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6 June 2016

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EAGLESTONE SECURITIES

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In-depth:
South Africa: Country Outlook

POLITICAL STABILITY: The ruling African National Congress (ANC) will remain the dominant political force and is likely to retain power at the next election in 2019, although the fate of the president, Jacob Zuma, is less clear. His tenure officially ends at the conclusion of his second (and final) five-year term in 2019, but a series of scandals could see his term cut short. A High Court ruling in April means that the National Prosecution Authority (NPA) must reconsider its controversial decision, taken prior to the 2009 election, to drop the corruption charges laid against the president. This followed a Constitutional Court ruling in March that Mr Zuma had breached the constitution with regard to taxpayer-funded improvements to his private Nkandla homestead, as well as allegations that the Gupta brothers (businessmen close to Mr Zuma) were directly influencing cabinet appointments, which have all served to damage the president's credibility. Mr Zuma survived an opposition-led impeachment bid (over Nkandla) because of the ANC's large parliamentary majority, and may avoid a fresh corruption trial, but his hold on power has slipped, and tensions between the ANC's pro- and anti-Zuma factions have been fuelled. Mr Zuma's resignation, or his recall by the ANC, are both possibilities, especially if the ruling party performs badly in municipal elections in August.

ELECTION WATCH: Key municipal elections, to be held on August 3rd, are likely to show a further dip in support for the ANC, which peaked in 2004 before declining. The Democratic Alliance (DA, the official opposition) will hope to build on its increased 22.2% share of the vote in the 2014 general election and gain control of additional municipalities (alongside Cape Town, which it has held since 2006). Julius Malema's radical Economic Freedom Fighters (EFF), which took 6.4% of the vote in 2014, will contest its first municipal polls. ANC support will probably dip below 60% (for the first time) in 2016, although the party's main concern is the possible loss of another major metropolitan area (such as Johannesburg) to the opposition. Such an outcome would put further pressure on Mr Zuma and the ANC. Barring Mr Zuma's resignation or recall-which would probably see the deputy president, Cyril Ramaphosa, take over on an interim basis-the probable identity of South Africa's next president will be decided at the ANC's five-yearly electoral summit in December 2017, when the party will choose a new leader.

INTERNATIONAL RELATIONS: South Africa, with the most advanced economy in Africa, will play an important role in regional and world affairs. The country will remain deeply engaged with Africa, particularly Southern Africa, and will continue to support peacekeeping operations in the continent's conflict zones. Alongside fellow members of the Southern African Development Community, South Africa will also seek to build closer "South-South" ties, especially with fellow members of the BRICS grouping (Brazil, Russia, India and China), and with other African trade blocs. South Africa will also prioritise the maintenance of close relations with the EU and the US.

POLICY TRENDS: Policymakers face the difficult task of facilitating economic growth within a context of global uncertainty, while avoiding macroeconomic imbalances. Adding to the challenge, monetary policy will become tighter, to curb inflationary pressures, while the pace of fiscal consolidation will be accelerated, to guard against the loss of South Africa's investment-grade credit rating. Spending curbs and additional possible tax increases have negative implications for growth, although targeted industrial incentives will remain in place and infrastructure investment will remain a priority. To limit the fiscal risk posed by troubled parastatals, the government will seek injections of private-sector capital, although the details have still to be finalised. The main medium-term growth challenge is to overcome structural constraints such as inadequate infrastructure and skills shortages. The expected completion of major infrastructure projects will boost business activity later in the forecast period, but costlier electricity tariffs will pose a challenge. Inflation-targeting will remain in place, and radical proposals (such as mine nationalisation and land expropriation without compensation) will be rejected. Outright privatisations will be rare, and foreign acquisitions of domestic entities may face close scrutiny, although opportunities will arise for public-private partnerships.

ECONOMIC GROWTH: South Africa's growth outlook remains fairly bleak, and the economy is forecast to expand by just 0.7% in 2016 because of an array of domestic and global constraints. These include a severe drought, power supply constraints, rising interest rates, policy uncertainty (which is inhibiting private investment) tighter fiscal policy and a slowdown in China (which has dented demand and prices for key minerals). Incidents of load-shedding may be avoided in 2016, helped by new plant openings (and barring major unplanned outages), but power supplies will remain tight, to the detriment of mining and manufacturing. Water shortages will intensify in 2016, and the impact may extend beyond agriculture, given a second consecutive season of low rainfall as a result of the El Niño climate phenomenon. The risk of strikes will remain high, as will the unemployment rate (which rose to 26.7% in the first quarter), thereby depressing aggregate demand. More positively, tourism is poised to rebound (helped by the relaxation of tighter visa restrictions imposed in 2014-15), while higher real wages for those in work will help to support household consumption. Cheaper oil will also facilitate growth in 2016, but rising electricity tariffs will offset some of the benefits. Growth will edge up in 2017, helped by a recovery from drought, despite the persistence of global uncertainties, including the prospect of a further slowdown in China. Prospects for 2018-20 are a little brighter, with growth rising to an average of 2.7% a year,

helped by the progressive easing of power supply constraints and transportation bottlenecks as major projects are completed.

INFLATION: We now expect that severe drought will push up average annual inflation to 6.5% in 2016 (revised from 6%), thereby exceeding the SARB's 3-6% target range (despite intermittent temporary breaches). A sharp rise in food prices in 2016 will be the main inflationary driver, alongside the depreciation of the rand and a 9.4% hike in electricity tariffs. Lower oil prices will afford some relief, and monetary tightening will constrain demand-side pressures, but the drought will probably keep inflation above the SARB's target ceiling in 2016. Thereafter, in 2017-20, annual inflation will move in the 5.5-5.8% range, thereby meeting the SARB's target, helped by prudent monetary policy, efficiency gains arising from infrastructure investment, stricter competition laws and a progressively slower pace of rand depreciation. However, stronger oil prices (in 2017-18) and additional real-term annual increments in electricity tariffs will both feed through into other price categories and prevent inflation from declining more rapidly. Higher real wages, driven by labour militancy, may add to inflation, although demand-side pressures will be muted.

EXCHANGE RATES: The rand rallied in April, for the 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 in the first quarter (totalling 75 basis points), a comparatively prudent 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 will remain vulnerable to global developments, such as the slowdown in China (a major trade partner) and weaker commodity prices. 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 sentiment, as will the risk of a sovereign credit downgrade to junk status by ratings agencies. The rand's recent rally will not be sustained and depreciation will resume, but we are revising our forecast for 2016 to an average of R16.15:US$1 (from R16.75:US$1). We expect a more gradual slide during the remainder of the forecast period, to R17.77:US$1 in 2017 and R20:US$1 in 2020 (helped by monetary tightening), barring shocks or unwelcome policy shifts.

EXTERNAL SECTOR: After falling to 4.4% of GDP in 2015, because of a smaller merchandise trade shortfall in the wake of lower oil prices, the current-account deficit is expected to be broadly similar in 2016, at 4.3% of GDP. Demand and prices for most minerals--which account for more than half of export earnings--will remain subdued because of the slowdown in China and global fragilities. Non-mineral exports (such as cars) will nonetheless benefit from rand depreciation and from South Africa's retention of trade preferences under the US African Growth and Opportunity Act. Import growth will be driven by food (in 2016), costlier oil (in 2017) and capital equipment for infrastructure projects (in both years), although consequent improvements in logistics capacity and power supply will facilitate exports in the medium term. Notably, the invisibles deficit (on services, income and current transfers) will remain far wider than the goods deficit, and will account for most of the current-account shortfall in 2016-17. We expect the current-account deficit to continue to widen in 2018-19, before easing slightly to 5.3% of GDP in 2020.

Morocco: Economic Overviews

POLITICAL STABILITY: The Economist Intelligence Unit expects political stability to be maintained, despite persistent social tensions related to high unemployment and income inequality. Tensions will rise in the lead-up to parliamentary elections due in October 2016. However, the king, Mohammed VI, remains the dominant political figure and the people's spiritual guide (amir al-muminin, or commander of the faithful). He maintains broad political support, which will continue to underpin stability. Although the roles of parliament and the prime minister have been strengthened by the 2011 constitutional reforms, policy continues to be largely set by the king and his closest advisers, the makhzen.

ELECTION WATCH: The next election for the House of Representatives (the lower house) is due on October 7th 2016. We expect the moderate Islamist Parti de la justice et du développement (PJD) to retain the largest share of seats (it currently governs with the liberal, pro-monarchy Rassemblement national des indépendants), as its socially conservative agenda will continue to appeal to a sizeable proportion of the population. The PJD's popularity has spread relatively quickly--it was formed less than 20 years ago--largely owing to its reliance on a clear policy platform, rather than the traditional dependence on key personalities. Morocco's complex version of proportional representation tends to result in a fragmented elected chamber: 18 parties are currently represented, and the PJD controls only 107 of the 395 seats. However, the impact of this is limited by the fact that power remains in the hands of the palace, which is capable of pushing through major reforms.

INTERNATIONAL RELATIONS: Although the EU will remain Morocco's primary market for trade, investment and tourism, medium-term relations will be strained by renewed tensions over Western Sahara, which led the EU to suspend

the bilateral agriculture and fisheries accord at the end of 2015. Although the diplomatic crisis with the UN that emerged in February over the status of Western Sahara will also damage Morocco's image abroad, Western countries will maintain political support for the kingdom overall, given its critical role in the fight against regional terrorist threats and its strategic position as a departure country for migrants coming to Europe.

POLICY TRENDS: The government will work to strengthen the country's economic fundamentals, for example by improving tourism, transport and logistics infrastructure, in order to stabilise annual GDP growth. However, addressing the country's infrastructure shortcomings will prove difficult, as an inefficient bureaucracy and widespread nepotism will slow down the execution of projects. The modernisation of the economy will also be hindered by shortages of skilled labour (as efforts to fill skills gaps--including enhanced vocational training--fail to keep pace with economic growth) and the concentration of economic power in the hands of a small elite.

ECONOMIC GROWTH: We forecast real GDP growth of 2.2% in 2016, down from 4.5% in 2015, as drought conditions at the beginning of the 2015/16 season (October-May) have slashed expectations for agricultural output. The economy is very sensitive to agriculture, which provides 40% of employment and therefore has a major impact on private consumption. However, improved rainfall later in the season, together with higher election-related public spending, will partly offset the drought's negative impact on private consumption in 2016. Overall, we expect annual GDP growth to average 3.2% in 2016-20, down from 4% a year in 2011-15, amid weakening demand from emerging economies and continued fiscal consolidation. Nonetheless, GDP growth is expected to rise gradually over the forecast period--apart from a dip in 2019 as growth in developed countries falters--to reach 3.7% in 2020.

INFLATION: The removal of fuel subsidies will create new inflationary pressures as global oil prices recover from 2017, but the maintenance of subsidies on basic goods will help to keep a lid on prices. Average inflation is expected to rise from 1.9% in 2016 to a peak of 2.6% in 2018, as global commodity prices rise, before easing to an average of 2% in 2019-20 as oil prices slump again. Weather-related disruptions to the domestic harvest could cause short-term spikes in inflation.

EXCHANGE RATES: The current-account deficit is expected to widen to 2.3% of GDP in 2016, from an estimated 1.7% of GDP in 2015, as a sharp uptick in food imports (particularly wheat) offsets the benefits of the renewed slump in global oil prices. A modest recovery in global commodity prices over the forecast period will boost import spending compared with a low in 2015, as will increasing demand for capital goods related to investment in power plants, transport infrastructure and industrial parks.
Morocco's external performance will remain vulnerable to renewed volatility in Europe, its main foreign market. Exports will nevertheless increase, owing in part to rising output from the manufacturing sector. Agricultural exports remain reliant on volatile weather patterns. Overall, the trade deficit will remain wide in 2016-20.

EXTERNAL SECTOR: The current-account deficit is expected to widen to 2.3% of GDP in 2016, from an estimated 1.7% of GDP in 2015, as a sharp uptick in food imports (particularly wheat) offsets the benefits of the renewed slump in global oil prices. A modest recovery in global commodity prices over the forecast period will boost import spending compared with a low in 2015, as will increasing demand for capital goods related to investment in power plants, transport infrastructure and industrial parks.
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SOVEREIGN RATINGS

North and South America - Asia

06-06-2016	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Argentina	B3	B-	B	NP	B	B
Australia	Aaa	AAAu	AAA	NR	A-1+u	F1+
Brazil	Ba2	BB	BB	NR	B	B
Canada	Aaa	AAA	AAA	NR	A-1+	F1+
China	Aa3	AA-	A+	NR	A-1+	F1
Colombia	Baa2	BBB	BBB	NR	A-2	F2
Cuba	Caa2	NR	NR	NR	NR	NR
Hong Kong	Aa1	AAA	AA+	NR	A-1+	F1+
India	Baa3	BBB-u	BBB-	NR	A-3u	F3
Japan	A1	A+u	A	NR	A-1u	F1
Macau	Aa3	NR	AA-	NR	NR	F1+
Mexico	A3	BBB+	BBB+	WR	A-2	F2
Singapore	Aaa	AAAu	AAA	NR	A-1+u	F1+
Uruguay	Baa2	BBB	BBB-	NR	A-2	F3
Venezuela	Caa3	CCC	CCC	NR	C	C
United States	Aaa	AA+u	AAA	NR	A-1+u	F1+

Sources: Bloomberg, Eaglestone Advisory

Eurozone

06-06-2016	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Austria	Aaa	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-2	F2
Spain	Baa2	BBB+	BBB +	P-2	A-2	F2
United Kingdom	Aa1	AAAu	AA+	NR	A-1+u	F1+

Sources: Bloomberg, Eaglestone Advisory

	Region - Africa/Middle East					
	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
06-06-2016	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Angola	B1	B	B+	NR	B	B
Bahrain	Ba2	BB	BBB-	NR	B	F3
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+	BB-	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 and Madagascar sign USD 1.1 million to finance youth agriculture programme

The African Development Bank and Madagascar on Monday, May 23 2016 in Lusaka, signed a USD 1.1-million loan to support preparation of the country's youth agricultural entrepreneurship programme. The "Enable Youth Programme" targets university graduates, and aims to offer them decent, well-paying jobs. It will also enhance food security in the country.

Signing for the agreement for his country, Madagascar's Minister of Finance and Budget, Gervais François Marie Maurice Rakotoarimanana, highlighted the relevance of the project, which he said will affect young people who account for 50% of the population, and help to improve the value chain including commercial agriculture.

For his part, the Bank's Acting Vice-President for Water, Human Development, Governance and Natural Resources, Kapil Kapoor, who signed for the AfDB, noted that Africa imports a lot of agricultural produce despite its huge

agricultural potential. “We are pleased that the project will also contribute to a feasibility study to bankable agricultural projects for young people,” said Kapoor. He added that in the coming decade, Africa must create 100 million jobs for young people, of which 40 million in agriculture.
The Enable Youth programme aims to promote intensive agriculture by developing investment areas that can mobilize all development stakeholders through increased private investment in agriculture. The programme will also support the modernization of farming practices and the emergence of businesses in the agricultural sector which still employs 80% of Madagascar’s working population. It will also help to increase the incomes of the target population by supporting rural businesses and helping to boost farm yields in Madagascar.

The Gambia awarded US $1.5 million to undertake a sweeping Strategic Program for Climate Resilience
With support from the African Development Bank (AfDB), The Gambia has been granted US $1.5 million under the Climate Investment Funds’ Pilot Program for Climate Resilience (CIF PPCR) to prepare a national Strategic Program for Climate Resilience (SPCR). Through the SPCR, the country will develop a double-edged set of solutions for its climate vulnerability, identifying programs to implement resilience actions while at the same time reducing barriers that exacerbate climate vulnerability. The Plan will be developed with support from two Multilateral Development Banks (MDBs), the AfDB as lead agency and the World Bank.
One of Africa’s five most densely populated countries, the principally rural Gambia faces increasing negative environmental and economic impacts from climate change, with serious damage from windstorms and flooding, and sea level rise increasingly creating threats. The country is also very prone to regular drought, which impinges on its agricultural productivity. In response, the Government (GoTG) has embedded mainstreaming climate resilience as one of the key pillars of its ambitious Vision 2020.
To support activities that would help holistically mainstream climate concerns into its national development agenda, the GoTG applied for participation in the PPCR and was one of a handful of countries selected in a second round as a new PPCR pilot country in May 2015. Funding from PPCR will strongly bolster the country’s Vision 2020 policy framework and help create projects to address food and livelihood security, bring coastal infrastructure to a climate-resilient standard, and create an effective enabling environment to mainstream climate resilience. This will include a stronger national institutional coordination mechanism with clearly defined roles, communication, and stakeholder ownership. “We are pleased that The Gambia has received PPCR’s approval for this funding, and will now be able to advance its ambitious plans to create a fully climate-resilient economy,” said Olagoke Oladapo, AfDB’s Task Team Leader for The Gambia’s program. “Protecting the country’s coastal zone and advancing climate-smart agriculture opportunities are vital to its economic, social, and environmental well-being. With the SPCR being coordinated by the Ministry of Environment in collaboration with the Ministry of Finance and a full program to engage stakeholders across the spectrum, including the rural people most affected by the increasing climate impacts, we believe that The Gambia will create a powerful bulwark for its successful future.”
Specific elements of the SPCR are:
- **Institutional capacity building across sectors**: Assessment and support to institutional capacity requirements for climate resilient coordination, planning, implementation, monitoring and reporting; assessment of climate change impact on natural resource sectors including migration and vulnerable hotspots, improving climate information systems and disaster risk management;
- **Data collection**: Supporting collection, analysis and application of national hydro-meteorological data; improving access to and uptake of climate information and services into decision-making;
- **Gap analysis**: studies in the following areas to feed into development of the SPCR:
  - Greening coastal infrastructure study
  - Weather index insurance study
  - Assessment of climate resilient livelihood options
  - Climate vulnerability study in the 10 regions
- **Financial assessment**: Assessment of investment needs (financial resources) to implement the SPCR;
- **Community-based approaches**: Supporting natural resources management through community-based approaches to watershed management;
- **ICZM**: Support for management of the coasts in a changing environment – climate-aware Integrated Coastal Zone Management and support to reduce coastal erosion.

With a joint multi-disciplinary mission planned for August 2016, the Gambia intends to submit the final SPCR to the PPRC governing body for endorsement in May 2017. Gambia joins 29 other countries throughout the world, including 9 in Africa, as PPCR pilot countries.

Tunisia Gets $2.9 billion IMF Loan to Strengthen Job Creation and Economic Growth
- Tunisia faces weak economic activity, low employment, high external imbalances
- IMF loan to support the government’s economic vision of more inclusive growth
- Program includes reforms to tackle high unemployment, strengthen governance

The IMF has approved a four-year, $2.9 billion loan for Tunisia to support the authorities' economic agenda aimed at promoting more inclusive growth and job creation, while protecting the most vulnerable households. The program builds on the previous arrangement, which supported Tunisia in the immediate aftermath of the Arab Spring.

Speaking to IMF Survey, IMF Mission Chief for Tunisia Amine Mati explains how the country's economic program aims to tackle remaining challenges and support the authorities' new economic reform plan.

IMF Survey: What has Tunisia achieved under the first program, and why does the country need additional assistance from the IMF?

Mati: The first program, the Stand-By Arrangement, helped Tunisia preserve macroeconomic stability during a very difficult time—prolonged political transition, increased social tensions including strikes and work stoppages, and security tensions arising from conflicts with Salafists and the tragic terror attacks of 2015 that devastated the tourism industry. Amid this challenging landscape, the authorities were able to implement an ambitious reform agenda aimed at supporting private sector development, tackling high unemployment, and reducing regional disparities.

Despite significant progress, Tunisia is still facing many economic challenges—spending composition has worsened, external imbalances are high, the dinar remains overvalued, banking fragilities remain, and reforms to strengthen the business climate have been slow. That is why the authorities requested a follow-on four-year program, the Extended Fund Facility, to support their economic vision of modernizing the country's development model and reducing existing vulnerabilities.

This longer-term program is designed to target the critical long-standing structural weaknesses of Tunisia's economy—the ones that have resulted in slow growth and high external balances. Therefore, the main focus of this program is to consolidate the progress that has already been made on macroeconomic stability and to address remaining structural obstacles to more inclusive growth and job creation.

IMF Survey: Can you describe how the IMF's new program for Tunisia plans to support the authorities' five-year economic vision?

Mati: The authorities' vision rests on five-pillars, of which the main driver is private sector development. To contribute to the authorities' economic reform agenda, the new program with the IMF focuses on the following priorities:

- A gradual reduction of the overall fiscal deficit to stabilize public debt at about 50 % of GDP
- Better composition of public spending, as wage containment would allow for a doubling of priority public investment that supports growth and poverty reduction
- Greater exchange rate flexibility to improve Tunisia's external competitiveness and rebuild foreign reserves
- Improving financial sector intermediation, including through continued restructuring of public banks
- Structural reforms, including reforms to public institutions and state-owned companies, reducing energy subsidies, a more progressive and equity-friendly tax system, strengthening governance, and improving the business climate

All these reforms will take time to bear fruit, but over time they will help increase growth to 5 %.

IMF Survey: What are some of the IMF's recommendations to help Tunisia create more jobs given the high overall unemployment rate of 15 %, and youth unemployment of 35 %?

Mati: Both macroeconomic policies and structural reforms that I mentioned above, need to be pursued vigorously for the private sector to invest and create jobs. At this time in Tunisia, restoring investors' confidence—weakened by political uncertainties and security challenges—is key. Just as important, however, is changing the long-standing development model—which is based on pervasive state intervention that led to an economy dependent on low-value added exports, excessive regulation, and limited competition—requires moving quickly with the new investment code and implementing the new competition law. The country can also implement private-public partnerships that attract private capital for infrastructure projects. All these improvements in the business climate, helped by further streamlining of existing regulations, will encourage private sector development and signal to local and global investors that Tunisia is open for business. Reforming the labor market will also be necessary, although that is likely to take time to build more consensus. In the meantime, the authorities have launched active labor market programs (e.g. public works, microfinance) and vocational training programs that can help lessen unemployment among college graduates.

IMF Survey: Part of the new reform agenda seeks to increase employment, especially in the non-coastal regions. How can civil service reform help in this respect?

Mati: First, let me say that reforming the civil service is the number one priority listed by all the key stakeholders we talked to, and not surprisingly is at the top of the authorities' list in their economic vision. All stakeholders recognize both weaknesses in the quality of public services and the unsustainability of the current wage bill path, which represent 65 % of tax revenue, 14 % of GDP, and 45 % of total spending.

The reform—which aims at increasing public sector efficiencies and quality of services—will look at several aspects, including status for high-level civil servants, revision of the pay structure, better linking of pay with performance, and redeployments to the underserved interior regions. It will also help contain the wage bill by reducing it to 12 % of GDP by 2020, thereby creating the necessary fiscal space to double public investment. Civil service reform is a necessary step to create growth but can only be successful if the reform achieves broad-based consensus. This in turn requires reforms in other important areas. For example, civil service reform should go hand in hand with tax reform that improves fairness by widening the base and increasing the purchasing power for the lowest income taxpayer (e.g., by

raising the income tax threshold). As recognized by the authorities, reform implementation is essential as only the private sector can create sustainable jobs— not the public sector.

IMF Survey: Is enough being done to address corruption and strengthen good governance?

Mati: Strengthening governance is a priority for the government. Improving anticorruption and good governance provisions are also enshrined in the Tunisian constitution that was adopted last year. Now, the challenge is implementation and how to move forward. To address these concerns, the authorities are drafting a law to set an independent high-level constitutional body to fight corruption.

New legislation by the end of the year will also protect whistleblowers, address conflicts of interest in the public sector, and require financial disclosure of net worth by senior government officials. Work to improve public financial management and increase publication of government documents will help promote transparency and strengthen governance. A new ministry of civil service affairs and good governance, established three months ago, will also help implement this reform. The IMF program will support the authorities in this area, including by helping the authorities strengthen their anti-money laundering and combating the financing of terrorism framework.

IMF Survey: What has the IMF done to engage non-governmental stakeholders to ensure buy-in and support for the follow-on program?

Mati: We engage with a variety of stakeholders to obtain different perspectives that we can bring to our discussions with the authorities. We meet with a lot of non-governmental organizations that are focused on a variety of social issues. We also meet with think tanks and trade and business unions on a regular basis. These series of discussions are an evolutionary process that helps us listen to concerns of all stakeholders, improve our understanding of the country's key issues, and enhance our discussions on government policies.

The dialogue with all stakeholders occurs during our periodic visits in-country, and also through a regular dialogue with the IMF resident representative in Tunis.

INVESTMENTS

Japanese investors and partners recognize huge potential of African continent

The challenges facing Africa shouldn't be recognized with pessimism, but must be seen as investment opportunities, says the Head of the Africa Development Bank's (AfDB) External Representative Office for Asia, Tadashi Yokoyama.

Speaking at the "Japan-AfDB Forum: Energy Access and Quality Infrastructure in Africa – Towards TICAD VI" at the AfDB Annual Meetings in Lusaka, Zambia, on Wednesday, May 25, 2016, Yokoyama said the potential of Africa is enormous. "But this potential must be tackled with speed and in an integrated manner; the challenges facing Africa must not be seen with pessimism, but should be seen as opportunities for us to invest in innovations and new technologies to uplift the livelihoods of people," he said. Yokoyama said Africa can learn a lot from the expertise of the people of Japan. "This way the continent [Africa] will move forward through developing own solutions that will address the challenges being faced," he said. At the same event, AfDB's Director for Private Sector Operations, Kodeija Diallo, said underscored the importance of the Bank's relationship with Japan. "AfDB has been working with the Japanese in areas of technical assistance in various projects across the continent. As a Bank, we are implementing the High 5s by scaling up infrastructure and the process of industrialization, hence the need for stronger partnerships with cooperating partners," she said. Earlier, Japanese businesses pledged commitment for infrastructure development in Africa. Marubeni Corporation Regional Chief Operating Officer for Africa Takashi Yao said the African continent is a priority and very important emerging market. "We are ready to invest in Africa and establish partnerships with business community of the continent. We have to grow together and Japanese private companies have high potential to contribute to the growth of Africa," he said. *(AfDB)*

Angola awards contracts to companies from China

The Angolan government has awarded to 23 contracts to Chinese companies to be financed using the credit line opened by China for Angola, according to presidential decrees published in the official gazette. These contracts are for water supply networks and road repairs, to be carried out in the provinces of Bengo, Bié, Huambo, Namibe, Kwanza Norte, Kwanza Sul, Malanje and Uige and have an overall cost of US$550 million. The 23 projects now approved, 15 of which for the construction of new water supply systems and the remaining eight for the repair of roads and secondary and tertiary roads, total more than 10 % of the Chinese credit line. For example, the China Railway 20 Bureau Group Corporation was contracted to repair the Catchiungo/Chinhama road in Huambo, for US$58.4 million and to build a water supply system for the city of Cuito for US$39.2 million. China's credit line will be used to finance 155 public projects with US$5.2 billion, carried out by 37 Chinese companies "recommended to the Angolan market" according to the operational plan drawn up by the Angolan government. The nine sectors that will be covered by the credit line's operational plan include energy and water, with 34 projects and US$2.174 billion, and construction, including road repairs, with 33 projects and a total of US$1.644 billion. *(Macauhub)*

Mondi to acquire majority stake in Turkish packaging firm Kalenobel
Paper company Mondi Ltd said it had signed a deal to buy 90 % shares in Turkey's Kalenobel for around 90 million euro ($101 million) as part of a plan to grow its packaging business. South African-based Mondi, also listed in London, said it would buy the stake from private equity group ARGUS Capital and one of Kalenobel's founders M. Olcay Hephiz. Mondi did not say how it would pay for the acquisition. Turkish packaging companies have been attracting European strategic players for some time as the market is seen as having more potential with per-capita consumption of packaging at much lower levels compared to developed markets. Instanbul-based Kalenobel makes flexible consumer packaging for ice cream, aseptic cartons and other products. The company exports nearly half of its products mainly to Western Europe, the Middle East and North Africa, Mondi said in a statement. The acquisition is in line with Mondi's strategy to grow its consumer packaging business and expand to high growth markets, Chief executive David Hathorn said. Mondi, which made about a fifth of its 6.8 billion euro revenue from consumer packaging last year, said it expects the transaction to purchase Kalenobel to be completed in the second half of 2016. Mondi, which has operations in more than 30 countries, makes and sells consumer packaging and paper products as part of its Europe and International division's Packaging Paper business. In February, Hathorn told Reuters Mondi could borrow to fund acquisitions after spending 94 million euros on snapping up consumer packaging firms last year. ($1 = 0.8929 euros) *(Reuters)*

Macau businessman wants to take companies from China to Cabo Verde
Macau businessman David Chow, who is involved in a tourism project in Cabo Verde (Cape Verde), has promised to take to Cabo Verde more entrepreneurs and companies from China in different areas of economic activity, according to statements made in Praia. Chow was speaking at the end of a meeting between the Prime Minister, Ulisses Correia e Silva and a mission from the China/Africa Development Fund, weekly newspaper A Semana reported. “The prime minister asked me to bring more businesspeople to Cabo Verde and I promised I would try to bring other entrepreneurs and Chinese companies from various areas, agriculture, finance and others,” said the businessman. Chow said the goal is to get more countries to pay attention to Cabo Verde, so that the islands can be prepared for the challenges of globalisation. “Even with the presence of China/Africa Development Fund, of investment in the tourism sector, I’m trying, together with the Prime Minister, to speed things up and make some facilities for the promotion of the tourism sector,” stressed the Macau businessman. Chow is involved in building a hotel complex with a casino on the islet of Santa Maria, a small rocky island off the coast of Praia, Cabo Verde’s capital city, where he will invest about US$250 million. *(Macauhub)*

China funds public lighting in capital of Guinea-Bissau
China has offered two hundred and fifty solar lampposts to be installed in several neighbourhoods and roads in Bissau, the capital of Guinea-Bissau, the city’s Mayor announced. Adriano Ferreira added that the ship carrying the lampposts was already its way to Guinea-Bissau and was due to arrive at the capital’sport within two weeks. The Mayor of Bissau was speaking at the end of a meeting with a technical team from China, who travelled to the country to install the electricity grid in Bissau and other locations, under an agreement signed between the two countries and that has now entered the second phase. Ferreira said that after the arrival of the ship the lampposts will be unloaded and placed in the previously sites across the city. *(Macauhub)*

BANKING
Banks

Doors Open to Foreign Banks in Somalia After Half-Century Hiatus
Kenyan banks are competing against lenders from Gulf nations seeking licenses to operate in Somalia as the strife-torn country opens up the industry to international companies for the first time in almost half a century. Somalia’s central bank has held talks with KCB Group Ltd., the owner of Kenya’s largest bank, and Nairobi-based Commercial Bank of Africa Ltd., Governor Bashir Issa Ali said, without identifying any banks from the Gulf. “They are expressing an interest to gain a foothold in Somalia,” he said in an interview in the Kenyan capital of Nairobi last week. “Banking is one of the most profitable sectors in the country." The administration of President Hassan Sheikh Mohamoud is seeking to attract investors to rebuild the Horn of African nation after more than two decades of civil war as the army, supported by African Union peacekeepers, pushes al-Qaeda-linked militants out of urban areas. While its institutions have largely collapsed, the International Monetary Fund predicts that government reforms and donor funds will help the economy expand about 3.7 % through 2017.

Local Partners
Foreign banks, including Britain’s Barclays Plc and lenders from Italy, India and Egypt, have operated branches in the country between 1920 and 1970, when all international banks were nationalized, leaving the country with two state-owned lenders at the time, according to the central bank’s website. MasterCard Inc. last year formed an alliance with Somalia’s Premier Bank Ltd. to issue debit cards in the last African markets aside from those under sanctions where it wasn’t present.

The central bank will only license “reliable” lenders, Ali said, without saying when applications will be completed. The regulator wants international banks to partner with local financial institutions.

Six commercial banks with assets of $194 million and deposits of $143 million operate in Somalia, mostly concentrated in the capital, Mogadishu, according to the IMF. Only one bank meets the minimum capital requirement of $5 million. There are 13 pending applications for commercial banking licenses, according to the IMF.
KCB Chief Executive Officer Joshua Oigara said in April that the lender may consider entering the Democratic Republic of Congo, Somalia and Djibouti by 2020 as it seeks to strengthen its position in East Africa. Somalia may begin production of oil and gas in 2020 after exploration work showed potential for larger offshore deposits. Companies including Royal Dutch Shell Plc., Exxon Mobil Corp., BP Plc are in talks about returning, according to the presidency. Investor trust is “building up” in Somalia, Ali said. *(Bloomberg)*

StanChart launches mobile banking push in Africa as rivals retreat
Standard Chartered is to launch its mobile and online banking platform in eight African countries, its consumer banking chief for the region told Reuters, as the lender seeks to grow in Africa at a time when some European banks are retreating. StanChart will launch the service for its 1 million customers in Botswana, Ghana, Kenya, Nigeria, Tanzania, Uganda, Zambia and Zimbabwe in the first half of 2016, the bank's regional head for retail banking Jaydeep Gupta said. "Africa's populations are moving quickly to embrace mobile banking and local banks have made material investments on the digital side, so to protect and grow our market share we are investing," he said. Gupta said StanChart hopes to grow long-term retail banking revenues in Africa by three to four times the pace of the region's growth in economic output.
The bank's strategy stands in contrast to European rivals who have beat a rapid retreat from Africa in recent years, stung by plunging commodities prices and weaknesses in African currencies. Barclays said on March 1 it was seeking to sell its African business as part of a plan by new Chief Executive Jes Staley to simplify the bank's structure. The International Monetary Fund on May 3 cut its 2016 growth forecast for sub-Saharan Africa by 1 percentage point to 3 %, the lowest level in 15 years and half the average over the last decade. The tough environment has seen bank stocks in Africa plunge and lenders in countries such as Kenya and Zambia fail. StanChart is nonetheless expanding its physical presence in the region, adding 10 branches in the Nigerian capital of Lagos as part of a strategy to focus on Africa's capital and top-tier cities which Gupta said account for roughly 80 % of consumer banking revenues. Gupta declined to put a figure on the bank's Africa investment. Africa accounts for 10 % or around 8400 of the lender's total employees, and StanChart made a net loss in the region of $32 million in 2015 on rising bad loans, according to company data. Former Barclays chief executive Bob Diamond is also optimistic about the region and is bidding on his former employer's African unit, even as his investment vehicle Atlas Mara reported a $2 million loss for the first quarter as its African banking investments struggled. StanChart's Gupta, like Diamond, advocate looking beyond Africa's short term economic woes. "Africa is a multi-speed market with some countries such as Kenya bounding ahead while others like Zimbabwe and Nigeria remain challenging, but we see attractive long-term growth opportunities for the continent," Gupta said. *(Reuters)*

U.K. Regulator Scrutinizes Credit Suisse, VTB Over Mozambique Debt
Inquiry examines whether banks violated regulations governing disclosures to investors around a bond restructuring
U.K. regulators are making inquiries into Credit Suisse Group AG’s and Russian bank VTB Group’s handling of hundreds of millions of dollars of debt the banks arranged for the purchase of boats and military equipment for state-backed companies in Mozambique, people familiar with the matter said.
Meanwhile, the southern African country has brought in a prominent debt-restructuring specialist to advise on whether it should keep making payments on some related loans, other people familiar with the matter said. The moves are the latest reactions to deals in a corner of the world that left the country more burdened with debt and feuding with international donors. The deals with three state-owned companies included $622 million in loans to buy military equipment, $535 million in loans to build a shipyard and $850 million in bondsto buy a tuna-fishing fleet.
Much of the money raised for the tuna fleet was subsequently diverted to the military, Mozambique has said in public budgetary documents. Those bonds nearly defaulted and had to be restructured this year. The U.K. Financial Conduct Authority is looking into whether the banks violated regulations governing disclosures to investors around the bond restructuring, people familiar with the matter said. While Credit Suisse is a Swiss bank and VTB is Russian, both banks used their U.K. operations to handle these bonds.
Investors have said they weren’t told of the $1.15 billion in loans at the time of the bond restructuring. The FCA is gathering information to see whether the banks failed to make necessary disclosures, the people familiar with the matter said. Representatives for Credit Suisse and the regulator declined to comment. A spokeswoman for VTB said the bank wasn’t aware of any investigations. While the banks didn’t specifically call out the loans to bondholders during roadshows to explain the restructuring, they had included the borrowings in the calculation of Mozambique’s consolidated public debt that they provided to investors during the exchange, a person familiar with the offering has said. A Mozambique official also said the loans were included in total debt figures provided in the bond documents. The Wall Street Journal reported the existence of the loans in April. The International Monetary Fund and donor countries

suspended more than $200 million in payments to Mozambique's government after they came to light, complaining that they hadn't been disclosed.
On May 23, Mozambique missed a payment due on the $535 million loan and is negotiating with VTB to restructure the debt, the people said. The other loan and the bonds had been arranged by VTB and Credit Suisse. The government has brought in debt lawyer Lee C. Buchheit of Cleary Gottlieb Steen & Hamilton LLP to advise on that process as well as repayment of the other bonds and loans arranged by the banks, the other people familiar with the matter said. One of the matters Mozambique is seeking counsel on is whether it could refuse to repay the debts if they were shown to be the product of any malfeasance on the part of the banks, the people said. Spokeswomen for Credit Suisse and VTB declined to comment. Mr. Buchheit has advised on a number of debt restructurings, including Greece's. A spokeswoman for Cleary Gottlieb declined to comment. The government said in April that it needs at least $180 million of aid from international donors to help its population in areas affected by drought and famine, according to the United Nations Office of the Resident Coordinator. *(Wall Street Journal)*

Bank of China's arrival in Angola creates positive expectations
The arrival of the Bank of China in Angola is generating expectations in the business and financial sectors in the Angolan capital, as it will potentially facilitate payments abroad, currently constrained by a lack of foreign currency. On 13 May the government of Angola authorised the Bank of China – the affiliate in Angola conducting banking activities, which in December 2012 was authorised to open a representative office in Luanda, justifying the decision based on increased economic and trade relations between China and Angola, "which has led to increased demand for financial services." Portuguese weekly newspaper Expresso reported that the opening of a branch of the Chinese bank is seen as a solution to the problem of lack of foreign currency in Angola and is therefore eagerly awaited. The shortage of foreign currency in Angola related to the decline in oil revenues comes at a time when the Chinese authorities have said they are committed to spreading the use of the renminbi as a means of payment in Africa. In this process, Macau plans, with support from the Chinese central government, to become a bank platform for renminbi clearance between China and Portuguese-speaking countries, according to statements in January from Yao Jian, the Deputy Director of the Central Government Liaison Office in Macau. The lack of foreign currency is currently one of the main constraints on economic growth in Angola, limiting the liquidity of local banks, hampering company payments and affecting foreign trade.
The governor of the National Bank of Angola (BNA), Válter Filipe acknowledged in May that the country's banks are being placed "on the margins" of the global financial system, an apparent allusion to the lack of access of Angolan banks to the international exchange circuit, a situation that "is serious for the prosperity of our families." In August 2015 China and Angola signed an official agreement allowing reciprocity in the use of the currencies of both countries, which was interpreted by the Economist Intelligence Unit (EIU) as a result of Angola's "hope" that greater use of the renminbi will decrease the need for dollars.
According to Portuguese bank BPI, this agreement makes it possible to "make up for the lack of dollars," needed to pay for imports, but the effect in currency terms will likely be none. South Africa, Africa's largest economy and China's main trading partner in Africa, was the latest country to embrace the renminbi, during a visit by the Chinese Foreign Affairs Minister, when the two countries launched an initial exchange platform between the two currencies. Previously, Ghana, Nigeria, Mauritius and Zimbabwe accepted renminbi payments and reserves and the Nigerian central bank already has 10 % of its foreign reserves in Chinese currency.
In recent statements to the ChinaAfrica (http://chinafrica.info/) website, Chinese economist Qu Hongbin said that "the increase of Chinese investment abroad – especially in Africa – is a key factor in the internationalisation of the yuan." A recent HSBC study predicts that by 2020, the renminbi will be used in half of trade carried out by China abroad, compared to just 20 % currently.
The IMF, which had decided to include the renminbi in its basket of reserves, recently announced that the member countries of the institution may, from October, register official reserves denominated in the Chinese currency as foreign assets available to meet the financial needs of their balance of payments. In an article recently published on the website of the Council on Foreign Relations (http://www.cfr.org/), the financial consultant specialising in sub-Saharan Africa, John Casey argued that "dollar dominance is no longer a certainty" in the region and that 2016 will be the year of "solidification of the renminbi's role in Africa." *(Macauhub)*

Markets

Angola Central Bank Sold EU265.7m FX in Week Through May 30
Avg. exch rate 186.263 kwanzas/euro in sale to one commercial bank, National Bank of Angola says in statement on website.
* Institution sold 21.4b kwanzas of 91-, 182-, 364-day T-bills at 14.95%, 18.42%, 18.38% interest respectively
* 15.5b kwanzas of 2-, 3-, 5-yr govt bonds sold at 7%, 7.25%, 7.75% coupon respectively
* Sold 10.4b kwanzas of 91-, 182-, 364-day, 2-, 3-, 5-yr securities directly to public at undisclosed rate
* Overnight rate, known as Luibor, unchanged at 14.01%
* USD-kwanza exchange rate 166.709

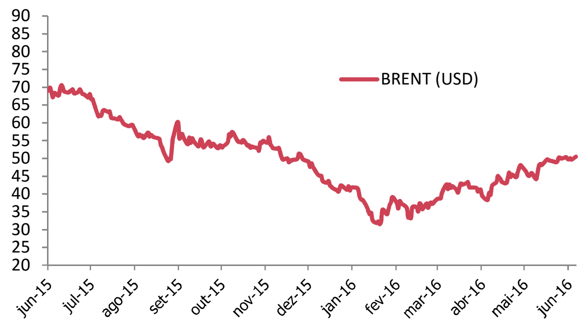
MARKET INDICATORS
06-06-2016

STOCK EXCHANGES		
Index Name (Country)	**06-06-2016**	**YTD % Change**
Botswana Gaborone Domestic Index (Botswana)	10.181,07	-3,97%
Bourse Régionale des Valeurs Mobilières (Ivory Coast)	303,90	-0,01%
Case 30 Index (Egypt)	7.639,59	9,04%
FTSE NSE Kenya 15 Index (Kenya)	181,68	-2,66%
Morocco Casablanca Stock Exchange CFG 25 (Morocco)	20.810,22	9,52%
Nigerian Stock Exchange All Share Index (Nigeria)	27.599,48	-3,64%
FTSE/JSE Africa All Shares Index (South Africa)	53.737,67	6,00%
Tunindex (Tunisia)	5.547,62	10,02%

Source: Bloomberg and Eaglestone Securities

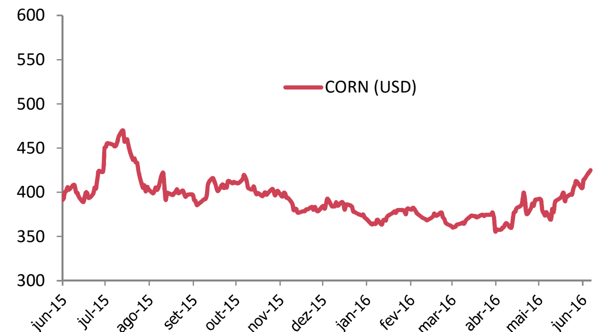
METALS	Spot	YTD % Change
Gold	1.244	17,20%
Silver	16	18,51%
Platinum	989	10,69%
Copper $/mt	4.688	-0,36%

Source: Bloomberg and Eaglestone Securities



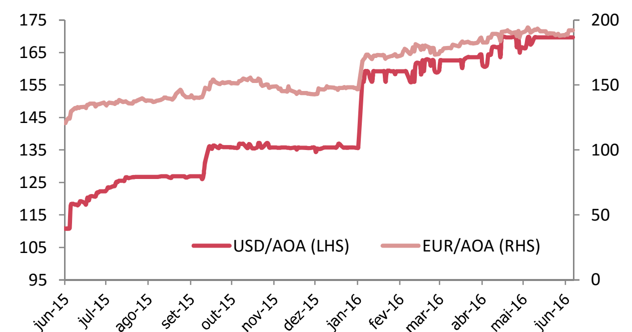
ENERGY	Spot	YTD % Change
NYMEX WTI Crude (USD/barril)	49,5	33,75%
ICE Brent (USD/barril)	50,5	35,43%
ICE Gasoil (USD/cents per tonne)	445,0	33,13%

Source: Bloomberg and Eaglestone Securities



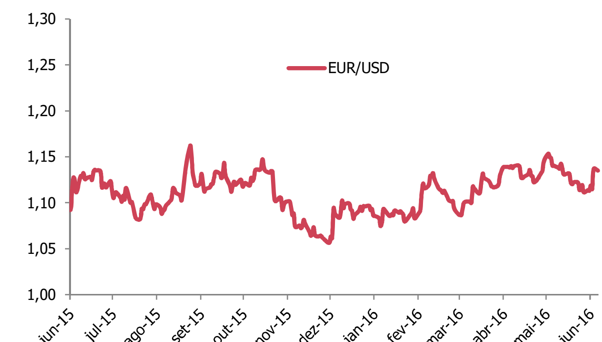
AGRICULTURE	Spot	YTD % Change
Corn cents/bu.	425,0	18,47%
Wheat cents/bu.	506,5	7,77%
Coffee (KC) c/lb	130,8	3,24%
Sugar#11 c/lb	18,9	23,82%
Cocoa $/mt	3042,0	-5,26%
Cotton cents/lb	64,9	2,53%
Soybeans c/bsh	1149,3	32,98%

Source: Bloomberg and Eaglestone Securities



CURRENCIES	Spot
KWANZAS	
USD	169,212
EUR	192,089
GBP	244,188
ZAR	11,342
BRL	48,250
NEW MOZAMBIQUE METICAL	
USD	57,930
EUR	65,759
GBP	83,609
ZAR	3,883
SOUTH AFRICAN RAND SPOT	
USD	14,923
EUR	16,940
GBP	21,533
BRL	4,254
EUROZONE	
USD	1,14
GBP	0,79
CHF	1,10
JPY	121,65
GBP / USD	1,44

Source: Bloomberg and Eaglestone Securities



South Africa avoids feared downgrade to junk status

South Africa avoided a feared downgrade to its credit rating to junk status, in a reprieve to officials who have been scrambling to restore confidence in one of the world's most traded emerging markets. Standard & Poor's affirmed South Africa's foreign currency bond rating at one notch above subinvestment grade, or "junk" status. The rating agency cited improvements in the energy sector, pending labour and mining reforms, and the government's resolve to reduce fiscal deficits at a faster-than-expected pace. S&P, however, maintained its negative outlook, noting low gross domestic product growth and rising political tensions, and warning that it could lower its ratings this year or next "if policy measures do not turn the economy around".

A ratings downgrade, which could raise borrowing costs, has loomed over Africa's most industrialised nation all year. Government officials and business leaders have been working to boost confidence in the economy since President Jacob Zuma sacked a well-respected finance minister in December and replaced him with a little known backbencher, sending the rand plummeting. The drive has been led by Pravin Gordhan, the finance minister brought in after the tumult. The government welcomed the S&P decision. "It's a very rewarding signal," Mr Gordhan told the Financial Times after the announcement. He said it will encourage the parties that have been working together "to work even harder with a common sense of purpose."

Responding to the fact that S&P highlighted political tensions in its statement, Mr Gordhan said ratings agencies were focusing on politics in several countries, not just South Africa. "We have our own political dynamics in South Africa, and these will be increasingly noisy until the local government elections," Mr Gordhan said. "It's a reprieve, certainly," said David Faulkner, economist at HSBC Africa, who said it gave time to see if growth measures set in motion this year, including improvements in the energy, mining and tourism sectors, would have an effect. But he added: "To durably remove the risk of a downgrade, you need more aggressive structural reforms that significantly raise the country's growth potential." South Africa's rand strengthened to a three-week high to 15.14 per dollar. Yet international investors remain wary of South Africa's dysfunctional economic and political environment. Foreign portfolio inflows have been volatile and equity funds in South Africa suffered larger outflows than any other emerging market in late May. But international investors have been net buyers of the country's bonds in the past week, helping to send the yield on benchmark 10-year government bonds, denominated in rand, to a three-week low of 9.19%. While the S&P decision gives politicians and business leaders time, some doubt whether they will be able to turn things around quickly enough to avoid a downgrade later this year. The economy is forecast to grow 0.6% in 2016. The political backdrop is also fraught, with the governing African National Congress facing a tough fight in August municipal elections with an energised opposition and increasingly pessimistic voters. Two courts have also ruled against Mr Zuma in recent months and talk has intensified of a power struggle with Mr Gordhan. Peter Attard Montalto, senior economist at Nomura International, said last week that South Africa was on an "almost inevitable" path to junk status without a big enough crisis to jolt it into gear, owing to an economy held back by uncertainty, murky policies and frequent mistakes. "It is very, very easy to get off this path, but not in the current environment in South Africa," he said. Countries downgraded to subinvestment status can take up to a decade to return to investment grade, said Nazmeera Moola, co-head of SA fixed income at Investec Asset Management, although some recover more quickly if their governments use the event as a catalyst to meaningfully change course. "Right now there's more focus on political infighting," said Ms Moola. "South Africa has built up a lot of credibility over a long period and it's eroding. It's about the direction of travel, and right now it's the wrong direction."***(Financial Times)***

Selected Sovereign African Eurobond Data for June 03

Southern Africa	03-06-2016	02-06-2016	01-06-2016	31-05-2016	30-05-2016	27-05-2016	26-05-2016
Angola							
9.500%; 11/12/2025	99,417	98,509	97,833	97,625	97,469	97,429	97,665
Yld	9,676%	9,818%	9,926%	9,968%	9,991%	9,993%	9,957%
Moody's rating	B1						
S&P rating	B+						
Namibia							
5.500%; 11/03/2021	105,167	104,696	104,542	104,500	104,517	104,430	104,467
Yld	4,491%	4,597%	4,621%	4,630%	4,637%	4,642%	4,642%
Moody's rating	Baa3						
Fitch rating	BBB-						
Republic of Congo							
4.000%; 06/30/2029	72,377	72,304	72,304	71,786	n/a	71,857	72,205
Yld	9,576%	9,562%	9,558%	9,707%	n/a	9,694%	9,575%
Fitch rating	B						
South Africa							
5.875%; 09/16/2025	108,933	107,709	106,983	106,805	106,842	106,795	106,745
Yld	4,706%	4,871%	4,971%	4,994%	4,979%	4,993%	5,000%
Moody's rating	Baa2						
S&P rating	BBB-						
Fitch rating	BBB -						
Zambia							
8.500%; 04/14/2024	83,563	82,917	82,729	82,646	82,133	81,935	81,917
Yld	11,865%	12,012%	12,051%	12,069%	12,190%	12,236%	12,239%
Fitch rating	B						
S&P rating	B						
East Africa	**03-06-2016**	**02-06-2016**	**01-06-2016**	**31-05-2016**	**30-05-2016**	**27-05-2016**	**26-05-2016**
Ethiopia							
6.625%; 12/11/2024	92,344	91,643	91,398	91,558	91,458	91,456	91,659
Yld	7,957%	8,079%	8,123%	8,084%	8,114%	8,106%	8,070%
Moody's rating	B1						
S&P rating	B						
Fitch rating	B						
Kenya							
6.875%; 06/24/2024	92,500	92,085	91,958	91,917	91,750	91,783	92,175
Yld	8,239%	8,316%	8,336%	8,343%	8,381%	8,361%	8,295%
Fitch rating	B+						
S&P rating	B+						
Rwanda							
6.625%; 05/02/2023	98,205	97,852	97,617	97,705	97,825	97,932	97,930
Yld	7,075%	7,144%	7,159%	7,151%	7,120%	7,125%	7,125%
Fitch rating	B+						
S&P rating	B+						
Seychelles							
7.000%; 01/01/2026	99,083	99,083	97,873	97,873	n/a	n/a	97,873
Yld	8,191%	8,191%	8,234%	8,233%	n/a	n/a	8,232%
Fitch rating	BB-						
West Africa	**03-06-2016**	**02-06-2016**	**01-06-2016**	**31-05-2016**	**30-05-2016**	**27-05-2016**	**26-05-2016**
Gabon							
6.375%; 12/12/2024	85,208	84,065	83,750	83,792	83,675	83,660	83,994
Yld	8,975%	9,195%	9,250%	9,242%	9,262%	9,265%	9,196%
Fitch rating	B+						
Ghana							
7.875%; 08/07/2023	83,875	83,289	82,479	82,542	82,350	82,298	82,566
Yld	11,308%	11,447%	11,627%	11,606%	11,663%	11,672%	11,610%
Moody's rating	B3						
S&P rating	B						
Fitch rating	B-						
Ivory Coast							
6.375%; 03/03/2028	95,208	94,544	94,458	94,625	94,625	94,578	94,501
Yld	7,038%	7,128%	7,138%	7,114%	7,111%	7,120%	7,131%
Moody's rating	Ba3						
Fitch rating	B+						
Nigeria							
6.375%; 07/12/2023	94,003	93,762	93,290	94,569	94,817	94,704	94,821
Yld	7,570%	7,610%	7,694%	7,448%	7,408%	7,419%	7,400%
Fitch rating	BB-						
S&P rating	B+						
Senegal							
6.250%; 07/30/2024	93,000	92,382	92,125	92,125	92,167	92,205	92,099
Yld	7,487%	7,598%	7,639%	7,639%	7,639%	7,624%	7,644%
Moody's rating	B1						
S&P rating	B+						

NOTE: Angola in 2012 sold $1 billion of 7 percent securities due August 2019 to selected investors in an agreement brokered by Moscow-based VTB Bank OJSC.
Pricing source is the Composite Bloomberg Bond Trader (CBBT)
Yld = Bid Yield to Maturity.

Fund / Private Equity

Angolan Sovereign Fund invests US$4.7 billion

The net value of the investment portfolio of the Angolan Sovereign Fund on 31 December, 2015 was US$4.7 billion, with venture capital funding accounting for 58 % of the total, the fund said in a statement. The statement said that 19 % of the US$1.1 billion of the infrastructure fun is invested in projects in Angola and Kenya, 23 % of the US$500 million in the hotel fund has been channeled into projects in Angola and Zambia, 10 % of the US$220 million of the mining fund have been applied in Mauritania and 12 % of the US$190 million in structured capital have been invested in South Africa. "The investment horizon of the net assets of these venture capital funds is three to five years, whereas the period of application can extend to 10 years, and it is expected that the planned application of US$3 billion for the seven venture capital funds will be fully applied by 2020," the statement said. The Angola Sovereign Fund was created by the government in 2012 with an initial allocation of US$5 billion, which has already been fully transferred by the state, namely through revenues from oil exports. *(Macauhub)*

ENERGY

Angolan company plans to build electricity towers

Angolan engineering company CNJ – União Engenharia e Comércio plans to invest US$65 million in building a factory to make towers for power transmission lines, according to official information. The investment in question, according to a presidential order, will be carried out in the municipality of Cacuso, northern Malanje province, and comes at a time when the government of Angola is moving ahead with the electrification of the countryside. The private company plans to set up a factory to manufacture steel structures for construction of steel towers, with the Angolan government, according to the order quoted by Lusa, negotiating trading "facilities and tax incentives" with the investor. With a significant deficit of electricity production based on its needs, Angola still faces a lack of distribution networks to supply rural areas, and most of the country's cities are supplied by networks of generators. The population census conducted in 2014, whose final figures were revealed last March, found that access to the electricity grid is only guaranteed to 1.7 million homes (31.9 %), almost exclusively in urban areas, as in rural areas only 48,000 households are served. *(Macauhub)*

Zambia shortlists bidders to build two large-scale solar plants

Zambia has shortlisted bidders to build two large-scale 50 megawatt (MW) solar power generation plants as the nation battles a power deficit which threatens industrial output. Zambia's power shortfall has risen to 1,000 MW from 700 MW in November due to lower hydro generation as water levels have dropped because of drought. NEON S.A.S./First Solar Inc and Enel Green Power SpA are front-runners for the two projects, Zambia's Industrial Development Corporation said in statement. The two bidders put their tariffs at 6.02 cents per kilowatt hour (kWh) and 7.84 cents per kWh, respectively, and the proposed tariffs would remain fixed for 25 years, the statement said. "The two provisional winning tariffs are both well below those typically offered under unsolicited proposals from solar developers in Zambia or elsewhere in Africa," it said. The two projects would be the first large-scale solar Independent Power Producers (IPPs) in Zambia developed with support from the World Bank, which acted as the lead transaction advisor. *(Reuters)*

French nuclear operators gear up for SA bid process

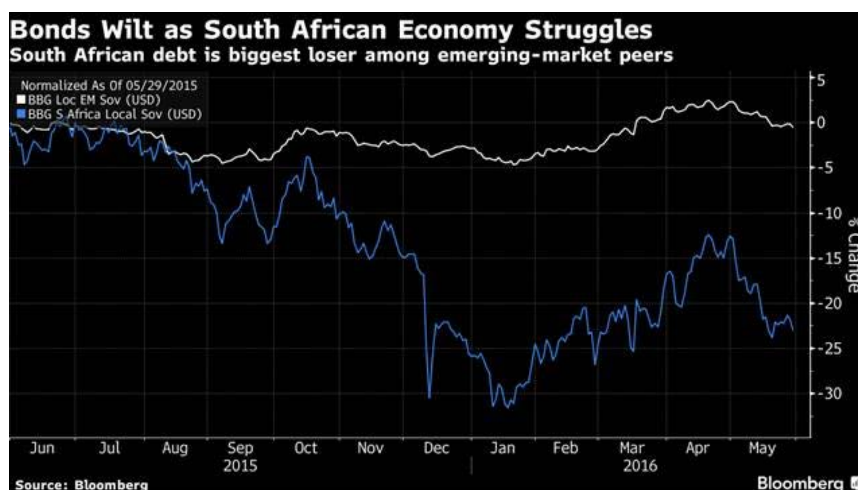
The race to secure the contract for the full 9,600MW of new nuclear power in SA is gathering pace, with French nuclear operators Électricité de France (EDF)/Areva saying it would not be feasible for a small country such as SA to opt for more than one technology. Russia, China and France are the forerunners for the multibillion-rand contract. Each country would offer a different type of reactor. It has been speculated that SA's Department of Energy might award smaller contracts to more than one operator, rather than a single large contract. Olivier Bard, EDF's project director in SA, said that the success of France's nuclear programme was underpinned by its decision to standardise its fleet around the EPR water-pressure reactor. China opted for several different nuclear technologies, which was possible for its size, but China's own CP1000 reactor was based on the EDF/Areva 900MW reactor design. For a country such as SA, it would not make sense for investment in skills, codes and standards to opt for different technologies, Bard said. Dr Pascal Colombani, special envoy for the French-SA nuclear partnership, told an informal media briefing that the government's Request for Proposals (RFP) for nuclear power, which was expected earlier this year, was now expected at any time before spring. Electricity utility EDF is merging its reactor business with that of nuclear technology company Areva, which has suffered huge losses on weak market conditions and cost overruns on the delayed Olkiluoto nuclear plant in Finland. Colombani said EDF's financial position was sound, and its planned investments were well within its capacity. It was now effectively one company with Areva, and would make its bid in SA as EDF/Areva. Recently, France's independent Nuclear Safety Authority said it had found 400 irregularities in components in France's nuclear power stations after instituting a full investigation prompted by the discovery of a "serious anomaly" at the Flamanville nuclear plant. Colombani said the disclosures of engineering deficiencies showed the full transparency of France's nuclear industry "and we wish our competitors will do the same".

The investigation was into the processes and the quality of the components, but it had not identified any major problems. The EDF/Areva bid in SA would consist of several chapters including on technology, training, localisation and financing, said Colombani. Financing will be a mix of debt and equity, but will be determined after the RFP requirements are known. EDF/Areva is working on a financing package that would be acceptable to Eskom and the South African government. Colombani declined to put a figure on the cost for SA's nuclear programme, as conditions varied from one country to another. Bard said on the equity component, Eskom had indicated it wanted to be operator and owner, and had proven itself to be a good nuclear operator. "Nuclear power is a sovereign decision and, in terms of equity, our offer will be designed so SA maintains full control over the life of the project," Colombani said. EDF/Areva would like to include investments from both South African and French entities in the project, he added. *(BDLive)*

Botswana's power station fails ahead of surge in demand during winter
Botswana is battling to repair its troubled 600MW power station before a surge in power demand during winter, its power supplier said. Built by China National Electric Engineering Company at a cost of $970m, the power station was commissioned in 2012, but has often broken down due, leading to reliance on diesel generators and imports from neighbouring SA. Botswana Power Corporation said in a statement that demand was expected to rise from the current 530MW to a projected 669MW during winter (June to August). Only two of the four units were operational, producing 260MW, the company said, adding that it was hoping to have all the units restored at the earliest possible time. The power utility projects that it will import 190MW. Botswana's power generation stands at 479 MW. Botswana is currently weighing an option to sell the troubled 600MW power plant back to its Chinese developers, but a decision has not yet been taken. *(BDLive)*

Tanzania's energy regulator raises retail fuel prices, citing costly crude
Tanzania's energy regulator raised maximum retail prices on fuel, citing higher international crude oil and refined product prices, a move expected to exert upward pressure on inflation. Fuel prices have a big effect on the inflation rate in the east African country, which slowed to 5.1 % year-on-year in April from 5.4 % the previous month. The Energy and Water Utilities Regulatory Authority (EWURA) raised the retail price of petrol by 4.49 % and the price of diesel by 1.95 %. Maximum kerosene prices were raised 1.84 % in the latest monthly price caps, which take immediate effect. "To a large extent, increases in wholesale and retail local petroleum products prices have been caused by the continued increase of petroleum products prices in the world market," EWURA said. The regulator increased the price of petrol in the commercial capital Dar es Salaam by 80 shillings ($0.0366) a litre to 1,865 shillings, and the price of diesel in the capital by 31 shillings to 1,633 shillings. Kerosene prices in the commercial capital rose 29 shillings to 1,607 shillings per litre. ($1 = 2,187.0000 Tanzanian shillings). *(Reuters)*

Green Power Investing Brightens Returns in Ailing South Africa
A program that's making South Africa the top destination for green-power investments across the continent and the Middle East is not only easing an electricity crisis: returns are beating those in bonds and stocks. The Renewable Energy Independent Power Producer Procurement Program secured about $12.5 billion since 2011 and will attract another $35 billion by 2020, according to data compiled by Bloomberg New Energy Finance. With state-guaranteed contracts to buy the power over the next decade -- and annual returns of as much as 20 % -- the project is a treasure trove for money managers and private equity companies seeking growth in an economy struggling to avoid a recession and the risk of a credit downgrade to junk. An index of rand-denominated debt has lost 23 % over the past year in dollar terms, the biggest decline among 31 emerging markets tracked by Bloomberg. "It's very hard to see getting stable returns like that in other asset classes where there's a lot of uncertainty and yields are relatively low," said Jean-Pierre du Plessis, a portfolio manager at Prescient Investment Management in Cape Town, whose 700 million-rand ($45 million) renewable energy fund is up 14 % since it started in September. "The majority is long-dated debt linked to inflation, so it suits the liabilities of pension funds and insurers." In rand terms, local bonds have returned 0.3 % after a series of missteps by President Jacob Zuma, including the firing of his finance minister in December only to make



another appointment days later, soured sentiment toward the continent's most industrialized country. Stocks have returned about 7 % over the past year, while the rand has weakened almost 22 %.

Electricity Gaps

The country is tapping into its solar and wind conditions to help plug electricity shortfalls after aging coal-fired power plants caused rolling blackouts. Economic growth may quicken to 1.4 % in 2017 from 0.7 % this year as new electricity capacity comes on stream, the Paris-based Organization for Economic Co-operation and Development said in an Economic Outlook report. Metier Ltd., a Johannesburg-based private equity firm, is targeting a return on investment of more than 20 % in the Engie SA-backed 11 billion-rand, 100 megawatt solar project on land owned by Anglo American Plc's Sishen Iron Ore, Mike Goldblatt, a fund manager at Metier, said in an interview. Metier holds 12 % of the project, Engie owns 49 % and the Public Investment Corp., which manages the Government Employees Pension Fund's assets, has an 18 % stake, he said. "There's huge demand for energy by industry and for yield by investors when there aren't many multibillion rand projects offering private equity stakes,'' Goldblatt said. "Renewable energy is going to dwarf vanilla private equity options because of its capital intensive nature.'' The potential to leapfrog traditional coal-fired plants is encouraging Sanlam Ltd.'s money management unit, which oversees the equivalent of $27 billion, to start a fund focused on power and renewable energy in Africa, Sanlam Africa Investment Chief Executive Officer St John Bungey said in April. Enel SpA, Italy's largest utility, Total SA and private equity firm Actis LLP, are among other companies that are investing in plants that will supply national utility Eskom Holdings SOC Ltd. "South Africa is realizing the benefit of a very well thought out competitive process, with really good efficiencies around project financing and supply chains as people have got more comfortable with the risk," Lucy Heintz, a partner at Actis in London, said by phone. "That competitiveness has been delivered to the South African consumer in the form of lower tariffs."

Increased Capacity

Private financial institutions funded 91 billion rand, or 47 % of the program's investment so far, with foreign investors contributing 53 billion rand, according to government statistics. The state invested almost 32 billion rand through the Industrial Development Corp., the Development Bank of Southern Africa Ltd. and the Government Employees Pension Fund, the statistics showed. Total, the French oil company, is spending $177 million on a solar plant in the west of the country with Old Mutual Plc's Futuregrowth Asset Management and the Industrial Development Corp. as part of the program's 92 projects so far. They will increase power capacity by 6,327 MW, with a target of 17,800 MW in renewable sources by 2030. The country's generation capacity was 44,829 MW last year.

Margins Decline

Enel's Green Power unit will spend about 1.5 billion euros ($1.7 billion) by 2019 into installing 1,200 MW of wind and solar power generating capacity in South Africa, country manager, Lamberto Dai Pra, said by phone from Johannesburg. The company is earning between 10 % and 20 % on its investment, he said, declining to be more specific. "Even though margins have declined, South Africa is still attractive for investment because it's growing, though slowly, and needs energy and has very good sun and wind resources," Dai Pra said. "The regulation that set up the national tenders is an example for African and other countries." *(Bloomberg)*

R116m water treatment plant launched in the Eastern Cape

The Department of Trade and Industry (DTI), through its Critical Infrastructure Programme (CIP), has launched a R116-million water treatment plant in Steytleville, outside Port Elizabeth, to combat water shortages in the area. The project was supported by the DTI, the Department of Water and Sanitation, and the Baviaans Local Municipality. The Mayor of Baviaans Local Municipality, Ewald Loock, in a statement said the community and businesses around Steytleville had, for the longest time, endured difficulties in accessing clean and quality water, especially in summer. "In the past, underground water from the Northern and Southern borehole abstraction schemes was used without any treatment other than adding chlorine," Loock said. "The capacity of the new water treatment plant also means that the community and businesses can have access to about 24 litres per second from 8–10 litres and this will be sufficient to meet the water demand of Steytleville for the next 15 years." Loock added that the new plant formed part of the overall economic development of the small town as this would bring stability for farmers, small scale businesses and people who were scared to invest or inject money into businesses operating in and around Steytlerville. The Chief Director for Infrastructure and Investment at the DTI, Justice Ngwenya also said there was a need to assist and intervene after the municipality indicated that they had a shortfall in the funding of the infrastructure. "Urban agriculture, emerging small farmers, tourism industry and other small businesses are sustained by the bulk water project. The funding from the DTI to Baviaans Municipality for the infrastructure resulted in the project creating an estimated 238 construction jobs in the area," Ngwenya said. Ngwenya also said the support was granted for bulk water infrastructure, which involved construction of the water pipeline for the period starting March 2013 until August 2014 for Phase 3 of the overall project. *(Engineering News)*

Africa's largest wind farm set to power Kenya

The Lake Turkana Wind Power project offers Kenya national benefits but faces opposition from the local community. The Lake Turkana Wind Power (LTWP) project is both the largest single wind power project in Africa and the largest single private investment in Kenya's history. It is being developed in Marsabit County, 12km east of Lake Turkana – the biggest permanent desert lake in the world – approximately 530km north of Nairobi, the country's capital. The scorching sun is unrelenting, but the blowing winds are strong and they become even stronger after sunset. The sandy soils do not support much in the way of vegetation. Nothing grows here, except for thorny acacia trees which are few and far between.

In this barren and harsh environment stands the village of Sarima, hemmed in by a wiremesh fence. It is home to 760 families, cobbled together in traditional dwellings known as manyattas, which are made of twigs and other materials. Villagers derive their livelihood from livestock – sheep, goats and camels – which are nowhere to be seen in the village because they have been driven several kilometres away to look for pasture.

So, when the project came calling, villagers had great expectations for jobs. However, their hopes have since been dampened, with only a handful of jobs to go round. The feeling of bitterness and resentment is widespread. "I deferred my studies because I had inadequate fees to continue with them," says Laments Ekomwa, a 20-year-old former student of South Eastern Kenya University. "I came back to Sarima in January 2015 looking for a job so that I can get money to go back to school but I haven't gotten a job up to now." Benefits The speed and strength of the winds here place them among the best for power generation With its 365 turbines, the project will save the country more than $177m a year on fuel imports. in the world. The region has a maximum mean annual speed of 8.47m/s and a minimum of 4.96m/s.

The project is set to generate up to 310MW of power when it comes online towards the end of 2017, contributing 15–20% of Kenya's energy needs. Besides boosting the country's power generation, the project remains central to Kenya's Vision 2030 – a blueprint for development that aims to make Kenya a newly industrialising, middle income nation by 2030. With its 365 wind turbines, the project will save the country more than $177m a year on fuel imports and benefit approximately 2.5m Kenyans. It is also registered as a Clean Development Mechanism project under the Kyoto Protocol. This means that the greenhouse gas emissions alleviated by the project can be converted into Certified Emission Reductions (carbon credits) that can be sold to developed countries.

According to the African Development Bank, the project will displace the equivalent of between 565,920 and 1,264,320 tons of carbon dioxide per year. Part of the earnings from carbon trading will be invested in the affected community via the Ministry of Energy.

Opposition

But not everybody is welcoming the project with open arms. The bone of contention lies in the manner in which 150,000 acres of community land was allocated for development. It just so happens that this development is taking place in an area that serves as a vegetation reservoir for pastoralists, where they take their livestock during the dry season, after pasture has been depleted elsewhere. It is also a sacred place for performing traditional rites of passage for the predominant local communities of Rendille, Turkana, Samburu and El Molo. The community alleges that the defunct Marsabit County Council, (now the Marsabit County Government) allocated land without proper consultations with the community. The issue has since become the subject of a court case. The county government is a co-defendant in the suit alongside LTWP. And land tenure issues are not the only problem the project has faced. In 2012, the World Bank withdrew its support for the project, citing viability issues arising from a power purchase agreement signed with the country's power distributor, Kenya Power & Lighting Company (KPLC).

In a letter sent to LTWP project sponsors quoted by the Kenyan newspaper Business Daily, Johannes Zutt, the former World Bank country director for Kenya, stated that the "take-or-pay" provisions in the 20-year agreement would require consumers to pay for excess power generation. This, he argued, would expose KPLC to "unacceptably large financial risk" and defeat the logic of building a wind farm to reduce the cost of power. "KPLC's financial stability is critical to the continuing effort to increase access to electricity in Kenya, and we urge caution in putting unsustainable financial obligation on it," the newspaper quotes him as saying.

However, in answer to questions raised in the German parliament late last year, the Federal Government of Germany stated that the power project will help push down the cost of power. The German Investment Corporation (DEG) is one of the project lenders. "The purchase price for the electricity produced by LTWP is below the current national average and as such will contribute to lowering average energy costs," reads the statement.

Local engagement is key

Land tenure issues are complicated in Africa. According to Aly Khan Satchu, chief executvie officer of Rich Management, an investment advisory service based in Nairobi, investors coming into Africa need to do more to ascertain the risk they are exposing themselves to. He cites yet another wind power project in Kenya – the 60MW Kinangop Wind Park project, which had to close down due to similar issues facing the LTWP. "I think that what we find increasingly in so many different parts of our economy is that a lot of international investors haven't really done their due diligence or they have not been able to measure this kind of risk," says Satchu. As far as he is concerned, failure to engage with the local community is a major impediment for investing on the continent. *(African Business)*

INFRASTRUCTURE

Morocco New port infrastructure to boost capacity EIU 210516

A Moroccan state-owned port operator, Marsa Maroc, has confirmed that its new container terminal at the port of Casablanca will be operational by October 2016.

The new Casablanca terminal is one of many upgrades planned under Morocco's 2010-30 port development strategy. In 2016-20 the national ports authority, Agence nationale des ports, aims to invest Dh8.3bn (US$855m) to expand Morocco's existing maritime trade hubs-most notably Casablanca and Tangier-and develop smaller ports on the Atlantic coast. In the medium term, the authorities also plan to construct integrated port and industrial platforms in Nador and Kenitra, along the lines of Tangier's major Tanger-Med industrial complex.

The new infrastructure will be essential to support the government's aims to boost export-oriented manufacturing and to position the country as a regional trans-shipment hub. Marsa Maroc's new terminal will be able to process 675,000 20-foot equivalent unit (TEU) containers, bringing total container capacity at Casablanca-the country's second-largest port by volume-to 1.65m TEUs per year. This additional space will be needed as the authorities also push ahead with efforts to attract foreign investors to the nearby industrial free zone, Casa Midparc. Similar moves are being made to expand existing infrastructure in Tangier; the new site, Tanger-Med II, will include two additional container terminals with a combined capacity of 5.2m TEUs-which will more than double Tanger-Med's current capacity to reach a total of 8m TEUs. In late March a Dutch port operator, APM Terminals, signed a 30-year, EUR758m concession to develop the new container terminals, which are due to come online in January 2019.

The country's ambitious port development plan will continue to drive foreign investment inflows, as the state increasingly relies on private concessionaires to fund and operate key terminals, as in the case of Tanger-Med II. However, with global demand for trade beginning to slow, there is some concern that Morocco will end up with excess capacity-which could prompt its newly expanded ports to compete with one another for regional trade and trans-shipment flows. Total domestic port traffic fell by 3.4% year on year to 9.8m tonnes in 2015, reflecting dips in both import and export volumes. Trans-shipment activity, however, fell by a larger 6.7% to 28.9m tonnes in 2015, in part reflecting lower global trade volumes. *(Economist Intelligence Unit)*

Contract signed for dredging the port of Maputo, Mozambique

The dredging of the access channel to the port of Maputo to allow the entry of vessels of up to 80 tons of gross tonnage will begin in May following the signing of a contract recently, Sunday newspaper Domingo reported. The contract, worth US$100 million for a 10-month contract was signed by the Maputo Port Development Company and Jan de Nul Dredging Middle East FZE, a dredging company based in Dubai, UAE Arab States, of family-owned group Jan de Nul, with financial headquarters in Luxembourg. Dredging to deepen the approach channel from the current 11 metres to 14 metres will create conditions for safe navigation and ensure that larger ships can dock safely, making the port of Maputo more competitive. The previous dredging operation of the Maputo port channel allowed access to vessels of up to 65,000 tons, which contributed to the expansion of the ferro-chrome and container terminals, a new terminal for grains and recovery of piers three, four and five. The Maputo Port Development Company is a private company resulting from a partnership between Mozambican state-owned port and railway company CFM and and Portus Indico, which in turn is made up of South Africa’s Grindrod group, DP World of the United Arab Emirates and Mozambican company Mozambique Gestores. *(Macauhub)*

Bollore Challenged by Geftarail for West Africa Railway Link

Niger has signed an agreement with Geftarail stating the company still holds the rights to build West Africa’s biggest railway network at a cost of 10 billion euros ($11 billion), even as French billionaire Vincent Bollore constructs a rival line to link five nations in the region. The agreement “fully recognizes the 1999 deal to build the railway link,” Paris-based Geftarail Chairman Michel Bosio, 70, said by phone. “It’s the recognition of the law, of the international law and of an agreement signed collectively by four African states.”

The two French companies are intent on building a railway network that will facilitate trade and boost growth in a region where seaports to ship commodities have typically been a priority. Their plans coincide with ambitious multi-billion-dollar railway projects in East Africa that are designed to connect landlocked countries like Rwanda to the coast and provide an alternative to clogged highways. “They’re two different perimeters,” said Mohamed Moussa, who signed the accord as permanent secretary for public-private partnerships at the office of Niger’s prime minister. “If Geftarail wants to build its railway, they are most welcome. That won’t in any way challenge Bollore’s perimeter,” Moussa said by phone from Niger’s capital, Niamey.

Arbitration Request

Geftarail has yet to find funding for its project 16 years after it obtained concession rights to build a regional railway, which was inspired by plans from the colonial era. It wants to attract Chinese companies to build it, said Bosio, who is being supported by a former prime minister of France, Michel Rocard.

Bollore Group has a near-monopoly on ports in West Africa, holding concessions to operate container terminals in at least nine nations including Senegal, Guinea, Ivory Coast and Ghana. The company also runs dry ports in landlocked nations such as Burkina Faso and Chad. Julien Varin, a Bollore spokesman, said by phone he couldn't immediately comment on the issue.

In November, Geftarail filed a petition at the International Court of Arbitration in Paris demanding work on Bollore's railway project in Niger and Benin be halted because it constituted a violation of Geftarail's concession rights. Under agreement, the company says it will drop the arbitration request, while Niger will ask Benin to approve the Geftarail accord.

Bollore Africa Logistics in August signed a concession agreement to build and rehabilitate a 1,065-kilometer (662-mile) railway connecting Niger and Benin, part of a planned project to build a railway link between five countries in the region. Bollore's Ivory Coast unit Sitarail is upgrading an existing 1,260-kilometer railway to neighboring Burkina Faso. *(Bloomberg)*

MINING

China's entrepreneurs invest in granite processing in Mozambique

Sixteen entrepreneurs from China plan to invest US$50 million in a project for processing and exporting granite in the Sussendenga district, Manica province, wrote Mozambican daily newspaper Notícias. It added that of that amount US$32 million has already been invested in building the plant and the acquisition of the equipment needed to process granite, as well as for cutting and finishing the stone. Hu En Xie, president of the Huaxi Group, which brings together 16 entrepreneurs, said that by October the factory will be fully equipped in order to start producing at full capacity. By October this year additional equipment is expected to have been purchase to open a new production area, this time for quarrying other types of stone to market in China and other countries. The provincial governor of Manica, Alberto Mondlane, after a meeting to present potential investment opportunities in the province to a delegation of Chinese businesspeople, said the Sussendenga plant will make use of the granite quarried in Manica and Tete and production would supply the local and export market. *(Macauhub)*

Congo copper production down 20 pct in Q1 amid market slump

Copper production in Democratic Republic of Congo, Africa's top miner of the metal, dropped 20 % in the first quarter of 2016, while cobalt and gold output also slumped amid low prices and production cutbacks, the central bank said. The declines are hammering Congo's economy, which derives 98 % of its export earnings from extractive industries. Last month, the government proposed a 22 % cut to the current year's budget due to lower-than-expected revenues from the mining sector and fears of inflation due to exchange rate pressures. Congo mined 219,009 tonnes of copper in the first three months of the year compared with 274,201 tonnes over the same period last year, the central bank said in a monthly bulletin.

Meanwhile, output of cobalt, the metal used in lithium-ion batteries and of which Congo is the world's leading producer, fell over 19 % to 16,396 tonnes in the first quarter of 2016. Benchmark copper on the London Metal Exchange lost 25 % of its value in 2015 and is down slightly this year. In response, Glencore's Katanga unit, one of the country's largest copper and cobalt producers, announced an 18-month suspension of operations last September and other large mines have laid off workers. Quarterly gold production declined to 7,166 kilograms this year from 7,801 kg last year, an 8 % slide. Large new gold mines opened by companies like Randgold Resources, AngloGold Ashanti and Banro Corporation in the last five years boosted Congo's industrial gold output from near zero in 2011 to over 30 tonnes last year. Spot gold prices are up 14 % this year but Randgold says it expects production at Kibali, the country's largest gold mine, to fall 5 % this year because it is mining lower grade ore. *(Reuters)*

OIL & GAS

Gas May Transform Mozambique Even as Debt Darkens Confidence

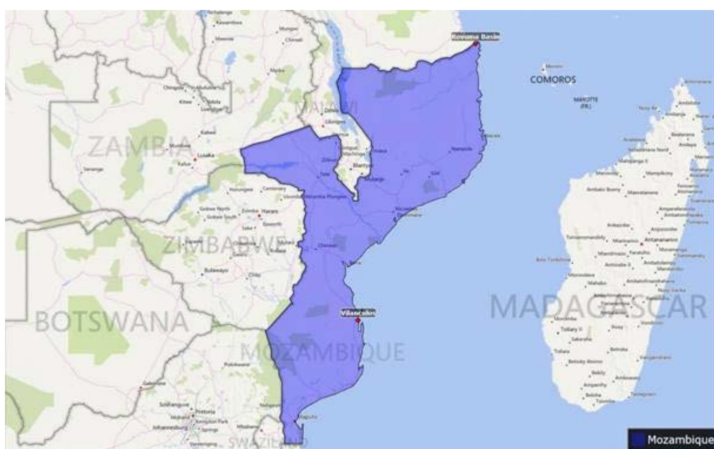
About 30 minutes down a pot-holed road from Vilanculos, where dhows ferry tourists to luxury resorts on Bazaruto island, Sasol Ltd. is ramping up output of a fuel that could transform the world's 13th poorest nation. Vast gas discoveries hold the potential to boost Mozambique's economy, more than three decades after the apartheid regime of neighboring South Africa backed rebels in a civil war that laid waste to the former Portuguese colony. "We're going to

incrementally increase capacity until we've reached the limit," John Sichinga, senior vice president of Sasol's exploration and production unit, said at the processing facility for the Temane and Pande gas fields.

While Sasol plans to spend $1.4 billion to produce more gas to send through a 865-kilometer (538-mile) pipeline to South Africa's power-starved commercial hub, Mozambique's ambition to become the world's third-largest exporter of liquefied natural gas rests on investment decisions by Eni SpA and Anadarko Petroleum Corp. The still-positive sentiments emanating from the explorers can't lift the gloom over ballooning state debt and depressed fuel prices. "The uncertainty in country does create a challenge on the way forward," said Chris Bredenhann, a partner at PricewaterhouseCoopers in Cape Town. "The project is pivotal for the development and growth of Mozambique."

Economic Dividend

For Mozambique the stakes are high as Anadarko and Eni mull whether to proceed with projects expected to draw investment totaling $100 billion. Project approval could see LNG production boost the size of the economy ninefold by 2035, according to Standard Bank Group Ltd., the continent's biggest lender. That potential from the 2010 discovery of one of the world's biggest gas fields off Mozambique's northern coast is at risk after the government in April disclosed $1.4 billion of previously hidden debt. That prompted the World Bank and other donors to suspend aid and Fitch Ratings last month downgraded Mozambique's credit. The country missed an interest payment on a government-guaranteed loan and is in talks with the lender. State-owned Airports of Mozambique announced plans to restructure $500 million in loans after a weakening currency impaired its ability to repay them.



Mozambique's growing debt burden, compounded by a bond to fund a tuna-fishing fleet, won't deter Anadarko from reaching a final investment decision to build an LNG plant, according to John Christiansen, head of corporate communications for The Woodlands, Texas-based explorer.

Debt Issues

"We are aware of Mozambique's debt issues and as the government works to address those, we are working hard to put in place a set of agreements with the government that will provide the foundation for definitive sales agreements with LNG customers," Christiansen said. "Once those agreements and the financing arrangements are in place, we expect to be in a position to take FID." Filippo Cotalini, a spokesman for Eni, didn't return an e-mail seeking comment. The Italian company's Chief Executive Officer Claudio Descalzi said talks to sell a stake in the Mozambique project were moving forward, Il Sole 24 Ore reported. Both Eni and Anadarko will miss their original 2018 deadline to start shipping LNG, after delays in taking the investment decision.

Growth Spur

Omar Mitha, head of Mozambique's state oil company, didn't immediately respond to e-mails seeking comment. Revenue for Mozambique could reach up to $212 billion over the life of the LNG project, based on the extraction of 45 trillion cubic feet from Anadarko's Area 1 alone, according to a 2014 study by Standard Bank. LNG production could spur growth in the Mozambican economy to 24 % a year from 2021 to 2025, estimates from the International Monetary Fund show. Not far from the palm-fringed beaches of Vilanculos, Sasol hasn't lost its appetite for Mozambique, which remains the focus of its investment drive. "If you look at our demand, we need a lot more exploration prospects," said Sichinga, adding that Sasol is looking to extend its existing commercial agreement in the country past 2029. "This is our heartland."

Licensing Round

Sasol doesn't expect Mozambique's debt issues to dampen investor interest and the company will consider offerings in the nation's sixth licensing round, expected next year, according to Sichinga. In the fifth round, Sasol took a stake in an offshore block that will be operated by Eni, while Exxon Mobil Corp. was awarded another in a partnership with Rosneft OAO. Neighboring South Africa is keen to source gas for power plants and stimulate industrial demand after electricity shortages hobbled growth in the continent's second-biggest economy. "The South African market is lucrative, given the current plans to diversify the energy mix away from coal up until 2030 and beyond," said Nadine Steyn, a research analyst for consultant Frost & Sullivan. While South Africa's SacOil Holding Ltd. is planning a 2,600-kilometer (1,616-mile) pipeline with about $6 billion of Chinese funding to tap offshore gas from the Rovuma basin, Mozambique will need to reach Asian markets to realize its full potential, according to Christopher Haines, head of Oil & Gas at BMI Research.

Asian Contracts

"South Africa could eventually be an off-taker of Mozambique LNG, and it would certainly benefit from short shipping distances, but volumes would likely be pretty small," said Haines. "Mozambique will need to lock in those big long-

term contracts with India and Japan, and probably a higher oil price so Anadarko can borrow sufficient money without paying astronomical interest rates." While gas will account for 24 % of global power generation by 2040, up from 21 % in 2013, as the share of dirtier coal declines, Mozambique's LNG projects need to proceed quickly to take advantage of the next market upturn, according to Chris Holmes, managing director for global gas and LNG at IHS. "If either of the projects can take FID and be ready to produce in the very early 2020s, then it will be coming into the market just as supply and demand are coming into balance," he said. "If it misses that window then it will be one of many trying to exploit the next window of opportunity." *(Bloomberg)*

Technip signs $500 mln deal to refurbish Libya's Bahr Essalam oil platform
French oil services company Technip has signed a deal worth $500 million with a consortium that includes Libya's National Oil Company (NOC) and Italy's oil and gas major ENI to refurbish an offshore oil platform. A statement from the French foreign ministry where a Libyan delegation was visiting, said the platform is for the Libya's Bahr Essalam oil field off Tripoli. The deal was signed by NOC's chief executive Mustafa Sanalla and Technip's CEO Thierry Pilenko. *(Reuters)*

Egypt's Carbon Holdings has first backing for $5 bln petrochemical funding
Egypt's Carbon Holdings has secured agreement with one of the four export credit agencies expected to provide financing worth between $4 billion and $5 billion for its massive Tahrir petrochemicals project, its chief executive said. The $7 billion scheme at Ain Sokhna at the southern end of the Suez Canal will be one of the largest petrochemicals projects in Egypt. It is projected to increase by about 50 % the amount of such products made by the North African country in the first 10 years after becoming operational. The financing was expected to close by the end of 2015 and be provided by five agencies, but talks were put on hold because the Export-Import Bank of the United States (U.S. EXIM) couldn't lend new cash until its licence was renewed by Congress, according to Carbon Holdings CEO Basil El-Baz.
However, the U.S. Overseas Private Investment Corporation has now agreed to direct funding, Baz told Reuters in Dubai without stating for how much the agreement was worth. "We are optimistic that we should be in a position to wrap this up this year," Baz said of the full finance package. Carbon Holdings expects three other agencies to contribute to the 17-and-a-half-year debt facility, either through direct lending or guarantees for commercial bank loans. They are U.S. EXIM, Sace of Italy and UK Export Finance. The start of Tahrir's construction has also been delayed from the timetable given last year. Baz said that work is now expected to begin at "the back end of this year" and last for about 48 months. Societe Generale is advising on the Tahrir project, Baz said.
Other petrochemical projects with links to the main scheme have progressed much further. A polypropylene plant had been online since September and a $570 million ammonium nitrate facility is expected to be fully operational in July. The chief executive was speaking as the company announced a $25 million investment in Carbon Holdings by the International Finance Corporation. The transaction, aimed at developing Egypt's petrochemicals industry, could led to larger investments in Carbon Holdings and its projects, including around Tahrir, said Mouayed Makhlouf, IFC director for the Middle East and North Africa. *(Reuters)*

Angola's Sonangol is limited to managing and monitoring oil contracts
Angolans state oil company, Sonangol, will in future be limited to "managing and monitoring oil contracts" according to the readjustment model of the oil sector. The rights to its participated companies, at least 17 subsidiaries as well as stakes in several companies and banks, will be transferred to a state agency under the same model approved by a presidential decree of 26 May. The company will now return to its "original and primary" function, which, according to the document, "involves transferring the various stakeholdings it holds in a number of companies in the sector to stake management companies owned by the State."
According to the new organisational structure, the Senior Oil Sector Monitoring Council (COSAP), which is part of the direct administration of the State and will be the responsibility of the holder of executive power, will exercise the rights resulting from operating as state shareholder. The new structure also includes the Oil Sector Agency, which includes indirect State administration and will coordinate, regulate and evaluate the performance of the sector, prepare and negotiate the allocation of oil blocks and resolve, by administrative means, conflicts in the industry. *(Macauhub)*

Angola Leader Secures Economic Grip Naming Daughter as Oil Boss
Angolan President Jose Eduardo dos Santos tightened his family's grip on sub-Saharan Africa's third-biggest economy two years before he has indicated he'll leave office by naming his billionaire daughter Isabel as chairwoman of the state oil company. The appointment "shows that President dos Santos doesn't trust anyone else and moreover that he's looking to have a dynastic succession," Markus Weimer, an analyst for Horizon Client Access Inc., an energy investment advisory group, said by phone from London. "It's a very strong indication that Isabel will also be considered a possible leader when he retires in 2018." The Russian-educated dos Santos, Africa's second-longest serving president, has said he will quit "active politics" in 2018 after leading the country since 1979. His son Jose Filomeno dos Santos already runs Angola's $5 billion sovereign wealth fund. Angola ranked 163 out of 167 countries in Transparency

International's 2015 Corruption Perceptions Index and had the world's highest rate of child mortality under the age of 5, the United Nations Children's Fund said last year.
The decision to fire Sonangol's entire board is part of a restructuring plan that will create two new entities -- one that will award concessions and serve as a regulator, and another, under the president's direct authority, that will run its business interests. The company now owns dozens of stakes in oil blocks in Angola as well as an airline, real estate, multi-billion dollar housing projects, industrial zones, and shares in a bank in Portugal. Isabel dos Santos, 43, is one of her father's most trusted advisers and has been leading talks about a shakeup at Sonangol, according to David Thomson, an analyst for Edinburgh-based Wood Mackenzie Ltd. Africa's wealthiest woman who's worth $3.2 billion, according to the Bloomberg Billionaires index, she controls Angola's largest mobile-phone operator, Unitel, and owns stakes in a range of companies in Angola and Portugal.

'Intimate Knowledge'

"She has been at the helm of the efforts to restructure Sonangol over the past year or so and as such will have an intimate knowledge of the company," Thomson said in e-mailed comments. "She has good business experience and is respected within the oil industry." The new team aims to make Sonangol more competitive internationally by reducing costs, Isabel dos Santos said in an e-mailed statement. The company will seek to improve profitability and the dividends it pays to the state, she said. Angola vies with Nigeria as Africa's biggest oil producer. Isabel dos Santos started her career with the opening of a club called Miami Beach in the capital, Luanda, after obtaining an engineering degree at King's College London in the early 1990s, said Filipe Fernandes, author of a book entitled Isabel dos Santos -- Secrets and The Power of Money. "She has used her strong business position in Angola, where many Portuguese companies are present, as a springboard for bigger deals," he said.

Political Implications

The reforms at Sonangol will have considerable political implications, according to Stratfor, an Austin, Texas-based intelligence consultancy. "The proposed overhaul is intended to break down the potential blocks of power forming within Sonangol and place the company squarely under dos Santos's control," Stratfor said in a June 1 report. "By splitting up the company, the president hopes to safeguard the interests of his family." Foreign advisers including the World Bank recommended for more than a decade that Angola reduce the size and scope of the company. "Isabel's appointment demonstrates the strategic importance of these reforms for the presidency and that the president wanted someone he fully trusted to lead the reforms," Alex Vines, head of the Africa Program at the Chatham House research group in London, said in e-mailed comments.

Oil Pressure

The 54 % decline in the price of Brent crude in the past two years has put Angola under pressure to reduce its dependence on oil, which accounts for more than 90 % of its exports. Economic growth will probably slow to 2.5 % this year from an estimated 3 % last year and 6.8 % in 2013, according to the International Monetary Fund, which is in talks with Angola to provide financial assistance. "It's just how the Angolan government tends to operate when it comes to base issues like strategic oil and the sovereign wealth fund," Gary van Staden, an analyst at NKC African Economics in Paarl, near Cape Town, said by phone. "President dos Santos tends to make sure that the people in charge of those are very close to him." *(Bloomberg)*

TELECOM

BROADBAND TO ADVANCE IN CONGO

The African Development Bank (AfDB) Group approved a 52m ($58m) loan to Congo-Brazzaville on 18th May to support the development of fibre-optic telecommunications and e-services throughout the country. The development will also help to diversify the country's economic base, says the AfDB in a press release. The loan will help finance CongoBrazzaville's part of the Central African Backbone, a fibre-optic project launched in 2009 which intends to connect the Economic Community of Central African States to high-speed broadband internet at lower costs. According to the AfDB, CongoBrazzaville has direct access only to one submarine fibre-optic cable and limited terrestrial fibre-optic links to neighbouring countries. The country's digital revolution has been held back as such large numbers of people in rural communities remain unconnected. "The project will break the digital isolation of rural areas, coupled with regional integration, linking Congo with Cameroon and the Central African Republic," commented Samatar Omar Eimi, AfDB senior ICT engineer and team leader of the project. *(African Business)*

MTN increases investment in South Africa

MTN's capital expenditure in South Africa for the year 2016 will be approximately R12bn ($770m), up from R10.9bn in 2015, and will go towards upgrading the country's infrastructure and expanding network coverage throughout the country. The increase comes despite the fact that the company has received heavy fines in Nigeria - $5.2bn in October which was lowered to $3.9bn in December and is still under dispute – after MTN missed deadlines set out by Nigeria's Communication's Commission to disconnect SIM cards that had not been registered properly. While revenue for the group had done slightly better year in 2015 compared to 2014, group profit after tax for 2015 was ZAR23.6bn down from ZAR32.1bn in 2014. *(African Business)*

AGRIBUSINESS

Angola starts exporting bananas again after 42 years

The Italian ship “Santa Francesca” left the port of Lobito on Sunday with a cargo of 17 tons of bananas headed for Portugal, 42 years after the last export of Angolan bananas to Europe,Angolan national radio (RNA) reported. The head of the Fazenda Agro-Industrial Bacilin in Culango, Benguela province, Eduardo Rodrigues told RNA everything was ready so that, after inspections and quality certifications in Angola and at the destination, Angola will export its first bananas to Europe. Angola, which once produced 160,000 tons of bananas per year, with Benguela the main focus of production, is now exporting bananas from Benguela once again, 42 years after the last shipment. *(Macauhub)*

Coffee production in Angola needs specific bank support

The coffee sub-sector in Angola lacks a bank or a financial institution dedicated to meet the needs of farmers, said the president of the Angolan Association of Coffee and Palm (Cafang). João Ferreira told Angolan news agency Angop that the coffee sub-sector has needs that are not compatible with the bureaucracy and lengthy lprocesses of commercial banks in lending. The head of the association said that the main obstacles facing the sector are the presentation or preparation of a feasibility study, as per the requirements of the institution, as well as interest rates “that are discouraging.” Ferreira said that the demand for Angolan coffee is growing, with buyers from Israel, Lebanon, China and Russia joining the traditional importers from Portugal, Spain, Italy and Germany. The president of Cafang said that Angola has conditions to produce coffee and that the association is focusing on creating specific cooperatives for the product as was the case in the period before independence. Before independence in 1975, Angola was the world’s fourth largest coffee producer, with estimated production of 230,000 tons per year. *(Macauhub)*

Dürsot Food Corporation opens R100m tomato processing plant

Eastern Trading Company, trading as Dürsot Food Corporation, the controlling shareholder of AH-Vest, which produces All Joy products, launched a R100-million tomato processing plant in Modjadjiskloof, Tzaneen, to meet rising demand for tomato paste in South Africa. South Africa was currently a net importer of tomato paste and, in 2012, the tariff applicable to tomato paste imports was increased to the World Trade Organisation-bound rates of 37%.

There was currently a rebate facility administered by the International Trade Administration Commission of South Africa, which allowed the downstream manufacturers of tomato-based products to import bulk tomato paste duty free, should domestic tomato paste processors be unable to meet the demand. Speaking at the launch of the plant, Trade and Industry Minister Dr Rob Davies said Limpopo’s warm climate provided a suitable environment for tomato production. He pointed out that the eighth iteration of the Department of Trade and Industry’s (DTI’s) Industrial Policy Action Plan (Ipap) was launched earlier this month with a major focus on moving towards a higher-impact industrial policy. “The DTI would focus on labour-intensive job-creating parts of the manufacturing value chain, moving from generic programmes to sector-specific programmes such as agroprocessing,” he said He noted that the agroprocessing value-chain currently employed 1.1-million people and contributed R150-billion, or 5.5%, to South Africa’s gross domestic product (GDP). Davies further stated that, by 2030, the country could add a further R160-billion to the agroprocessing value chain and create an additional 490 000 jobs. “Agroprocessing has high job-creation potential; [it also adds value . . . and lends itself to industrial decentralisation,” he said. The factory currently employed 70 people and was hoping increase that number to 300 by next year. It would also create a further 900 seasonable jobs. Speaking at the event, Dürsots executive director Marci Pather said about 36-million tons of tomatoes were processed a year globally and that Africa was one of the world’s largest consumers of tomatoes. “We started production trials at this factory in 2015 and commissioned a canning line to make value-added products packed into 400g easy-open cans,” he said. He noted that the company had initiated an export structure and would export 25% of its products to the Middle East, China and Africa. *(Engineering News)*

ICCO Raises World Cocoa Deficit as Dry Weather Hits Crops

Organization says demand would outstrip supply this season by 180,000 metric tons

Dry weather because of El Niño has hit cocoa production from the Ivory Coast to Brazil and pushed down global supply of the key ingredient in chocolate, the London-based International Cocoa Organization said.

In its latest quarterly report, the organization said demand would outstrip supply this season by 180,000 metric tons, up from a forecast of 113,000 tons in its previous report in February. The figure sits around the industry estimated average for 2015-16, which ranges from a 160,000-ton deficit made by Cargill Inc. to a 308,000-ton shortfall by rival trading house Olam International. Most other industry deficit forecasts are around 200,000 tons.

The ICCO now estimates world-wide cocoa production will hit 4.039 million tons in the season, a 4.6% drop from the previous year. The cocoa season typically follows the season in Ivory Coast and Ghana, the world’s top cocoa producing countries, which runs from October to September. “Extreme weather conditions, resulting from the severe harmattan winds within the West African region, combined with the impact of El Niño, have negatively affected the 2015/2016 harvests,” the ICCO said. The harmattan is a regional, seasonal wind that can dry cocoa pods and strip moisture from the soil.

The ICCO forecast a larger deficit despite estimating that demand, too, will soften this year. The organization now expects that processing of raw cocoa beans, a common proxy for demand in the cocoa industry, would grow only 0.8% this season, as a jump in grindings outweighed processing declines in North America and Africa. In February, the organization estimated that global grindings would grow by 1.93% in 2015-16. Slowing demand couldn't outweigh a period of dry weather, particularly in West Africa, which hit the development of the region's second and smaller annual crop, called the mid-crop. The ICCO forecast production in Ivory Coast, the world's top producer, would fall 8% on-year in 2015-16, to 1.650 million tons of beans. The country makes up about 41% of global cocoa production.

Production in neighboring Ghana, the world's second-largest producer, is expected to make a small recovery from last year's surprise shortfall, according to the ICCO, rising 8% to hit 800,000 tons of beans. "Although the adverse weather conditions have reduced the production potential significantly, reports indicate that the distribution of free cocoa seedlings, fertilizers and pesticides are on course, thereby contributing to the recovery from the low level recorded in the previous season," the ICCO said.

However, the recovery appears to be muted, and the ICCO's estimated is below the target set by the country's own cocoa board, known as Cocobod, for production of 850,000 tons. Dry weather also hurt other West African producers, including Nigeria and Cameroon. The weather also continued a decline in production in Indonesia, the world's third-largest producer, to 350,000 tons this season.

In Latin America, the picture was mixed. Brazilian production is now expected to see the steepest slide among major producers, falling 22% from last season to 180,000 tons, and output would also fall in the Dominican Republic. However, the agency said production would grow slightly in Colombia and Mexico, and would remain stable in Peru and Venezuela. The ICCO also revised the 2014-15 season's surplus to 46,000 tons, up from the previous 42,000-ton estimate. *(Wall Street Journal)*

Botswana banks on maize exports from SA and Zambia as stores dry up

Botswana has run out of maize, one of its staple foods, and is banking on imports from drought-hit SA and Zambia to meet its needs. Stocks of locally grown maize in silos are depleted, the state-owned Botswana Agricultural Marketing Board, which manages the country's strategic grain reserves, said. The body is required to keep a minimum of 10,000 tonnes of maize in strategic reserves, it said on its website. "The board has started the process of buying 5,000 tonnes of yellow maize from SA and 250 tonnes of white maize from Zambia," the board said. "During the current harvest season, we are expecting 2,000 tonnes of white maize from local farmers." The board is targeting 20,000 tonnes of regional imports this year, but declined to provide estimated costs, citing the privacy of agreements with partners. An El Nino-induced drought is shrinking grain production across Southern Africa and increasing the risk of hunger for some of the world's poorest populations. It's been more than a century since fields were this dry in SA, the continent's biggest maize grower and traditional supplier to its neighbours along with Zambia.

While Zambia is expecting an almost 10% increase in maize output this year, it has suspended exports until the end of September, agriculture minister Given Lubinda said earlier this month. The country will honour existing contracts, but the announcement may dash hopes of neighbours such as SA, which are eyeing imports from Zambia to stem shortages after the drought hurt its harvest.

Sorghum surplus

Many of Botswana's 2.2-million people cook ground white maize to make a porridge known as phaleche and do the same with sorghum to make bogobe, both considered staples. The board has 30,000 tonnes of sorghum, above the statutory strategic requirement of 10,000 tonnes, and expects to harvest 40,000 to 50,000 tonnes this season, it said. Demand for white maize in Botswana, the world's biggest diamond producer after Russia, exceeds 100,000 tonnes annually, while output is about 10,000 tonnes. The African country has imported 3,206 tonnes of yellow maize, which is mainly used as animal feed, from SA this year, and about 51,000 tonnes of the white variety. The total area on which maize and sorghum was planted this year fell 26% to 14,582ha from a year earlier, the government said in February. Production of grains would meet 29% of the national requirement of 320,000 tonnes, it said. In January, Botswana Millers Association Chairman Nkosi Mwaba said that while local maize-meal supply would remain stable this year, prices would rise 25% to 30% due to premiums paid for imports.

Botswana President Ian Khama may declare a drought this week and announce the amount of support the government will provide to farmers and communities, in the worst dry period the country has experienced in 34 years. Last June, he declared a drought and approved a 445-million-pula ($40m) supplementary budget for relief measures. *(Reuters)*

Angolan company invests US$101 million in milling unit

The Technical Unit for Private Investment (UTIP) of Angola has signed two contracts, one of which, worth US$101 million, intends to produce wheat flour, reported the Angolan press. This project of greater value involves the company Grandes Moagens de Angola, which plans to build a factory in the Luanda area for wheat milling and storage silos. The investment will be channeled into contruction of facilities as well as acquiring equipment and machinery. This investment is part of the government programme aimed at increasing domestic production, with a view to replacing imports with local production, which in 2015 totalled over US$500 million for wheat flour imports. The chief executive of Grandes Moagens de Angola, César Rasgado, said that initially the raw material will be imported from the United

States, France, Germany, Kazakhstan and Australia, and is expected to produce 1,200 tons of flour per day. The second contract, worth US$11 million, is related to bottling of mineral water. The chief executive of mineral water company Água de Nascente Natural Preciosa, Valdemar Ribeiro, said that "it should now be easier to import raw material in order to increase production." The factory has a bottling capacity of 50,000 litres of water per hour, but faces difficulties in this task due to a lack of labels, bottle tops and plastic, which have forced the company to reduce the work period. Água de Nascente Natural Preciosa, besides producing for the southern region of Angola, is exporting on a trial basis, to Zambia, Namibia and Botswana, and acceptance had been very good, according to the CEO. *(Macauhub)*

UPCOMING EVENTS

Africa Oil & Power: 6–7 June 2016, Cape Town – South Africa - The Westin Cape Town
Register: register@africaoilandpower.com
www.africaoilandpower.com

The Agricultural Spectrum of Africa: Embracing the opportunities of a fertile sector – 13 June 2016
Medef Headquarters – Paris

18th annual Africa Energy Forum (AEF) 21-24 June 2016 2016 - The Intercontinental 02 London
http://africa-energy-forum.com/

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

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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