500%; 04/14/2024	89,500	88,643	87,260	85,128	83,759	84,323	86,250
Yld	10,595%	10,782%	11,059%	11,529%	11,864%	11,737%	11,318%
Fitch rating	B						
S&P rating	B						
East Africa	**01-07-2016**	**30-06-2016**	**29-06-2016**	**28-06-2016**	**27-06-2016**	**24-06-2016**	**23-06-2016**
Ethiopia							
6.625%; 12/11/2024	94,733	94,146	93,697	91,375	90,330	91,443	93,039
Yld	7,543%	7,672%	7,731%	8,117%	8,287%	8,148%	7,723%
Moody's rating	B1						
S&P rating	B						
Fitch rating	B						
Kenya							
6.875%; 06/24/2024	94,333	93,450	93,292	92,505	91,445	91,781	93,050
Yld	7,917%	8,083%	8,103%	8,255%	8,494%	8,427%	8,164%
Fitch rating	B+						
S&P rating	B+						
Rwanda							
6.625%; 05/02/2023	98,163	97,107	97,075	94,992	93,561	95,275	97,029
Yld	7,111%	7,241%	7,250%	7,670%	7,982%	7,688%	7,357%
Fitch rating	B+						
S&P rating	B+						
Seychelles							
7.000%; 01/01/2026	97,269	98,035	97,790	97,849	97,765	97,404	96,921
Yld	8,556	8,556	8,428	8,429	8,442%	8,603%	8,623%
Fitch rating	BB-						
West Africa	**01-07-2016**	**30-06-2016**	**29-06-2016**	**28-06-2016**	**27-06-2016**	**24-06-2016**	**23-06-2016**
Gabon							
6.375%; 12/12/2024	87,182	86,839	86,700	85,580	84,874	86,268	87,210
Yld	8,654%	8,691%	8,725%	8,910%	9,098%	8,799%	8,573%
Fitch rating	B+						
Ghana							
7.875%; 08/07/2023	89,012	88,167	86,706	85,193	84,023	85,032	86,408
Yld	10,190%	10,363%	10,670%	11,013%	11,336%	11,083%	10,736%
Moody's rating	B3						
S&P rating	B						
Fitch rating	B-						
Ivory Coast							
6.375%; 03/03/2028	99,477	97,799	97,157	95,785	94,773	95,192	96,604
Yld	6,497%	6,719%	6,789%	6,952%	7,107%	7,039%	6,845%
Moody's rating	Ba3						
Fitch rating	B+						
Nigeria							
6.375%; 07/12/2023	97,049	96,271	96,702	95,785	94,773	95,192	96,604
Yld	7,012%	7,148%	7,029%	7,295%	7,107%	7,039%	6,845%
Fitch rating	B+						
S&P rating	B+						
Senegal							
6.250%; 07/30/2024	96,740	95,542	95,938	94,755	94,091	94,353	95,193
Yld	6,855%	7,058%	6,986%	7,183%	7,358%	7,253%	7,198%
Moody's rating	B1						
S&P rating	B+						

Pricing source is the Composite Bloomberg Bond Trader (CBBT)

ENERGY

Second turbine of Cambambe dam, Angola, starts operating within two months

The second turbine of Cambambe II hydroelectric project should be operational within two months after the first came into operation, according to Angolan state newspaper Jornal de Angola.

At the end of the year when the four 175-megawatt turbines are connected to the grid, the Cambambe hydroelectric dam will produce 960 megawatts of electricity, with 260 megawatts produced by the Cambambe I turbines.

The work, estimated to cost around US$2 billion, is split into three phases, the first focused on the recovery and modernisation of the old plant, the second on construction of the second plant and the third on construction of three new stations.

The recovery of plant number one started in March 2009 and consisted of installing four generator sets of 65 megawatts each, replacing the previous four of 45 megawatts each, which will increase installed capacity from 180 to 260 megawatts. The dam expansion work began in 2013 and involved increasing the height of the fall from 100 to 130 metres high, as well as construction of a new power plant with four 175-megawatt generators, with a total capacity of 700 megawatts in addition to 260 megawatts from the first power plant.

The project also includes the construction of three new power converter stations with capacities of 400, 220 and 60 kilovolts, which support the connection between Cambambe I and II, Capanda and later with the Lauca dam. *(Macauhub)*

'Rock-Bottom' Prices for Zambia Solar as IFC Zaps Risk

There is "little doubt" that the 100 megawatts of solar PV auctioned at "rock-bottom prices" in Zambia's inaugural Scaling Solar auction will come to fruition, said Yasser Charafi, principal investment officer at International Finance Corp. Renewable energy in sub-Saharan Africa "is now taking off, so it is within people's own business interest to deliver on projects," he told Clean Energy and Carbon Brief in a telephone interview shortly following the auction results. The winning bids for the two 50-megawatt PV projects, at $60.20 and $78 per megawatt-hour respectively, came from well-known industry players First Solar Inc., in partnership with Neoen SAS, and Enel Green Power SpA. This gives Charafi confidence that the PV parks will be built and will make an economic return. "Many of the bids were clustered in the $60 to $80 per megawatt-hour range... If other major players were able to offer that, then it is possible to make a decent return in Zambia at present," he said. Zambia was the first country to use the World Bank's 'Scaling Solar' program, designed to reduce risk and promote renewable energy investment in sub-Saharan Africa. The fact that the entire process took just 9 months is testament to the standardized, transparent auction mechanism, according to Charafi. "Scaling Solar derisks Africa for investors: We give them political risk insurance through our sister institution MIGA, the World Bank provides guarantees for payment risk; and the IFC offers attractive financing terms." These factors, combined with Zambia's government commitment, "effectively mitigated perceived Zambian country risk," said Charafi. The Scaling Solar program will soon launch in Senegal and Madagascar, and is set to announce a "major market" in sub-Saharan Africa as its fourth country in the next couple of weeks, according to Charafi. The relevance of the World Bank program for countries outside Africa is also currently being examined. Meanwhile, if the economics of energy storage become sufficiently favorable, "embedded storage solutions" could be a natural evolution for future Scaling Solar auctions, Charafi said. *(Bloomberg)*

South Africa Unveils Draft Rules on Carbon Emissions

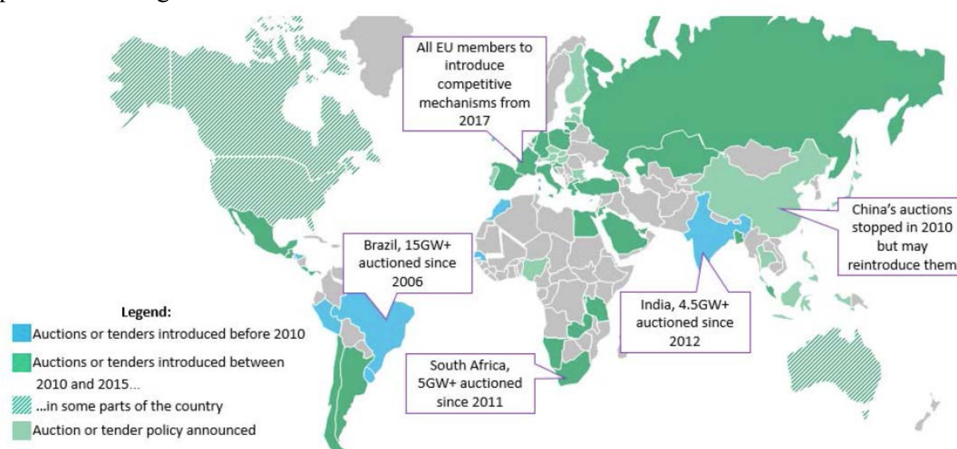
South Africa unveiled proposals that would enable companies to offset as much as 10 % of their carbon emissions by investing in projects that help conserve the environment and create jobs. An offset program is contained in draft laws published in November last year that provide for a tax on emissions. The government said the measure is needed to meet a target of reducing the discharge of greenhouse gases by 34 % below a scenario of "business as usual" in five years and by 42 % by 2025. The duty, which will probably come into effect next year, will start at 120 rand ($8.06) per metric ton of carbon dioxide-equivalent emissions. "Carbon offsets can be generated through investments outside of a taxable entity's activities that results in quantifiable and verifiable greenhouse emission reductions," the National Treasury said. Projects should contribute to sustainable development "by encouraging investments in energy efficiency, rural development projects and initiatives aimed at restoring landscapes, reducing land degradation and biodiversity protection." The offset program will be administered by a unit within the Department of Energy and limited to initiatives within South Africa. Renewable electricity projects, many of which have attracted other incentives, won't qualify, the Treasury said. *(Bloomberg)*

Africa-focused funds fuse $3.3 billion electric power assets

Two Africa-focused funds have created a new energy joint venture capable of generating 1,575 megawatts (MW) of electricity in at least 10 countries by merging assets totalling $3.3 billion. Chronic power shortages are one of the biggest obstacles to growth in countries across Africa, with a dearth of electricity or regular blackouts strangling industries and the continent is turning to outside investors and renewables to boost output. The deal to develop and finance projects, announced, brings together Lagos-based Africa Finance Corporation (AFC) and Harith General Partners, which has offices in South Africa and Ivory Coast. Harith's interests include Azura Edo independent power plant (IPP), a gas turbine power station in Nigeria, and Kelvin Power Station in South Africa. AFC's include the Kpone

IPP under construction in Ghana, and Cabeolica wind farm in Cape Verde. "The joint venture's near-term portfolio supplies reliable energy to over 30 million people in at least 10 African countries and has a combined gross operational and under-construction capacity of 1,575 MW," they said in a statement. A report published last month by PricewaterhouseCoopers (PwC) said an estimated 643 million people are living without electricity in Africa, with 80 % based in rural areas. Established in 2007, the AFC provides public and private money for major infrastructure projects around Africa and has a balance sheet of $3.2 billion. It is 42.5 % owned by Nigeria's central bank, 47.6 % by other African financial institutions and 9.8 % by industrial and corporate shareholders, according to its website. *(Reuters)*

Rapid Increase in Popularity of Renewable Auctions Globally
The amount of clean energy capacity awarded through auction mechanisms is set to increase considerably in the future, according to BNEF's 2016 New Energy Outlook. Between 25 and 35 % of annual clean energy capacity additions to 2040, excluding small-scale PV, will occur in countries with auction or tender policies in place today; and between 46 and 62 % if China and Japan confirm plans to introduce this type of mechanism. Brazil and South Africa have emerged as clear champions of the auction process, with more than 12.3 gigawatts of onshore wind and 2.3 gigawatts of solar PV procured through auctions since 2006 in Brazil alone.



Source: Bloomberg New Energy Finance

Harith, Africa Finance $3.3BN JV Will Boost Liquidity and Investor Appetite in Africa
The decision by Africa Finance Corp. (AFC) and Harith General Partners Ltd. last week to merge their African power assets into a new $3.3 billion-valued portfolio will create a liquid platform backed by a diversified balance sheet that is expected to increase appetite from investors outside Africa, the chief executives of the two companies said.
The newly-created "independent African power company", with 1.3 gigawatts of capacity in operation and under development, "will be able to raise funds on a corporate finance basis rather than a project finance basis, which generally would be cheaper and quicker," Andrew Alli, chief executive officer of development institution AFC said. Building on two existing investments in some 350 megawatts of African wind power, the joint venture expects renewables to be "an increasingly important component" of the portfolio. Alli and Tshepo Mahloele, chief executive of Harith, were interviewed by Clean Energy and Carbon Brief about the joint venture, which provides energy to 30 million people in 10 African countries.
Q: What is the reasoning behind merging AFC and Harith assets? Alli: If you look at private sector provision of power in sub-Saharan Africa over the past few years there have been about two deals on average per year, providing for less than 1000 megawatts of additional capacity. In 2014 at AFC we closed a 350-megawatt thermal power plant in Ghana, and Harith a 320- megawatt wind farm in Kenya called Lake Turkana. These were the two largest projects that closed in Africa that year, which is really just a drop in the ocean in the context of Africa'swidespread power deficit. These transactions tend to be done on a project finance basis, which can take between 2 and 3 years and cost between 5 and 10 % of overall project cost. The development of an independent African power company based in Africa will enable us to combine our expertise, power sector assets, development pipeline and capital. Eventually the company will have its own balance sheet and credit rating and will be able to raise funds on a corporate finance basis rather than a project finance basis, which generally would be cheaper and quicker. Once a project is up and running, it can be refinanced based on project cash flows — opening up new sources of income from entities like pension funds.
Q: Apart from the AFC Cabeolica wind farm in Cape Verde and the Lake Turkana wind project in Kenya do you have any other renewable assets? Alli: This is the totality of our renewable assets in the merged portfolio, amounting to 22 % of the combined power assets. We are also investing in a 44-megawatt hydro project in Cote d'Ivoire – and looking at other projects. Africa is not at the stage where it can avoid nonrenewable projects, because it needs baseline power. So as a vehicle, we consider all types of energy, but renewables will be an increasingly important component of that. Mahloele: As solar and wind technology improves, so will the ability for end consumers to generate

their own energy onsite at a small-scale. Our new platform will also be applicable to this new opportunity that arises. Alli: This new vehicle will create a strong balance sheet that can do virtually anything in the power sector. So if minigrids become competitive with other power sources, then we will go into it.

Q: What is your response to currency risk and offtake solvency when investing in Africa? Mahloele: Offtaker risk is always a challenge to power investment in Africa, but having a strong balance sheet and diversified portfolio of assets makes it possible to take on more risk than with standalone projects. If you're just focusing on one project, there is no cross subsidization, and therefore you need to have bolts and bridges on that project. The second point is that once a balance sheet is up and running, it can put in an equity check to cover the construction period and then refinance that once the project is operational. This makes it possible to bring in different pools of capital, including local pension money which takes out a lot of cross currency risk. Looking at the power requirement of Africa, government guarantees cannot cover all off-taker risk, so at some time the industry will have to find a different model. Alli: Part of this will come down to market liberalization — where independent companies become more responsible for transmission and distribution over and above state-run utilities. So this new vehicle of ours, although concentrated on generation, will also be able to do some transmission and distribution where possible. The markets themselves won't remain static, privatization will start to be commonplace. Africa needs 50-100 gigawatts of new capacity, and governments cannot guarantee all of that on their own. New models are needed.

Q: How can international investors become involved? Mahloele: At the moment our funds contain mainly Africa-based investors. However, this new, joint structure will create more liquid platforms, which we expect to increase appetite from investors outside Africa who are looking to not be locked into funds for 10-15 years, as is typical for a private equity fund. Instead, we will give them exposure to liquid infrastructure assets backed by a diversified balance **sheet.**

Q: What are your projections for the future in terms of the joint venture? Mahloele: We are very ambitious in terms of what we want to achieve. In the next 2 years we should have a platform with an equity value at least in excess of half a billion US dollars. And in the next 5- 10 years, we expect gross power under management to be well in excess of 5- 6,000 megawatts. Alli: In addition to the 1,575 megawatts under the joint venture, the platform also has a strong development pipeline. *(Bloomberg)*

Engie Seeks to Tap Off-Grid Solar to Power Millions in Africa

Engie SA is seeking to become a player in the off-grid solar industry, one of the first major utilities to work directly in that niche of the energy system. "It could be a sizable part of the market," Bruno Bensasson, chief executive officer of Engie's Africa business unit, said in an interview in London. "Solar home systems are part of an energy proposal for countries, as well as national grids. We want to be part of it." About 60 % of the African continent lives in rural areas, according to data from GeoHive, making up 695 million people. Electrical grids are largely non-existent in these areas. Small solar panel systems that can generate enough power for a few lights, a mobile phone charger and an energy-efficient TV are growing in popularity in Africa and parts of developing Asia. Bloomberg New Energy Finance estimates that one in three energy-lacking households will have some kind of solar-powered device by 2020. The French utility formerly known as GDF Suez has signed an agreement with Orange SA, the French telecom company, to jointly develop off-grid products that would be paid for through mobile phone credit. They are working on pilot projects in West Africa, Bensasson said, declining to give more details.

Tanzania Pilot

The company has also built a pilot miniature grid in Tanzania. The small electricity system powers a 100-household village with its own generation source. Engie is working on lowering costs and prices with plans to scale up to other countries, he said. Until now, the off-grid solar industry consisted of about 100 small developers including Off Grid Electric, Mobisol GmbH and BBOXX Ltd. These companies have installed thousands of rooftop systems in Kenya, Tanzania and Rwanda. "We're definitely seeing institutional players getting interested," said Erica Mackey, chief operating officer of Off Grid Electric. "The positive side to this is that it validates the sector."

Utility Investors

Her company counts Total SA and Electricite de France SA among its investors. Italy's largest utility Enel SpA is also backing a minigrid project in Kenya. Engie expects a growth rate of at least 10 % in Africa, Bensasson said. It currently has about 3 gigawatts of power plants in operation or under construction, mostly in South Africa and Morocco. The company recently opened offices in Ivory Coast and Kenya, seeking to expand to West and East Africa. It aims to have a "well-established, sizable market share" in five to 10 countries in these regions by 2020. "The world is changing. Our chairman used to say that we are building power plants with 1,000 megawatts. With solar and wind farm, we have gone down to just 1 megawatt," Bensasson said. "With solar home systems and mini-grids we are going down to kilowatts or watts. As a power company we can and we must accompany this shift." Engie has set a target to provide electricity to 20 million people without energy access by 2020. *(Bloomberg)*

Denham, GreenWish ink renewable-energy partnership

Global energy-focused private equity firm Denham Capital and renewable-energy investment company GreenWish Partners have entered into a strategic partnership to develop, build and finance a 600 MW renewable-energy portfolio

across sub-Saharan Africa by 2020. The partnership would unlock the financing, scale and means required to pursue a $1-billion on- and off-grid project pipeline across several countries. With Denham's backing, GreenWish aims to build on the first success of its solar independent power producer project and to provide power capacity to other parts of the continent, as the construction of Senergy II nears completion. GreenWish, in partnership with French construction group Vinci, broke ground on the 20 MW photovoltaic plant, in Bokhol, Senegal, to provide electricity access to over 180 000 Senegalese upon completion in October. GreenWish also aimed to offer business-to-business solar hybrid solutions to energy-intensive industries across Africa, including telecoms operators, as well as mining and commercial offtakers. "We look forward to partnering with Denham for this expansion phase of GreenWish in sub-Saharan Africa. Independent power producers such as GreenWish are a key solution to the African electricity gap that requires more than $40-billion in annual investments," said GreenWish CEO Charlotte Aubin-Kalaidjian. In Africa, excluding South Africa, the average yearly consumption of electricity was said to be around 162 kWh per capita, compared with the global average of 7 000 kWh, with total power generation capacity on the continent limited to 90 GW. However, with an average of 300 sunny days a year, solar energy presented a competitive, clean and quick-to-market solution to Africa's electricity shortage. Energy-sector bottlenecks and power shortages cost the region between 2% and 4% of gross domestic product a year. *(Engineering News)*

INFRASTRUCTURE

Plant II of the Cambambe dam in Angola goes into operation

The first of a group of four turbines that make up the second phase of the Cambambe Hydropower Plant is due to start operating, said the representative of the Mid Kwanza Utilization Office (Gamek) in the project. João Eduardo Ferreirinha Borges also told Angolan news agency Angop that the turbine with a 175-megawatt production capacity "will be synchronised with the grid so that tests and trials of the second plant can continue." By December the four turbines should be producing 700 megawatts, which in addition to the 260 megawatts added to the first plant will total 960 megawatts of electricity. The Modernisation and Expansion Programme of the Cambambe Dam included the elevation of the 100-metre drop to 130 metres, and construction of a new plant with four generators of 175 megawatts each. The work, which will give rise to the largest power production centre in the Mid Kwanza basin, involves Brazilian construction company Odebrecht, German company Voith, providing the turbines, France's Alstom, which provides generators and also Brazil's Engevix, specialised in electrical engineering. The Cambambe dam on the River Kwanza, 200 kilometres from Luanda, began construction in 1958 and was inaugurated on 6 October 1963 by the then Portuguese President Américo Thomaz. Built by Hidroelectrica Zêzere and a totally private investment, the dam was the result of negotiations for installation in Angola of an aluminium plant with high electricity consumption needs. The aluminium plant never went ahead and construction that was already under way stopped without the initial project being completed, and the dam was halted at a height of 102 metres (above sea level) and four generator sets (two were only installed in 1969) with a total of 180 megawatts of installed capacity, to provide electricity to Luanda. *(Macauhub)*

Cape Town seeks partner to unlock potential of unfinished highways

The City of Cape Town will next month issue a call to prospective investors and developers, or a consortium, to provide a solution to address the congestion the city is currently facing in the foreshore precinct. The city would issue a document, the 'Prospectus for the Development of the Foreshore Freeway Precinct', which would provide interested parties with the necessary information about the city-owned land that would be made available to the private sector in return for the provision of road infrastructure and developments that would drive sustainable economic growth. In a statement released, Cape Town mayor Patricia de Lille said it was vital to find a long-term solution to alleviate congestion in the city. "The way the city imagines this is that we will leverage the city-owned land beneath the unfinished bridges for development and part of the conditions for the development will be that it include the funds to complete the unfinished bridges, alleviate congestion and provide affordable housing," she noted. The city had already committed R750-million over five years for various congestion relief projects across Cape Town. "The residents of Cape Town will get the opportunity to be involved with this exciting project and we are looking forward to finding a partner from the private sector who will be able to provide us with an imaginative and creative solution," she said. She added that the proposed bidders would decide whether the unfinished highways would remain, be demolished or redesigned. She mentioned that a pivotal requirement for those wanting to bid was that their development proposal provide housing opportunities for a diverse cross-section of income groups. "By this I mean that a percentage of this development must be earmarked for affordable housing opportunities to those beneficiaries and applicants who qualify for these opportunities in terms of the city's policies." She said Cape Town was committed to redress and to providing residents from previously disadvantaged areas with access to housing opportunities and work opportunities within the Cape Town central business district. "As such, the development of the Foreshore Freeway Precinct provides us with an opportunity to address the legacy of apartheid spatial planning," she stated. *(Engineering News)*

One million cubic metres of sediment removed at the port of Maputo, Mozambique
Dredging work to deepen the access channel to the port of Maputo has already removed one million cubic metres of sediment, a month after it began, the Maputo Port Development Company (MPDC) said in a statement. The statement said the first of three dredgers deployed by Jan de Nul Dredging Middle East FZE, the international dredging company that was awarded this operation, arrived at the port of Maputo on 20 May and the first dredging cycle started on 21 May. The MPDC also said that over the 10 months of dredging around 12 million cubic metres of sediment are expected to be removed along the access channel, after which ships weighing up to 80,000 tons will be able to dock at the port of Maputo. When completed, this transaction will increase the access channel to the port pass from a depth of 11 metres to 14.2 metres at the peak of high tide. The port of Maputo was concessioned by the government of Mozambique to MPDC in 2003, but gained new momentum in 2008 when Grindrod and DP World acquired a majority of Portus Indico the largest shareholder (51 %) and sponsor of the project. *(Macauhub)*

Rail the key to unlock growth in Africa
Local and international rolling stock manufacturing and leasing companies are investing billions in African rail infrastructure to increase their presence on the continent and tap into rail's huge growth potential. It reminds me of the discoveries of diamonds on the continent. Brazil was the largest producer of diamonds between 1845 and 1870 with an output of about 200,000 carats a year. After that the SA diamond rush production outstripped that of Brazil many times over, having soared to almost 4-million carats by 1888. SA's industrial base was built on that diamond rush.
All studies conclude that if Africa had an integrated rail network system the cost of doing business would be reduced since distribution hubs would be linked to production centres. Rail investment is therefore critical to the economic growth and competitiveness of the continent.
There are various methods of financing rail in Africa but the most practical mechanism is sovereign financing, where the success of the project or return on investment is accounted for based not only on internal rate of return but also on the general benefit to the country. This is the most common scheme in Africa since by contrast to corporate financing and project financing, most countries' creditworthiness allows them only to use international financial institutions such as the World Bank and African Development Bank for their lower interest rates.
However, for finance to be unlocked the industrial capacity of the sovereign state concerned is vital, and the fact is Africa's industrial technology must be modernised to be able to compete on the global stage. To build an industrial base for the continent we need technological partners, though where brown-field projects are undertaken it might be different as SA as a country has proved it has the capacity to maintain existing rail infrastructure. We need to build on that proven maintenance capacity by devising innovative ways to control the value chain. This is where African governments need to make use of regulation. Supply chain industrialisation and growth must be the area of focus; policies must maximise local value-add, and spillovers from foreign direct investment, as well as tackle the fickleness of original equipment manufacturers. The nexus between global industrial networks and African economic growth must not be lost due to inability to control the supply chain of rail investments.
In SA, the government's track record on regulation is patchy because we lack the research capability, or there is a gap between research centres of excellence and the industry. The industrial sector faces being excluded from major infrastructure projects due to noncompliance with the set global standard, and thus faces sky-rocketing prices. This comes at the expense of local industrialisation and compromises sovereign welfare objectives, including job creation.
Nevertheless, SA is the hope for rail excellence in Africa and the country must therefore start to co-ordinate its research centres of excellence. So far not much has been done about the declaration of the AU that SA will be the rail manufacturing hub for the continent. The academic community must also start to support and promote SA's knowledge base and articulate its relevance to the development of rail infrastructure in Africa while research is undertaken in conjunction with the industry.
It needs to be clear to governments that sourcing finance by means of sovereign financing and identifying technological partners to modernise the industry does not mean contracting out sustained growth for the continent. It is up to the industries to become competitive and build sustained growth; the co-ordination of research centres of excellence capacity will help make Africa competitive; and governments must regulate efficiently, working with various industries. It should not be forgotten that the diamond rush in SA succeeded because it had state support.
Mankewu is CEO of the Rail Road Association of SA (BDLive)

Angola hires Chinese company to expand Kuito Airport
Angolan airport manager Empresa Nacional de Exploração de Aeroportos e Navegação Aérea (ENANA) has awarded the China Railway 20th Construction Bureau (CR20) the contract to rebuild and expand Kuito Airport, in the central province of Bié, Enana said in a statement published in Luanda. ENANA also said that the contract signed with CR20 is intended to build, within 12 months, a modern passenger terminal with service areas and an equipment system to comfortably accommodate about 300 passengers. "The intervention includes construction of the passenger terminal, the operations building and control tower with 4,500 square metres, in addition to upgrading the passenger building, power station, access to the airport, the car park and the cargo terminal," the statement said. The China Railway 20th Bureau was founded in 1948, when it was called 10th Division of the Railway Unit of the People's Liberation Army, and now

listed on the Fortune 500 as a 100-% controlled subsidiary of the China Railway Construction Corporation Limited group. *(Macauhub)*

MINING

Tiny Company Hits King-Size Diamond Jackpot

Diamond the size of a tennis ball fails to sell at London auction

When a tiny Canadian company bought a majority stake in an unloved Botswana diamond mine in 2009, almost no one noticed. Seven years later, the Karowe mine is the world's biggest producer of large diamonds, and the company, Lucara Diamond Corp., is the dominant player in the market for supersize gems. Lucara, a company run by five people out of a small Vancouver office, tried to auction the second-largest diamond ever mined in London. But the gem didn't find a buyer willing to pay the minimum price. The diamond, known as the Lesedi la Rona, was expected to fetch at least $70 million, according to Sotheby's, which was responsible for the auction. The bidding started at $50 million and ended at $61 million after strained pauses. RBC Capital Markets mining analyst Des Kilalea said he expected the diamond could fetch as much as $110 million. The 1,109-carat stone the size of a tennis ball is second in size only to the 3,106-carat Cullinan diamond, which was discovered over a century ago and was cut into several polished stones housed in the British Crown Jewels. It is the biggest of 112 gems larger than 100 carats that Lucara's Karowe mine in Botswana has coughed up over the past three years. Last year alone, Lucara recovered 47 stones larger than 100 carats at its only producing mine. By contrast, the world's largest diamond producer by output, Russia's Alrosa Co., recovered 46 stones larger than 100 carats over the past three years at multiple mines. William Lamb, Lucara's chief executive, estimates that his company accounts for less than 0.5% of the world's global annual diamond production but 60% of the world's 100-carat-plus diamond production. Analysts said it is difficult to accurately verify that claim given how little public information is available about the diamond market, but they agree Karowe is a once-in-a-lifetime mine.

Big Dig

Lucara Diamond has discovered 112 gems of more than 100 carats over the past three years, including two of the world's top 12 largest.

Rank	Diamond	Weight*	Date†	Place found	Notes
1	**Cullinan**	3,106	1905	South Africa	105 gems, including the 530.20 carat Great Star of Africa Diamond
2	**Lesedi la Rona**	1,109	2015	Botswana	uncut to date
3	**Excelsior**	9952	1893	South Africa	21 gems, including the 69.68 carat Excelsior I Diamond
4	**Star of Sierra Leone**	968.9	1972	Sierra Leone	17 gems, including a 53.96 carat pear cut diamond
5	**Zales**	890	1980s	Congo	15 gems, including the 407.48 carat Incomparable Diamond
6	**Constellation**	813	2015	Botswana	uncut to date
7	**Great Mogul**	793	1650	India	At least 1 known gem, the 280 carat Great Mogul diamond, whereabouts unknown
8	**De Beers Millennium Star**	777	1990s	Congo	At least 1 known gem, 203.04 carat De Beers Millennium Star
9	**Woyie River**‡	770	1945	Sierra Leone	30 gems, including the 3155 carat Victory Diamond
10	**Unnamed brown diamond**	755.5	1986	South Africa	1 known gem, the 545.67 carat Golden Jubilee Diamond
11	**President Vargas**	726.6	1938	Brazil	29 gems including 4826 carat President Vargas Diamond
12	**Jonker**	726	1934	South Africa	12 gems including the 142.90 carat Jonker Diamond

*Rough weight, metric carats †Discovery date ‡Sometimes known as Victory
Sources: Gemological Institute of America; WSJ THE WALL STREET JOURNAL.

Mr. Lamb said his company controls so many of the world's biggest diamonds that it has begun holding back stock partly because of concerns it could inundate traditional diamond buyers in Antwerp, Israel and New York. "If Lucara produces too many large stones, the standard set of buyers who we sell to is eventually going to be flooded with these stones," Mr. Lamb said. "So we need to develop an alternative route," he said, like an auction. By trying to auction the Lesedi diamond in public, Mr. Lamb said he was hoping to attract a new breed of wealthy clients from Russia, the Middle East and China who would pay top dollar for the prestige of owning a rare diamond that could serve as an alternative to gold investment. "Nobody saw the historical significance that this may be the only 1,000 carat stone to be recovered in their lifetime," Mr. Lamb said after auction.

If a buyer does decide in the future to acquire the Lesedi, it could set the record for the most expensive rough diamond ever sold following Lucara's sale of an 813-carat rough diamond, the world's sixth largest, for $63 million in May. The three-billion-year-old Lesedi could also yield the biggest polished diamond in the world—bigger even than the famous Great Star of Africa, or Cullinan I, on display in the Tower of London. Mr. Lamb, a former De Beers executive, left in 2008 to join Lucara with a mission to find an attractive diamond deposit that was in advanced stages of exploration. In October 2009, he received a text message from a friend's wife asking if he had $42 million to spare.

De Beers, the world's largest diamond producer by value, was selling its majority stake in the Karowe deposit, then named AK6, in the aftermath of the financial crisis of 2008. Mr. Lamb and his partner, African Diamonds PLC, bought a 70% stake in December 2009 and a year later, Lucara owned the whole mine for a total of $79 million.

Since then, Lucara has earned $762 million in revenue from Karowe. De Beers said it sold the mine to focus on assets with better returns. "The chance of finding another Karowe is very slim," said John Meyer, a veteran mining analyst at brokerage firm SP Angel. The mine "was known for many years but the geostatisticians had missed how good it really was." The string of king-size diamond discoveries began in April 2013, with the discovery of the first 100-plus carat stone. Last November alone the company extracted the giant 813-carat stone—the one it sold last month for $63 million—and a 374-carat gem, alongside the Lesedi. "I was just stunned," said Mr. Lamb when he received a call in the

middle of the night with the news. Not all of Karowe's diamonds are oversize behemoths. Many of them are smaller and sold to be polished to make jewelry. The mine installed new technology last July that improved its ability to catch and sort rocks containing up to 1,000 carat diamonds. When the mine first opened in 2012, it was only able to catch rocks containing up to 200 carat diamonds. The company is now investing $15 million to $18 million to increase the capacity to 5,000 carats by September 2017. "It doesn't necessarily mean that the resource is going to yield 5,000 carats," said Mr. Lamb. "But if it does yield something big, we want to make sure we recover it." *(Wall Street Journal)*

Kenmare Resources reaches agreement with creditors

Ireland's Kenmare Resources, which explores heavy sands deposits in Mozambique, announced in a statement it had reached an agreement with its main creditors on a restructuring plan for the company. Under the agreement, the Oman Sovereign Fund will invest US$100 million in the company and the company's board will, in turn, issue securities – shares and bonds – to raise an additional US$175 million. Kenmare also said it had reached an agreement with Chinese company King Ally Holdings to end a conditional agreement in which the Chinese company would pay US$100 million in exchange for a 29.9 % stake in Kenmare. The Irish company mines ilmenite sulphate, rutile and zircon in the heavy sands deposits at Moma, in Mozambique. However, a drop in commodities prices along with a drop in production have led to significant financial struggles for the company. Raising funds took longer than expected, which meant that the company failed to meet its obligations in January. The process of restructuring Kenmare's capital is expected to be concluded in August. *(Macauhub)*

OIL & GAS

Sasol mulling bid for Chevron's South African assets

Petrochemicals firm Sasol said it was considering buying a majority stake in Chevron's South African assets, including a 110,000 barrels-per-day oil refinery and retail stations. Chevron, which has had a presence in South Africa for more than a century, said in January it would sell its 75 % stake in its business in the country after making similar sales in Nigeria due to weak oil prices. "Sasol is working with Chevron and its advisers in this regard," spokesman Alex Anderson said in an email to Reuters. The company, which is the world's biggest maker of fuel from coal, is slashing costs due to the plunge in oil prices by shelving major projects and cutting jobs. Sasol owns coal mines, refineries and service stations in South Africa and exports oil to several regional countries. "It's a strategic fit as Sasol has been trying to develop its retail footprint in South Africa to get a higher margin for its fuel," Sanlam Private Wealth equity analyst Shiraaz Abdullah said. He said due to limited retail outlets, Sasol has been forced to sell its fuel at a lower wholesale price to competitors rather than directly to consumers. "It all comes down to a decent price," he said. South Africa's Energy Department said it would investigate a bid by state-owned Strategic Fuel Fund to buy Chevron's assets without seeking clearance. *(Reuters)*

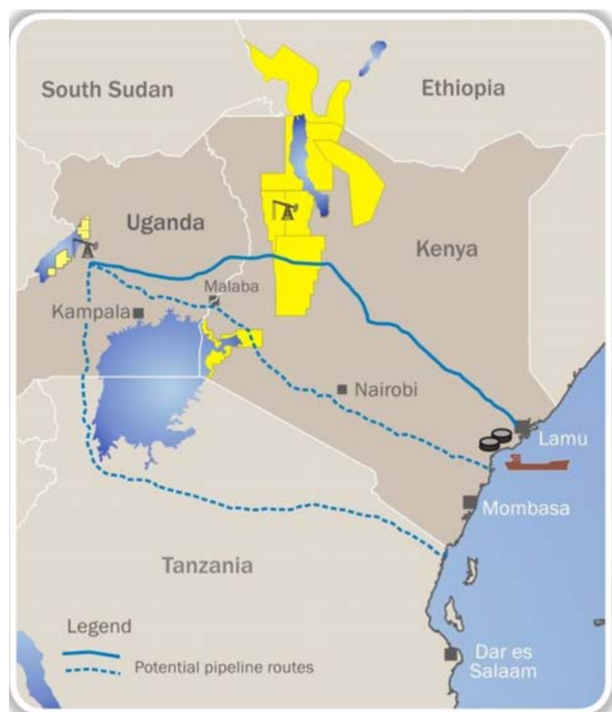
Sasol - Sasol commences drilling of Mozambique PSA licence

Sasol's field development plan (FDP) for the Production Sharing Agreement (PSA) licence in Inhambane province, Mozambique, reached an important milestone with the commencement of the drilling of the first well. Adjacent to its current producing Petroleum Production Agreement licence, the PSA development is an integrated oil, Liquefied Petroleum Gas (LPG) and gas project.

The spud marks the beginning of the drilling campaign, which is part of the first phase of the FDP; the delineation and initial development of the Temane G8, Temane East, Inhassoro G6 and Inhassoro G10 reservoirs. Thirteen production wells will be drilled (including a water disposal well) during this initial phase, while oil and LPG production facilities will be installed close to the existing Central Processing Facility (CPF). A 5th gas processing train will be installed at the CPF to process the additional gas. "The spud of the first well in the PSA licence area reaffirms Mozambique as the heartland of Sasol's oil and gas strategy in sub-Saharan Africa and provides a platform from which to drive socio-economic growth," said John Sichinga, Senior Vice President, Sasol Exploration and Production International. Mozambique's Council of Ministers approved the PSA FDP in January this year. Shortly thereafter, Sasol commissioned a drilling rig from French-based drilling contractor Société de Maintenance Pétrolière which arrived in Maputo port on 19 March. The phased development plan envisages the development of further hydrocarbon resources that will help to drive the growth of both Mozambique and Southern Africa. This first phase of the PSA Development is anticipated to cost approximately US$1,4 billion. Phase 1 development represents the optimal development of four of the PSA geological layers in a safe and sustainable manner to the benefit of all stakeholders. The utilisation of existing infrastructure in the area enables the safe and efficient use of resources, while the development in tranches of the complex reservoirs is a prudent approach for timely de-risking of subsurface resources and maximisation of overall project value. *(Sasol)*

Kenya Will Begin Constructing Its Crude Oil Pipeline in 2018

Kenya will start the construction of an 865-kilometer (538-mile) crude oil pipeline linking fields in its northern region to a new port being built along its Indian Ocean coastline within two years, a government official said. The government



is evaluating bids for the pipeline's design and will award a so-called front-end engineering design contract in October, Ministry of Energy and Petroleum Principal Secretary Andrew Kamau said. "Once we have the pipeline design, the engineering, procurement and construction contract would be awarded in first quarter 2018," Kamau said in a telephone interview from the capital, Nairobi. "It would take us that long as we need an environmental impact assessment study conducted to international standards for the project to be able to attract international funding."

East Africa's biggest economy plans to produce its first oil as early as June 2017 and to ship 2,000 barrels daily at the onset, according to Energy Secretary Charles Keter. Before the pipeline is complete, Kenya intends to haul its crude by road until the western town of Eldoret and then to the coast on Rift Valley Railway's line. Vancouver-based Africa Oil estimates the South Lokichar basin, about 510 kilometers northwest of Nairobi, may contain as much as 1.63 billion barrels of oil.

Many Investors

Kenya was forced into building a shorter pipeline on its own after Uganda abandoned initial plans for a joint line linking its oil-rich western Hoima region to Lamu port on the Indian Ocean coast. Costs of that project had been estimated at $5 billion by Nagoya, Japan-based Toyota Tsusho Corp. Uganda prefers a $4 billion pipeline across Tanzania to Tanga port. Kenya's pipeline may cost about $2.1 billion, Nairobi-based Business Daily newspaper reported in May, citing Keter. The nation struck a deal this month with northern neighbor Ethiopia to build another pipeline branching off from the central town of Nakuru to Addis Ababa. The nation has "too many investors who want to fund the pipeline," among them the African Development Bank and the International Finance Corporation, Kamau said. The government sees itself sharing ownership of the conduit equally with Tullow Oil Plc, Africa Oil Corp. and Maersk Oil. "For us, this is not a money-making pipeline," he said. "It's a utility pipeline. There is no benefit to wholly owning it." *(Bloomberg)*

ExxonMobil Group considers buying stakes in oil blocks in Mozambique

US group ExxonMobil Corp. is considering buying stakes in blocks in the sea of Mozambique where US group Anadarko Petroleum and Italy's ENI discovered large deposits of natural gas, financial news agency Bloomberg reported. The agency wrote that these deals, if they come to fruition, would allow the government of Mozambique partially to solve the problem of public debt, given that the selling companies would have to pay capital gains tax, whose rate is currently 32 %. The China National Petroleum Corp. group three years ago acquired an indirect 20 % stake in the Area 4 block from Italian group ENI, by paying US$4.2 billion. Last May, the CEO of ENI group, Claudio Descalzi, said he was in talks to sell part of its stake in the Area 4 block and added he expected a final investment decision by the end of the year. In October 2015 the ExxonMobil group obtained three licenses for oil exploration in offshore blocks south of blocks where US group Anadarko Petroleum and Italy's ENI discovered natural gas deposits. *(Macauhub)*

Nigeria signs $80 bln of oil, gas infrastructure deals with China

Nigeria has signed oil and gas infrastructure agreements worth $80 billion with Chinese companies, the West African country's state oil company said. Nigeria, an OPEC member which was until recently Africa's biggest oil producer, relies on crude sales for around 70 % of national income, but its oil and gas infrastructure is in need of updating.

The country's four refineries have never reached full production because of poor maintenance, causing it to rely on expensive imported fuel for 80 % of energy needs. These problems have been exacerbated by a series of attacks on oil and gas facilities by militants in the southern Niger Delta energy hub which pushed production down to 30-year lows in the last few weeks.

Oil minister Emmanuel Ibe Kachikwu, who also heads the Nigerian National Petroleum Corporation (NNPC), has been in China since Sunday for a roadshow aimed at raising investment. "Memorandum of understandings (MoUs) worth over $80 billion to be spent on investments in oil and gas infrastructure, pipelines, refineries, power, facility refurbishments and upstream have been signed with Chinese companies," said NNPC in a statement. NNPC added the China roadshow was "the first of many investor roadshows intended for the raising of funds" to support the country's oil and gas infrastructure development plans. Earlier this week, NNPC said oil production had in the last few days risen by around 300,000 barrels per day (bpd) to 1.9 million bpd, due to repairs and no attacks having been carried out since June 16. Goldman Sachs, in a report published, said a "normalization" in Nigerian oil production would put pressure on global oil prices and may mean prices will average less than $50 a barrel during the second half of 2016. *(Reuters)*

TELECOM

Helios takes majority stake in Telkom Kenya

On 10th June, the UK private equity firm Helios Investment Partners announced the acquisition of a 60% shareholding in Telkom Kenya by its subsidiary Jamhuri Holdings Limited following receipt of regulatory approval. The transaction also included an increase in the shareholding of the government of Kenya in Telkom Kenya from 30% to 40%. Telkom Kenya is the country's incumbent fixed-line operator and is the third player in the mobile market. The company had 4m mobile customers at the end of June 2015 according to figures published by the regulator. *(African Busiess)*

Liquid Telecom, Royal Bafokeng to buy Neotel for $429 mln

Liquid Telecom and Royal Bafokeng Holdings will buy South African telecoms operator Neotel for 6.55 billion rand ($429 million) from India's Tata Communications and minority shareholders, the acquiring companies said. "Liquid Telecom is partnering with Royal Bafokeng Holdings, a South African investment group, which has committed to take a 30 % equity stake in Neotel," the companies said in a statement.
The deal will create the largest pan-African broadband network, spanning 40,000 km of fibre networks in 12 countries from South Africa to Kenya, according to the companies. Liquid Telecom, a unit of Mauritius-based Econet Global, said it would use the single fibre network to launch new products and services aimed at African businesses. "We will also be increasing investments into Neotel to cater for rapidly accelerating mobile and enterprise traffic," said Liquid Telecom Chief Executive Nic Rudnick. The transaction, expected to be completed later this year, is subject to approval by South African regulators, the companies said. South Africa's Vodacom in 2014 offered Tata Communications $500 million for Neotel, but dropped the planned deal in March, citing regulatory complexities. ($1 = 15.2534 rand) *(Reuters)*

Mobile operators ordered to float on Tanzania's exchange

Mobile phone operators in Tanzania backed by Vodafone, Bharti Airtel and Millicom will be forced to list shares on the local exchange by the end of the year. Tanzania, one of Africa's fastest-growing telecoms markets, has tabled an amendment in a new finance bill that will force its eight telecoms operators to float 25% of their shares on Dar es Salaam's thinly traded stock exchange. Vodacom, a subsidiary of Vodafone, Stockholm-based Millicom and India's Bharti Airtel will need to list part of their business alongside five local operators. The mandatory listing, which appears to reverse a previous informal agreement with the main operators, is part of a new government strategy to squeeze more revenue from the private sector.
An executive at one of the foreign operators, who did not want to be named, described the move as a complete surprise given it had been made without consultation. Philip Mpango, finance and planning minister, has told the national assembly that the measure would "help the government trace the exact revenue generated by these companies", as well as allow Tanzanians to hold shares in telecoms companies. He denied that the bill was a reversal of policy, saying it merely enforced a stipulation in the Electronic and Postal Communication Act of 2010 for foreign telecoms companies to list locally. Tanzania's mobile phone sector is one of the most sophisticated in Africa, with use of mobile money fast catching on in Kenya, which is considered the most advanced country for such payments on the continent. In Tanzania, there are 17-million unique users with more than 34-million active SIM cards out of a population of 47-million, according to the latest census. Central bank governor Benno Ndulu said the sector was growing annually at double digits. Nearly $2.5bn was transferred across the mobile network each month, he said. In 2014, Tanzania became the first African country to allow payments from one network's mobile money platform to another. Mobile phone companies in Tanzania earned about $1bn in the 2013-14 fiscal year, of which $540m was paid to the government in taxes. *(Financial Times)*

How MTN sliced billions off its Nigerian telecoms fine

Telecoms firm MTN hired former U.S. Attorney General Eric Holder in January to help it reduce a $3.9 billion fine imposed in Nigeria over unregistered SIM cards. Five months later, it struck a deal to pay less than half of that. The entrance of Holder, who stood down as attorney general last year after presiding over some of the largest corporate settlements in American history, marked a change of strategy for the South African company. MTN dropped a three-month legal challenge against the fine and, according to government sources and letters seen by Reuters, asked Nigerian Attorney General Abubakar Malami to put forward a proposal for a reduced fine to the communications regulator, the official authority in the dispute. The regulator, the Nigerian Communications Commission (NCC), rejected the proposal as unjustifiable, documents show, but three months later it accepted a broadly similar deal. Reuters was unable to determine the role, if any, that Holder played in the change of heart. MTN, Holder, Malami and the NCC all declined to comment on the negotiation process. There is no indication that any individuals acted improperly, and companies have often reached settlements with regulators in Nigeria. Lawmakers have however criticised the opaque nature of the settlement process, saying it set a precedent for other firms dealing with Nigerian authorities. The 780 billion naira fine - $3.9 billion at the exchange rate at the time - was set by the NCC in December over MTN's failure to deactivate more than 5 million SIM cards not registered by customers. Nigeria has been trying to halt the use of unregistered cards over concerns they are being used for criminal activity, including by Islamist militant group Boko Haram. MTN, Africa's biggest telecoms company, initially launched a high court challenge against the fine, arguing the watchdog had no legal grounds to order it. The law states that the NCC does have the right to impose such a penalty. In February, however,

MTN withdrew the lawsuit and paid a "good faith" payment of 50 billion naira to the government which it said was part of efforts to reach an amicable settlement and would go towards the eventual fine agreed. The NCC said at the time that it had not agreed to enter into any talks with MTN and that it stood by the 780 billion naira penalty. Rather than dealing directly with the regulator, Holder approached Malami to help broker a settlement, according to the government sources and letters seen by Reuters.

LETTERS

In a letter dated the same day MTN announced it was dropping its court challenge - Feb. 24 - Holder wrote to Malami on behalf of the company offering to pay 300 billion naira and list MTN's local unit on the Nigerian stock exchange to end the dispute. Under the Nigerian constitution, the attorney general can mediate in a dispute involving a state body after the matter has been taken to court. Malami asked NCC to review the MTN offer but the regulator was not impressed, according to another letter seen by Reuters. "The proposal to pay the sum of 300 billion naira ... is not supported by any verifiable justification," NCC Chief Executive Umar Garba Danbatta said in a March 1 letter to Malami. Nor was the NCC convinced by MTN's sweetener of a local listing. "This is a business decision absolutely within MTN's prerogative and primarily to its benefit. There is no justification for bringing this along in discussing the present issue," Danbatta said. But when MTN announced on June 10 that it reached a deal with the government to pay a fine of 330 billion naira - just 30 billion naira more - the NCC appeared to have altered its view, notifying parliament in a letter dated the same day of a "full and final" settlement. "It was never about the money it was about making clear the rules are the rules," NCC spokesman Tony Ojobo told Reuters on June 13. "The MTN listing is a big positive for Nigeria and will benefit the country." When asked about the March 1 letter and what had changed the NCC's view, Ojobo said he would not discuss the negotiations. A parliamentary committee on telecommunications is reviewing the deal and the negotiations that led to it. Such reviews by lawmakers are standard practice after big corporate settlements and are aimed at ensuring that there has been no wrongdoing by any party involved and that the public interest has been served. "What concerns us most is what MTN proposes in February is so similar to what is agreed in June. It is clear MTN were dictating the pace," committee chairman Saheed Akinade-Fijabi told Reuters. "What does this say to other businesses? That to get the best deal you use unofficial back channels and keep the public in the dark?"

DIVISIONS

The deal has exposed divisions within the Nigerian government; officials within President Muhammadu Buhari's team were also unhappy with Malami's plans to strike a deal with MTN which they considered too generous, leading to heated discussions between the two camps, two government sources said.

There has been no official comment from Buhari on the settlement. Holder was hired by MTN through his Washington-based law firm Covington and Burling which he joined last year after six years as U.S. attorney general. Settlements he presided over in public office included the $13 billion JPMorgan Chase paid to settle charges of mis-selling mortgages in the run-up to the financial crisis and the BP Deepwater Horizon oil spill case, which has topped $20 billion. It is unclear whether Holder has been based in Nigeria during his time working for MTN, which counts Nigeria as its biggest market. It also is unclear whether he still advises MTN. Covington and Burling declined to comment Following the settlement MTN's share price, which had fallen around 30 % between a fine being announced and Holder being hired, has risen by around 25 %. *(Reuters)*

RETAIL

Unilever head urges South African firms to prioritise society not just shareholders

The global head of consumer goods group Unilever has urged South African companies to eschew short-termism and begin integrating the United Nations’ 17 sustainable development goals (SDGs) into their operating models, describing their attainment as not only achievable, but also a high-return business opportunity. Speaking in Johannesburg, Paul Polman argued that, in the context of climate threats, high unemployment and rising inequality, companies could no longer be run primarily for shareholder returns, but for society as whole.

He argued, too, that firms should increasingly focus on “transformative changes” rather than corporate social responsibility programmes that made them “less bad”, highlighting the Unilever Sustainable Living Plan (USLP) as its blueprint for leveraging its products and supply chains to create jobs, lower environmental impacts and improve health. Through the USLP the Anglo-Dutch multinational, which among its 400 brands produces household names such as OMO washing powder, Dove soap, Knorr soup, Hellmann’s mayonnaise, Lipton tea, Magnum ice-cream and Domestos toilet cleaner, aims to decouple its growth from its environmental impact and to increase its social impact. The ‘farm-to-fork plan’ is supported by specific targets, including improving the health and wellbeing of 1-billion people, creating five-million additional jobs in the Unilever supply chain and sourcing sustainable inputs. The strategy assisted Unilever, which reported sales of €53.3-billion in 2015, obtain the highest score in Oxfam’s 2015 ‘Behind the Brands’ ranking of the sustainable business practices of leading food brands and lead its sector in the 2015 Dow Jones Sustainability Index.

“In today’s global economy, it’s very difficult to create jobs to provide growth . . . But with the SDGs we have a framework that has a higher moral order of irreversibly eradicating poverty, which is probably our biggest investment opportunity that we have in the world, with some of the highest returns you’ve ever seen.” A dollar invested into nutrition, Polman asserted, had a $17 return for society, while extending the same access to finance, education, training

and land rights to women could grow the global economy by $28-trillion. Likewise, investing in water, sanitation and hygiene could have a return of between $5 and $60 for every dollar invested. “The investments needed to achieve the SDGs are estimated to be $2- to $3-trillion a year. That sounds like a lot of money, but this is a global economy of $110-trillion – we are only talking about 2% to 3% investment every year for a payout that is a multiple of five or ten times.” However, for business to play its role in unlocking these returns it could not focus purely on short-term returns for shareholders and would need to pursue partnerships with governments, nongovernmental organisations and communities in the interest of the “common good”. “Increasingly, we have become myopically focused on the shareholders; which has shortened the average life of a publically-traded company in the US to only 17 years, because we are running them for the shareholders and not for the longer term. So we have to bring this back to running companies for society.” Accounting practices would also need to change, as businesses only “treasure what we measure and measure what we treasure”. In other words, Polman argued that the definition of business accounting should be expanded to include environmental and social accounting to broaden the definition of what is valued. “We also need to solve the issues of the few versus the many. This is an economy now, where 62 people, who you could put on a double-decker in London, have the same wealth as the bottom 3.5-billion people; where the top 1% now has the same wealth as the bottom 99%. “The system of rewarding capital and not rewarding labour anymore . . . has to transform.” Polman acknowledged the goal of zero carbon and poverty as being an “enormously audacious agenda”, but he argued that it was not only possible, but also necessary. “I’ve come to the conclusion that we don’t need more PhDs, nor too much more technology, we really need leadership and will power – everything that needs to be done to put this agenda in place can be done with the knowledge that we have today.” *(Engineering News)*

Brewers’ merger sets Distell free to take them on in local market

As the £74bn Anheuser-Busch InBev (AB InBev) merger with SABMiller moves closer to completion, analysts are looking to Distell — which will soon be free of SAB shareholding — to become a more aggressive player in the drinks industry. One of the conditions competition authorities attached to the approval of the merger was that SABMiller dispose of its 27% stake in Distell. Pre-emptive agreements with Remgro, which controls 54% of Distell, are expected to be exercised in whole or in part. Distell, which has been hamstrung by a control structure for almost 40 years, is about to be set free and that could mean the first serious competitive challenge to SAB’s local dominance.

Analysts believe Distell might even look to challenge SAB in the premium segment of the beer market. However, with SAB’s cider offering boosted postmerger by Stella Artois’ Cidre, Distell may have to focus on protecting its own cider brand Savanna and grow its spirits and wine brands. Anthony Clark of Vunani Securities says the disposal by SABMiller will remove a lot of uncertainty from the Distell control structure.

"From here on, control will be firmly with Remgro, which means Distell will be able to issue shares to fund a more aggressive growth strategy." Distell was created as a compromise after Remgro abandoned an attempt to challenge SAB’s near-monopoly in the beer market. Control of Distell, which produces and markets brandies, ciders and Amarula Cream, was split three ways between SAB, KWV and Remgro. Several years ago Remgro, through Capevin, picked up most of KWV’s stake. Concerns about tipping the delicate control structure is thought to have discouraged any rights issues. "Now the pyramid control structure can be unwound, Capevin does not need to exist," said Clark. One competition analyst said a local tie-up between Distell and Japan’s Asahi Group was also a possibility. Asahi is set to buy two of SABMiller’s most valuable international brands, Peroni and Grolsch, as required by the EU competition authorities.

Speculation about a venture into the beer market has been fuelled by the appointment a few years ago of former SAB executives to senior positions at Distell. These include Distell CEO Richard Rushton and head of global marketing, Dave Carruthers. Asked for comment on the Competition Tribunal ruling and any plans Distell might have for the beer market, spokesman Dennis Matsane said the ruling reaffirms fair competition in the market. "With regard to ciders especially, we certainly don’t underestimate the increased competition in the market but we believe in the strength and quality of our cider brands."

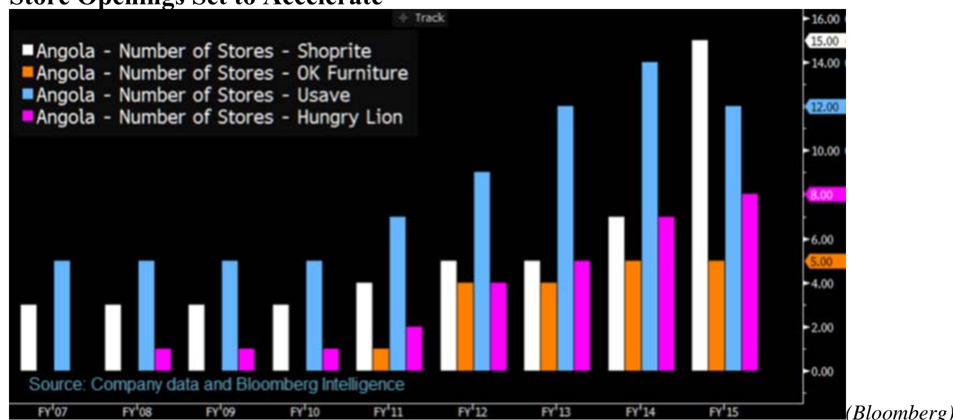
The tribunal ratified most of the conditions attached as recommended by the government and the Competition Commission when it signed off on the deal earlier in June. There were, however, a few tweaks. Megabrew, as the merged entity is referred to, would have to maintain or improve SABMiller’s policy of maximising local production of beer and cider as well as the local sourcing of inputs. It would also have to retain existing agreements with SABMiller’s owner drivers and its regional head office in SA. AB InBev agreed to a R1bn investment fund and an implementation board would have to be constituted within 60 days of the deal’s close.

The tribunal, however, deviated from the commission’s condition on retrenchments, overruling the perpetuity clause that was agreed to by the economic development minister and the merging parties. It placed a five-year period on any merger-related restructuring, after which any job losses would not be presumed to be the result of the merger unless the employee concerned could demonstrate otherwise. Local barley farmers also won protection from the tribunal. Grains SA CEO Jannie de Villiers welcomed the condition that megabrew buy local barley as there were fears it would use cheaper imports.

Megabrew is obliged to procure the highest amount of barley that was produced in SA over the last three years. Farmers harvested about 300,000 tonnes of barley in 2015. Barley procurement was fiercely debated during the tribunal’s three-

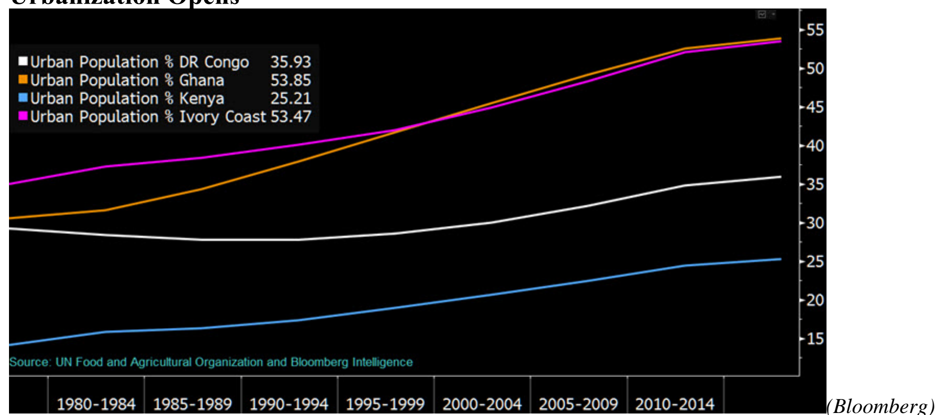
day hearing last week. At issue was the price SABMiller paid, which is closely linked to that of wheat. Megabrew's legal counsel argued that the surge in wheat prices due to the drought had pushed up production costs. They argued they could not commit to procuring the same barley volumes if grain prices continued rising as it would put it at a disadvantage to rivals such as Heineken. *(BDLive)*

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 long-established stores could give it a cost advantage after high asset inflation with property typically priced in dollars.
Store Openings Set to Accelerate



(Bloomberg)

Larger Cities Create Potential for Building African Supermarkets
Urbanization is important for retailers. Higher population density concentrates income, allowing modern supermarkets to thrive even in a relatively poor country such as the Democratic Republic of the Congo, where GDP per capita is less than $500. Shoprite has a store in Kinshasa, a city of around 11 million. More than half the population of Ghana and Ivory Coast is urban. Massmart has stores in Ghana and Kenya with Pick n Pay now expected to open in 2018, a year late, illustrating African logistical challenges. Companies Impacted: Massmart is 51% owned by Wal-Mart
Urbanization Opens



(Bloomberg)

AGRIBUSINESS

Mozambican company plans to produce wine and medicines from tea
Sociedade de Desenvolvimento da Zambézia, Lda. (SDZ) plans to harness the potential of the Gurué tea plantation region in Mozambique in order to make tea derivatives such as wine and medicine, in addition to the tea itself, a company representative said. Thiruvarangan Sridhar, a representative of SDZ, an Indian- and Mozambican-owned company, told daily newspaper Noticias that the idea is to mass produce the various types of teas and their derivatives, including "Tea Wine", which will make Mozambique the first producer of this drink in Africa. Sridhar recalled that Gurué was once considered the largest tea producing region in the southern hemisphere and its product was exported all over the world in the 1960s with 14 factories processing more than 21,000 tons of tea for foreign markets.
Currently, only four companies continue to operate in Gurué. They are facing problems such as poor product quality and highly competitive markets. Nina Patel, of the SDZ board of directors, told the newspaper that the company plans to introduce working methods that add value to products derived from the tea plant. The first step in doing this will be

to sign a memorandum of understanding with the Council of Scientific and Industrial Research (CSIR) of India. *(Macauhub)*

Ivorian government to reduce export taxes for cocoa products
The Ivorian government has announced reduced export taxes for cocoa products in a bid to encourage production and processing in the West African country. Taxes on exports of cocoa butter will fall to 11 % from 14.6 % and taxes on cocoa mass will drop to 13.2 % from 14.6 %, the government said. The export tax on cocoa powder will fall to 9.6 % from 14.6 %. Also, trading houses such as Cocoa Barry, Olam and Cargill will be able to increase their processing capacity by 7.5 %. Smaller processors will be able to expand by 10-15 %. The changes are pending formal contracts to be signed between processors and the government. *(Reuters)*

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

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

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

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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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