INSIDE AFRICA

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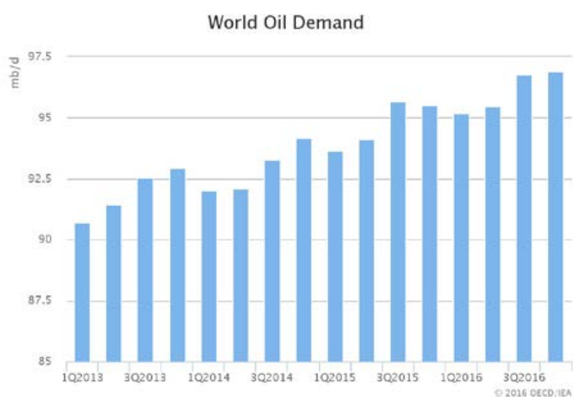
In-depth:
IEA releases Oil Market Report for August

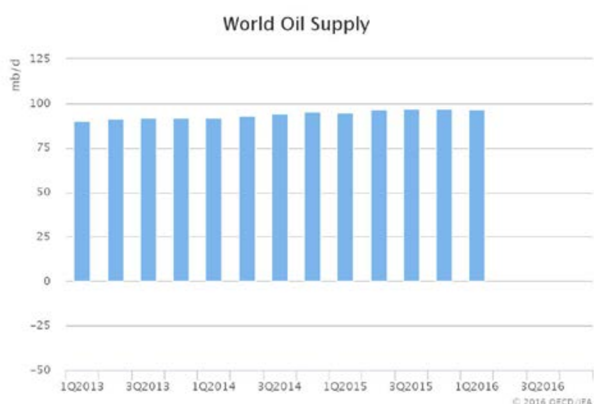
Global oil demand growth expected to slow through 2016

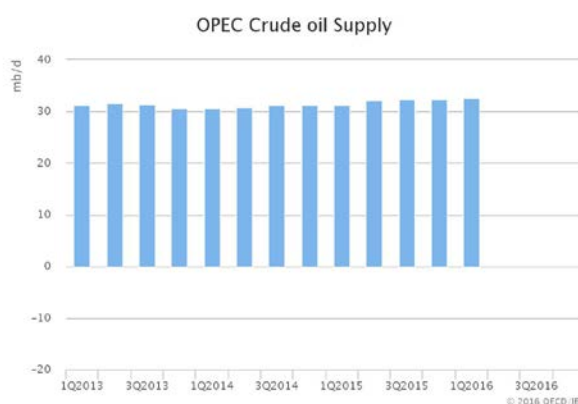


Crude oil prices eased to around $45 per barrel in August as a global supply overhang weighed and demand growth weakened, the newly released IEA Oil Market Report (OMR) for August. Brent crude had threatened to break below $40 per barrel at the end of July.

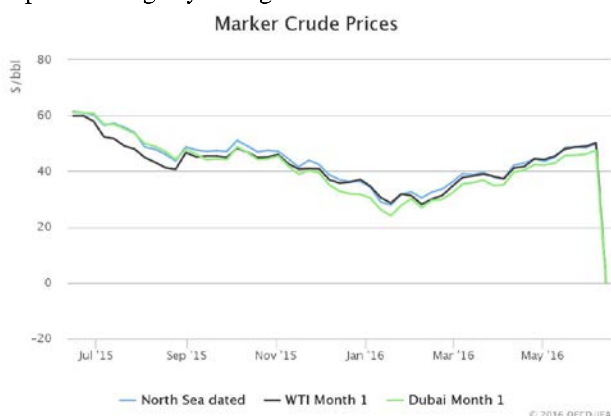
Global oil demand growth is expected to slow from 1.4 mb/d in 2016 to 1.2 mb/d in 2017, as underlying support from low oil prices wanes. The 2017 forecast – though still above-trend – is 0.1 mb/d below our previous expectations due to a dimmer macroeconomic outlook. The 2016 outlook is unchanged from last month's Report.

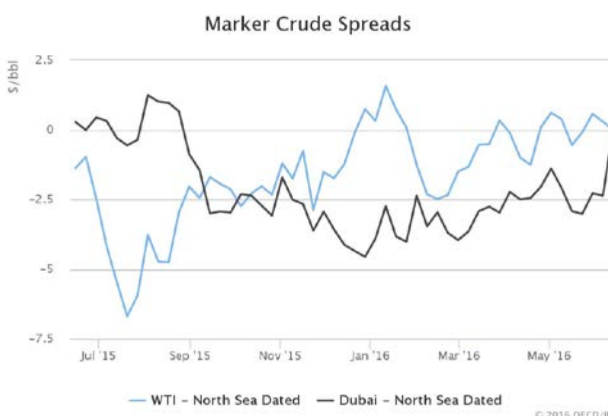
Meanwhile global oil supply rose by about 0.8 mb/d in July, as both OPEC and non-OPEC production increased. Output was 215 kb/d lower than a year earlier, as declines from non-OPEC more than offset an 840 kb/d annual gain in total OPEC liquids. Non-OPEC production is forecast to drop by 0.9 mb/d this year before rebounding by 0.3 mb/d in 2017.





OPEC crude oil output rose by 150 kb/d to 33.39 mb/d in July as Saudi Arabia pushed output to the highest ever and Iraq pumped more. Robust Middle East production lifted total OPEC crude supply 680 kb/d above a year ago and held output at an eight-year high.





Global refinery throughput in the third quarter is expected to rise by 2.2 mb/d from a weak second quarter to a record 80.6 mb/d. At only 0.6 mb/d above a year earlier, third quarter runs will lag expected demand growth, eroding some of the product stock cushion built up since mid-2015. Runs are forecast to decline seasonally to below 80 mb/d in the fourth quarter of 2016.

An OECD inventory overhang continued to shift from crude into products during June, with commercial stocks swelling by 5.7 mb to a record 3 093 mb. Declines in crude oil holdings were offset by an above average product build of 15.9 mb, with big volumes of US propane and other NGLs moving into storage. *(IEA)*

World Oil Supply and Demand

(million barrels per day)

	2013	2014	1Q15	2Q15	3Q15	4Q15	2015	1Q16	2Q16	3Q16	4Q16	2016	1Q17	2Q17	3Q17	4Q17	2017
OECD DEMAND																	
Americas	24,2	24,2	24,3	24,2	24,8	24,5	24,5	24,5	24,5	24,8	24,6	24,6	24,6	24,6	25,0	24,7	24,7
Europe	13,6	13,5	13,5	13,6	14,2	13,7	13,7	13,6	13,8	14,2	13,7	13,8	13,6	13,9	14,2	13,7	13,8
Asia Oceania	8,3	8,1	8,7	7,6	7,7	8,2	8,0	8,5	7,6	7,7	8,2	8,0	8,6	7,6	7,7	8,2	8,0
Total OECD	46,1	45,8	46,5	45,3	46,7	46,3	46,2	46,6	45,9	46,7	46,5	46,4	46,7	46,1	46,9	46,6	46,6
NON-OECD DEMAND																	
FSU	4,7	4,9	4,6	4,9	5,1	5,0	4,9	4,9	5,0	5,1	5,0	5,0	4,9	5,0	5,1	5,1	5,0
Europe	0,7	0,7	0,7	0,7	0,7	0,7	0,7	0,7	0,7	0,7	0,7	0,7	0,7	0,7	0,7	0,7	0,7
China	10,4	10,8	11,2	11,4	11,5	11,5	11,4	11,4	11,7	11,8	11,9	11,7	11,8	11,9	12,0	12,1	12,0
Other Asia	11,7	12,0	12,3	12,5	12,3	12,8	12,5	13,1	13,1	12,9	13,4	13,1	13,7	13,7	13,4	13,9	13,7
Americas	6,6	6,8	6,6	6,8	6,9	6,8	6,8	6,5	6,7	6,8	6,8	6,7	6,5	6,7	6,8	6,8	6,7
Middle East	7,9	8,0	7,6	8,3	8,6	8,1	8,2	7,8	8,3	8,7	8,3	8,2	8,0	8,4	8,8	8,4	8,4
Africa	3,9	4,0	4,1	4,1	4,0	4,2	4,1	4,2	4,2	4,2	4,3	4,2	4,4	4,4	4,3	4,4	4,4
Total Non-OECD	45,9	47,2	47,1	48,8	49,0	49,2	48,5	48,6	49,7	50,1	50,4	49,7	49,9	50,8	51,2	51,5	50,9
Total Demand[1]	92,0	93,0	93,6	94,1	95,7	95,5	94,7	95,2	95,6	96,8	96,9	96,1	96,6	96,9	98,1	98,1	97,4
OECD SUPPLY																	
Americas[4]	17,2	19,1	20,0	19,6	20,1	20,1	19,9	19,9	18,9	19,2	19,5	19,4	19,5	19,4	19,6	19,6	19,5
Europe	3,3	3,3	3,4	3,5	3,4	3,6	3,5	3,6	3,4	3,2	3,4	3,4	3,4	3,4	3,2	3,4	3,4
Asia Oceania	0,5	0,5	0,4	0,4	0,5	0,5	0,5	0,4	0,4	0,4	0,4	0,4	0,4	0,4	0,4	0,4	0,4
Total OECD	21,0	22,9	23,8	23,5	23,9	24,2	23,9	24,0	22,7	22,9	23,3	23,2	23,3	23,2	23,2	23,4	23,3
NON-OECD SUPPLY																	
FSU	13,9	13,9	14,0	14,0	13,9	14,1	14,0	14,3	14,0	14,0	14,0	14,1	14,0	14,0	14,0	14,1	14,0
Europe	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1
China	4,2	4,2	4,3	4,4	4,3	4,3	4,3	4,2	4,0	4,0	4,0	4,1	4,0	4,0	4,0	4,0	4,0
Other Asia[2]	2,6	2,6	2,8	2,7	2,7	2,7	2,7	2,7	2,7	2,7	2,7	2,7	2,7	2,6	2,7	2,7	2,7
Americas[2,4]	4,2	4,4	4,6	4,6	4,6	4,6	4,6	4,4	4,4	4,6	4,6	4,5	4,7	4,7	4,7	4,7	4,7
Middle East	1,4	1,4	1,3	1,3	1,3	1,3	1,3	1,3	1,3	1,3	1,2	1,3	1,2	1,2	1,2	1,2	1,2
Africa[2]	1,9	2,0	2,0	2,0	2,0	2,0	2,0	2,0	1,9	2,0	2,0	2,0	2,0	2,0	2,1	2,1	2,0
Total Non-OECD	28,4	28,7	29,2	29,0	28,9	29,1	29,1	28,9	28,5	28,6	28,7	28,7	28,7	28,7	28,7	28,8	28,7
Processing gains[3]	2,2	2,2	2,2	2,2	2,2	2,2	2,2	2,3	2,3	2,3	2,3	2,3	2,3	2,3	2,3	2,3	2,3
Global Biofuels	2,0	2,2	1,8	2,4	2,6	2,3	2,3	1,9	2,5	2,7	2,4	2,4	2,0	2,5	2,9	2,5	2,5
Total Non-OPEC Supply[2]	53,6	56,0	57,1	57,2	57,6	57,8	57,4	57,0	56,0	56,5	56,7	56,5	56,3	56,6	57,1	57,0	56,8
OPEC																	
Crude	31,4	31,2	31,4	32,4	32,7	32,6	32,3	32,8	33,0								
NGLs	6,3	6,5	6,6	6,7	6,7	6,7	6,7	6,8	6,8	6,9	6,9	6,9	6,9	7,0	7,0	7,1	7,0
Total OPEC[2]	37,8	37,7	38,0	39,1	39,4	39,4	39,0	39,5	39,8								
Total Supply[4]	91,3	93,8	95,1	96,3	97,0	97,2	96,4	96,5	95,8								
STOCK CHANGES AND MISCELLANEOUS																	
Reported OECD																	
Industry	-0,2	0,4	0,8	1,0	0,8	0,4	0,8	0,4									
Government	0,0	0,0	0,0	0,0	-0,1	0,1	0,0	0,1									
Total	-0,2	0,4	0,9	1,0	0,8	0,4	0,8	0,4									
Floating storage/Oil in transit	0,1	0,0	0,4	0,4	-0,2	0,5	0,3	0,2									
Miscellaneous to balance[5]	-0,6	0,4	0,2	0,7	0,7	0,7	0,6	0,7									
Total Stock Ch. & Misc	-0,6	0,8	1,5	2,2	1,3	1,7	1,6	1,3	0,2								
Memo items:																	
Call on OPEC crude + Stock ch.[6]	32,1	30,4	29,9	30,3	31,4	31,0	30,7	31,5	32,7	33,4	33,3	32,7	33,3	33,3	34,0	34,0	33,7

1 Measured as deliveries from refineries and primary stocks, comprises inland deliveries, international marine bunkers, refinery fuel, crude for direct burning, oil from non-conventional sources and other sources of supply.
2 Other Asia excludes Indonesia throughout. Latin America excludes Ecuador throughout. Africa excludes Angola throughout.
Total Non-OPEC excludes all countries that were members of OPEC at 1 January 2016.
Total OPEC comprises all countries which were OPEC members at 1 January 2016.
3 Net volumetric gains and losses in the refining process and marine transportation losses.
4 Comprises crude oil, condensates, NGLs, oil from non-conventional sources and other sources of supply.
5 Includes changes in non-reported stocks in OECD and non-OECD areas.
6 Equals the arithmetic difference between total demand minus total non-OPEC supply minus OPEC NGLs.

Mozambique: Economic Overviews

POLITICAL STABILITY: Mozambique's political stability is under threat as the fractious political elite struggle to respond to the economic and security crises facing the country. The long-standing ruling party, Frente de Libertação de Moçambique (Frelimo), is set to remain in power in 2016-20. However, the president, Filipe Nyusi, will struggle to assert his political authority, while a hardline faction within the party (allied to the former president, Armando Guebuza) will seek to retain influence. Parallel power structures within Frelimo will severely undermine government effectiveness, and calls for an investigation into alleged state corruption will exacerbate the divide between reformists and the old guard. The Economist Intelligence Unit expects Mr Nyusi to remain in power, owing to the lack of an alternative acceptable to all factions, but he lacks the political capital to restore party unity. Rivalries within Frelimo will therefore continue to stir political volatility, although, given the party's deep-rooted systems of patronage, an explicit split is unlikely.

ELECTION WATCH: The next presidential and legislative elections are due in 2019. Under the continued leadership of Mr Nyusi, we expect Frelimo to secure its re-election, with a semblance of party unity likely to prevail during the electoral period. Frelimo will also continue to benefit from a well-oiled party machine, a healthy financial position and influence over state institutions. Regional disparities in electoral politics will persist, with Frelimo dominant in southern provinces but opposition support stronger elsewhere. Boycotts by the opposition cannot be ruled out but, since it is keen to be seen to be promoting democracy, we expect the government to offer sufficient incentives to ensure its participation.

INTERNATIONAL RELATIONS: Following the revelation in April of secret public borrowing in 2013 (which, according to Mozambique's attorney-general, was illegal) and the subsequent withdrawal of most foreign aid, relations with traditional development partners will remain tense. It seems unlikely that the government will comply with donors' demands for an independent audit of public accounts, given the culture of secrecy in Frelimo, but the government will have to go some way to improving fiscal transparency if it is to regain access to aid. Aid freezes will remain in place at least until an IMF-led debt reconciliation process is complete, which we tentatively expect in 2017, and direct budgetary support thereafter is likely to be mostly replaced by programme-related aid. Aside from the debt saga, persistent outbreaks of violence, allegations of human rights abuses and claims of political repression will also continue to exacerbate tensions with donors.

POLICY TRENDS: The government's near-term priority is to restore macroeconomic stability, amid an unsustainable public debt burden, a sharp drop in inward investment and a fairly rapid slowdown in economic growth. Balance-of-payments pressures emerged in late 2015, leading the government to secure a US$286m stand-by credit facility (SCF) from the IMF and to restructure an amortising US$850m Eurobond. However, the liquidity crunch is set to worsen in the near term, owing to the suspension of donors' aid and the inability of state-owned companies to service their liabilities. The IMF suspended the SCF in May, pending a full debt reconciliation process, and access to international credit and concessional financing will be severely curtailed as a result.

ECONOMIC GROWTH: Real GDP growth is forecast at 3.8% in 2016, the slowest rate in 15 years. The expected slowdown reflects a further slump in government consumption, low inward investment amid poor business sentiment, and weather-related disruptions to agricultural production. High inflation and the weak metical will also weigh heavily on private-sector activity across sectors, although rising coal output via the Nacala Logistics Corridor in 2016 will support growth. We expect a gradual acceleration of economic growth from 2017 as macroeconomic stability improves and business confidence recovers, but, at a yearly average of 5.1% in 2017-20, it will remain well below the average growth rate in the preceding decade of 7.2% a year.

INFLATION: After accelerating to a year-on-year rate of 19.7% in June, inflation is expected to remain elevated in the near term, fuelled by the effects of rapid currency depreciation. Anticipating a seasonal drop in food prices in the coming months, we forecast that year-on-year inflation will average 17.1% in 2016, its highest level in over a decade. Inflation is expected to remain elevated in 2017, albeit falling slightly to an annual average of 12.6%, as a normalisation of domestic food prices is offset by rising global oil prices and some increase to state-regulated prices. Aided by a more stable currency, inflation is forecast to fall more sharply thereafter, to an average of 5% in 2020.

EXCHANGE RATES: The metical will remain under pressure throughout 2016-20. Market uncertainty over sovereign creditworthiness has spurred high dollar demand in the first half of 2016, pushing the metical to below MT66:US$1 in mid-July. Although the rate of depreciation is likely to slow as the market stabilises, downward pressure will continue to be exerted by low foreign-exchange reserves, low inflows of aid and investment, and sizeable twin deficits, with the metical forecast to slide to MT70:US$1 by year-end (from an average of MT40:US$1 in 2015). It will continue to depreciate thereafter, albeit at a slower pace, to MT82.3: US$1 at end-2020. Sharp bouts of volatility will, however, remain a risk throughout 2016-20.

EXTERNAL SECTOR: Overall, the current-account deficit is forecast to contract to 23.4% of GDP in 2016, driven primarily by a sharp drop in imports. Export growth is forecast to offset higher primary income debits in 2017-18, while financing constraints will continue to curtail growth in the import bill; the current-account deficit is therefore forecast to contract to 19% of GDP in 2018. The deficit will widen in 2019-20, to a yearly average of 22.7% of GDP, as a slump in global trade weakens export growth and an upturn in gas-related activity draws inputs. The deficit will be financed by external borrowing and foreign direct investment inflows. *(Economist Intelligence Unit)*

MOZAMBIQUE : Quarterly data	2014			2015				2016
	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr
Prices[a]								
Consumer prices (2000=100)	121.8	120.6	121.0	125.3	123.7	123.2	129.7	140.8
Consumer prices (% change year on year)	2.8	2.6	1.9	3.3	1.5	2.2	7.2	12.4
Financial indicators								
Exchange rate MT:US$ (av)	31.37	30.80	32.13	34.23	37.07	40.83	47.80	48.57
Exchange rate MT:US$ (end-period)	31.30	31.10	33.60	37.10	39.00	42.80	45.90	50.90
M1 (end-period; MT m)	158,472	162,791	181,602	178,323	185,02	194,884	218,394	210,418
M1 (% change year on year)	22.4	19.3	24.4	24.3	16.8	19.7	20.3	18.0
M2 (end-period; MT m)	229,047	235,47	264,47	265,473	281,212	298,693	333,465	328,971
M2 (% change year on year)	20.6	17.2	22.2	22.7	22.8	26.8	26.1	23.9
Foreign reserves (US$ m)								
Reserves excl gold (end-period)	3,357	3,198	3,01	2,567	2,683	2,414	2,411	2,06

[a] Maputo.

Sources: IMF International Financial

(c) The Economist Intelligence Unit 2016

SOVEREIGN RATINGS

Dagong Downgrades Sovereign Credit Ratings for Angola to B+ with a Negative Outlook

Dagong Global Credit Rating Co., Ltd. ("Dagong") has decided to downgrade the local and foreign currency sovereign credit ratings for the Republic of Angola ("Angola") from BB- to B+, and to adopt a negative outlook for each rating. Lower oil prices have heavily impacted the government"s wealth creation capability, the current account position remains in deficit, and the government"s debt burden has surged as a result of its deteriorating fiscal position and a sharp devaluation of the local currency. Hence, government solvency in both local and foreign currencies will weaken noticeably. The reasons for downgrading the sovereign credit ratings of Angola are detailed as follows:

1. The difficulties facing the implementation of the economic diversification strategy and the decline in financial stability have posed threats to the strength of the debt repayment environment. The People's Movement for the Liberation of Angola — Labour Party ("MPLA") does offer consistent governance, which will help to ensure the overall steadiness of the political situation and the policy continuity in Angola, but the implementation of economic diversification policies with a special focus on the agricultural development will be limited by fiscal austerity and social tensions. At the same time, a tightening monetary policy has reduced banks" credit supply capacity, weakening the support for the real economy. The deterioration of the economy led to the non-performing loan ratio to surge to 18.2% in 2015, with a trend toward further increases in the future, underlining the observable risk to the bank asset quality.

2. The government's wealth creation capability is obviously constrained, and a vulnerability that will continue for a long period of time. Angola's economy is highly dependent on the oil exports. In the short term, the low oil prices and tightening monetary and fiscal policies will stunt Angola"s domestic consumption, exports, and investments, so the economic growth is estimated to slow down to 2.0% in 2016 before improving slightly to 2.4% in 2017, when oil prices are projected to recover. Over the medium and long terms, due to Angola"s weak industrial infrastructure and its imbalance in regional and industrial development, the economic diversification will proceed slowly, with the economy continuing to depend on the hydrocarbons sector, and thus perpetuating the country"s economic vulnerability. It is estimated that the average annual GDP growth will remain around 3.0% over the medium to long term.

3. Financial metrics have deteriorated rapidly, corroding the security of repayment sources. Hydrocarbon revenues account for over 50% of total government revenues. Affected by low oil prices and the economic slowdown, the effects of the fiscal austerity policies—such as increasing the prices of diesel and gasoline, expanding the non-oil revenues, and canceling fuel subsidies—will be limited in the short term. Therefore, the primary fiscal deficit is projected to reach 7.6% in 2016 and 6.9% in 2017, but is expected to narrow in the medium term with the recovery of oil prices. In 2015, Angola"s sovereign wealth funds and fiscal reserves accounted for 14.1% of its GDP, which is insufficient to cover its 2016 financing needs. In addition, Angola"s financing costs are very high in both the domestic and international markets, so it will have to increase its dependence on China, Japan, the European Union, and the

International Monetary Fund for bilateral and multilateral loans. In this sense, the structure of government‟s repayment sources is deteriorating.

4. Government debt has increased rapidly, weakening government solvency. The sharp depreciation of the local currency and the notable deterioration of the fiscal deficit have resulted in a significant increase in the Angolan government's debt since 2015. Government debt as a percentage of GDP is expected to increase to 70.2% and 78.1% in 2016 and 2017 respectively. Although the government has strengthened foreign exchange controls, the ratio of the current account to GDP will remain at an average of 8% in the short term because of declining oil revenues. The devaluation pressure upon Angola‟s local currency remains great, and the external debt burden is growing while the coverage of government debt by foreign exchange reserves is declining. Hence, the government‟s capability to repay both local and foreign currency debt has weakened markedly.

In the short term, substantial improvements in the country‟s current account balance and fiscal position are unlikely, as oil prices remain sluggish. The rising government debt, massive devaluation pressure on the local currency, and the continuing decline of reserve assets could undermine the sustainability of government debt, putting government solvency under significant downward pressure. As a result, Dagong has decided to adopt a negative outlook on both the local and foreign currency sovereign credit ratings of Angola for the next one to two years. *(Dagong)*

Dagong Downgrades the Sovereign Credit Ratings of the Republic of South Africa to BBB+

Dagong Global Credit Rating Co., Ltd. (“Dagong”) has decided to downgrade both the local and foreign currency sovereign credit ratings of the Republic of South Africa ("South Africa") to BBB+ from A-, and to adopt a negative outlook on both. South African‟s debt repayment environment has degraded, while its significant structural problems will weaken the wealth creation capability and the stability of repayment sources. Government debt will rise further from its already high level, and the substantial devaluation pressure upon the South African rand will persist. Government solvency for both local and foreign currency debts will thus deteriorate markedly. The primary reasons for downgrading the sovereign credit ratings of South Africa are as follows:

1. An unstable political situation and the heightened banking risks will put the debt repayment environment under pressure. Although the African National Congress rejected the impeachment of President Zuma by virtue of its parliamentary majority, its ruling status has been weakened by serious unemployment and poverty, pressure from the economic downturn, and evolving corruption scandals. Therefore, South Africa‟s political stability will deteriorate, and the economic reforms will encounter more difficulties in the future because of both government underperformance and fiscal pressure. Affected by the sharply depreciating rand and the U.S. decision to raise the interest rates, the South African central bank has tightened monetary policy, which has made the bank liquidity pressure increase significantly. At the same time, the sustained economic downturn will exacerbate the quality risk to banking credit. South Africa‟s overall debt repayment environment will continue to deteriorate.

2. Short-term economic growth will fall significantly, while long-term wealth creation capability will weaken. Affected by the negative factors, like rising political risks, tightening monetary and fiscal policies, and growing unemployment, both investment and consumption will shrink massively in the short term, severely weakening the domestic demand. Additionally, because of the sluggish exports due to the depressed commodity prices and torpid external demand, South Africa‟s economic growth is expected to fall to 0.1% in 2016 before picking up to estimated 1.1% as the external environment improves in 2017. Over the medium and long terms, the structural problems, —including serious social inequality, shortages in the skilled labor force, scant electricity supply, and poor infrastructures—cannot be materially improved, and will thus continue to weaken the country‟s long-term economic growth potential.

3. The government‟s increasing dependence on debt financing will undermine the security of repayment sources. The sharp economic slowdown will lead to weak growth in tax revenues, while the social concerns and the growing interest burden will increase the pressure on the government‟s inelastic spending. As a result, although the government has carried out tax reforms and imposed controls on fiscal expenditures, the general government fiscal deficit is expected to remain high at 4.3% and 3.9% of GDP in 2016 and 2017 respectively. In view of the sluggish fiscal consolidation and insufficient financial buffers, the government‟s debt financing needs will surge to 11.6% and 11.5% of GDP in 2016 and 2017 respectively, thus intensifying the government‟s dependence on debt financing and eventually undermining the stability of government repayment sources.

4. The soaring government debt and the worsening external vulnerability will weaken the government solvency. Affected by the economic slowdown and high fiscal deficit, the general government gross debt-to-GDP ratio of 2016 and 2017 will rise to 54.5% and 58.1% respectively; it is expected to exceed 60% in 2018. The government will inevitably face a heavier debt burden. At the same time, the coverage of total external debt and external financing needs by international reserves fell to 32.2% and 101.2% respectively in 2015. Meanwhile, global financial fluctuations are increasing the capital outflow pressures, leading to enormous depreciation forces on the rand. Combined with the persistent current account deficit, this will make external vulnerability worsen in the short term and weaken foreign currency solvency of the South African government.

Plagued by the negative factors of decelerating economic growth and escalating social contradictions, fiscal consolidation will be difficult to promote in the short term. The continuously climbing government debt and increasing

financing costs will increase debt repayment pressure on the government. Combining these concerns with the still large pressures from capital outflows and the rind's devaluation puts government solvency for both local and foreign currency debts on a downward track. For all these reasons, Dagong has decided to adopt a negative outlook for the local and foreign currency sovereign credit ratings of South Africa for the next one to two years. *(Dagong)*

IMF, WORLD BANK & AFRICAN DEVELOPMENT BANK

Africa's Unexplored Potential of Trade in Services

- From informal to knowledge-intensive, services offer promising opportunities for Africa's trade diversification, growth, job creation and poverty reduction
- Paucity of data, regulatory shortcomings, and inadequate monitoring of reform outcomes are key challenges to exploring Africa's services potential
- The report fills information and knowledge gaps, and puts forward concrete options for policy makers to strengthen the continent's services potential

A burgeoning services sector is fueling economic expansion in many African nations. Services contribute substantially to GDP, absorb a large proportion of youth employment, improve gender parity, and offer promising opportunities for export diversification.

Services are also key inputs in the production of important exports and food staples. Inefficient services can be partially responsible for high prices. For instance, in Ethiopia, services embody about 80 % of the final price of roses, one of the country's key export products. Similarly, between 60 and 75 % of the price of teff, Ethiopia's staple food grain, comes from services inputs. Access to more efficient services along the whole value chain – possibly through importing them - has the potential to boost the country's cut flower exports and help ensuring food security by lowering the price of staple foods. Importing services can also improve productivity through increased competition, better technologies, and access to foreign capital. But there are many obstacles to trading in services among African countries that make it difficult to take advantage of these opportunities.

A new World Bank Group report From Hair Stylists and Teachers to Accountants and Doctors - The Unexplored Potential of Trade in Services in Africa sheds light on uncharted opportunities for services trade in Africa and invigorates the discussion about the role of services in trade diversification and economic upgrading on the continent.

Services Trade in a Wide Range of Sectors

Africa's export potential in traditional services, such as tourism, is clearly recognized, but the emerging success of exports of nontraditional services, such as business services, is often overlooked. For example, according to the firm-level surveys on professional services presented in the book, more than 16 % of the interviewed accounting, architectural, engineering and legal firms in the Common Market for Eastern and Southern Africa (COMESA) countries are already engaged in exports, mainly to neighboring countries. This contradicts official statistics, which assert that professional services exports for several countries are negligible or nonexistent. Likewise, many hospitals in Sub-Saharan African countries are treating foreign patients and are using tele-medicine; yet official statistics often do not record such trade flows in medical services.

At the other end of the spectrum, Africa witnesses widespread transactions in informal services ranging from hairdressing, construction, and housekeeping to education, health and finance. Such services trade flows seem to flourish on the African continent—despite the many barriers to the movement of services providers. Tanzanian Maasai hair braiders are in high demand in Zambia, while Congolese, Kenyan, and Ugandan hairdressers are sought after by Tanzanian women from all walks of life, from the girl next door to the wife of the minister. All these hairdressers are crossing borders—usually helped by facilitators and fixers to provide their services in a foreign country. And the earnings they receive by working in foreign countries (export earnings) often remain their main source of income, contributing to significant improvements in their livelihoods.

"This is the only way I earn an income. I have been able to take care of my family," explains Helene, a 38 year-old Congolese hairdresser living in Zambia.

Opportunities and Challenges

While trade in services presents African countries with opportunities for growth, there are still challenges to the sector. Domestic regulatory hurdles and trade barriers continue to fragment the services markets on the continent; and the cost of trading in services is high. For instance, education and health services in East Africa are hindered by restrictions on using telemedicine or e-learning. Medical tourism remains restricted by the non-portability of insurance policies. Restrictions on the legal forms of entry to hospitals in countries such as Tanzania and Uganda or limits on the repatriation of earnings in Kenya and Uganda constrain the establishment of foreign hospitals in the region. Finally, the high cost of visa and work permits in many countries impose stringent restrictions on the movement of health and education professionals to provide services abroad.

What happens when such regulatory barriers restrict trade in services? "Trade does not stop but rather, it takes an informal route," said Arti Grover, Senior Consultant Economist with the World Bank Group. "Nonetheless, the extent and volume of such trade is diminished. Without such burdensome regulations, the government, the suppliers and the consumers could all be better off."

What can governments do to address these challenges? Concrete, sector-specific guidance to improving regulatory frameworks and minimizing restrictions to trade are needed to deepen regional cooperation on trade in services in Africa. The book emphasizes a few potential solutions:

- Strengthen data generation efforts on services trade flows, transaction costs and outcome indicators
- Monitor services integration, focusing on the impact of reforms on lowering trade costs
- Put informal and knowledge intensive services on the agenda of policy makers.

Some countries and economic communities are already doing this. The Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC) and the South Africa Development Community (SADC) have taken steps to reduce trade barriers and countries are beginning to discuss practical solutions to trade impediments. Knowledge platforms on professional and tourism services are good examples of tools for translating policy recommendations into action. For example, the East Africa Tourism Platform has recently shown leadership in championing a coordinated approach to enhance the region’s travel and tourism competitiveness. Such platforms were designed for practitioners, policy makers, and regulators to engage in meaningful dialogue about the critical issues that are currently transforming these services in Sub-Saharan Africa.

“Cooperation initiatives are necessary to increase the regulatory capacity that African governments need to build over time to engage in meaningful liberalization efforts,” says Alemayehu Geda (Ph.D), Associate Professor of Economics at Addis Ababa University. “Through analytical support and technical assistance, the World Bank Group can assist African countries to improve regulation, facilitate services flows, and ultimately make services in Africa more competitive.” *(World Bank)*

African Water Facility: Boosting hydropower and irrigation in Tanzania

Tanzania is expected to benefit from a boost in hydropower generation and irrigation development thanks to a new study financed by the African Water Facility (AWF). This €2-million grant will help the government of Tanzania launch the pre-feasibility study of a multipurpose dam, irrigation and hydropower project in Kikonge (southwest).

A comprehensive approach. The study will cover the irrigation scheme, agro-business development, the dam and its reservoir and the associated hydropower plant and the high voltage transmission line. In addition, this study will also encompass water supply to local communities, local electricity supply through a mini hydro-power plant, fishing activities, tourism development and other uses of water for activities in the reservoir area (navigation, transport and water for mining).

A huge increase in hydropower generation. When completed, the 300-MW multipurpose dam, which is the main outcome of the studies, will result in a 53% increase of the country’s hydropower capacity. With an annual hydropower generation of 1,300 GWh by 2025, the dam will address Tanzania’s long-standing shortage of power supply. The country’s hydropower plants of the run-of-the-river type are highly vulnerable to seasonal variations and drastic variations of water availability as a consequence of climate change. In October 2015, most of the hydropower plants, representing 35% of the country total generating capacity, had been switched off due to the low water levels following an extended period without rain. With its storage reservoir of 6 billion m3 capacity, the dam will allow a stable supply of energy throughout the year.

Improved agriculture. The expected dam on the Ruhuhu River will also improve availability of water resources for irrigation and associated activities in the area. With a projected irrigation scheme of 4,000 hectares by 2020 (as against a current mere 50 ha of irrigated lands), the dam will boost agricultural productivity and provide additional revenues to local farmers and populations. In this southwestern region of Tanzania, close to the shores of the Lake Nyasa, crop production is currently dominated by rain-fed systems leaving the irrigation potential marginally tapped. While agriculture is the basis of Tanzanian economy (27% of the national GDP), its development is hampered by its dependence on unreliable and irregular weather conditions. Irrigation has therefore been identified as a key priority for Tanzania, which has huge potential for irrigated agriculture with its numerous rivers, lakes and underground water resources.

Climate change impacts. The investment project resulting from the feasibility studies will also help improve the resilience to climate change. Regulating the flow of the Ruhuhu River will allow water to be available throughout the year instead of depending on the rain season inflows. It will also reduce the impacts and damages of floods on infrastructures and economic activities, with positive impacts on the ecological features of the shores of the Lake Nyasa.

Project details. The total cost of the Kikonge Multipurpose Dam, Irrigation and Hydropower Project pre-feasibility study is estimated at €2.5 million. The AWF will fund the project to the tune of €2 million, with contributions from the Climate Resilient Infrastructure Development Facility and the government of €0.3 million and €0.2 million respectively. The project duration is estimated at 22 months.

SEFA grants US $1 million to promote green mini-grids in Niger

In July 2016, the Republic of Niger was awarded a US $994,270 grant from the African Development Bank-hosted Sustainable Energy Fund for Africa (SEFA) to promote green mini-grids (GMGs) and pave the way for private investments in this sub-sector. The project aims to support Government efforts to provide at least 15% rural access to energy through off-grid and mini-grid solutions by 2020, resulting in increased effective day length and income, and a

reduction in recurring energy expenditures; and 15 MW installed GMG capacity by 2020, resulting in mitigation of greenhouse gas (GHG) emissions.

The programme is also expected to contribute to at least $10 million in funding raised for renewable energy (RE) projects by 2018, resulting in the creation of renewable energy-sector jobs. Further, it will contribute to achieve the energy targets set by the national reference programme for energy access (known by the French acronym "PRASE" and adopted in 2010), which aims to connect at least 40% of rural households to at least one modern energy service by 2018. "Niger has high and reliable solar irradiation intensity," stated Kurt Lonsway, AfDB's Manager for Environment and Climate Change, "and a significant opportunity for GMGs to play a major role in increasing electricity access, which is one of the lowest in the region".

The programme was championed by the Ministry of Energy and Petrol (ME/P) and will be implemented by the National Directorate for Renewable and Domestic Energy (DERED). The project will prepare a GMG policy, regulations, and enabling framework to promote market-driven GMG development. Specifically to provide institutional and technical support to the ME/P for the Promotion of Rural Electrification efforts under the coordination of the Niger Rural Electrification Agency (ANPER) to formulate a RE-powered mini-grid policy; develop and operationalize a GMG regulatory framework and stimulation measures for private or semi-private utility companies for the operation of mini-grids; and provide technical and institutional capacity building inside the Ministry of Energy, ANPER and other competent institutions. The project will provide support to GMG developers through a business plan competition and feasibility studies; analyse and validate GMG operational models and business cases; and work to remove any fiscal, institutional, technical or quality constraints.

The project is one of SEFA's Country Programmes under the Enabling Environment support for GMGs that will address sector planning, regulatory and policy interventions and market development activities in up to six countries in 2016-2017. In December 2015, SEFA approved a first GMG Country Support Programme for a total amount of US $840,000 to the Republic of Rwanda.

SEFA's support to green mini-grids is fully in line with AfDB's commitment to support energy infrastructure, climate change mitigation and adaptation. The project is part of the AfDB's "New Deal on Energy for Africa", and is aligned with Africa Renewable Energy Initiative (AREI)'s objectives of increasing renewable energy penetration.

About the Sustainable Energy Fund for Africa (SEFA)

Launched in 2012, SEFA is a US $95-million multi-donor facility funded by the governments of Denmark, the United Kingdom, the United States and Italy. It supports the sustainable energy agenda in Africa through grants to facilitate the preparation of medium-scale renewable energy generation and energy efficiency projects; equity investments to bridge the financing gap for small- and medium-scale renewable energy generation projects; and support to the public sector to improve the enabling environment for private investments in sustainable energy. SEFA is hosted by the Energy, Environment and Climate Change Department of the AfDB.

Egypt: IMF Reaches Staff-Level Agreement on a Three-Year US$12 Billion Extended Fund Facility

- Staff-level agreement is subject to approval by IMF's Executive Board, which is expected to consider the request in coming weeks.
- EFF supports the authorities' comprehensive economic reform program as approved by the parliament.
- Program aims to improve the functioning of the foreign exchange markets, bring down budget deficit and debt, and raise growth. It also includes strengthening the social safety net to protect the poor and vulnerable groups. Social protection is a cornerstone in the program.

In response to a request from the Egyptian authorities, an International Monetary Fund (IMF) mission led by Mr. Chris Jarvis visited Cairo from July 30 to August 11, 2016 to discuss support for the authorities' economic reform program through IMF financial assistance. At the end of the visit, Mr. Jarvis issued the following statement:

"I am pleased to announce that, in support of the government's economic reform program, the Egyptian government, the Central Bank of Egypt (CBE) and the IMF team have reached a staff-level agreement on a three-year Extended Fund Facility (EFF) in the amount of SDR 8.5966 billion (422 % of quota or about US$12 billion). This agreement is subject to approval by the IMF's Executive Board, which is expected to consider Egypt's request in the coming weeks.

"Egypt is a strong country with great potential but it has some problems that need to be fixed urgently. The EFF supports the authorities' comprehensive economic reform program as stated in the government plan approved by the parliament. The government recognizes the need for quick implementation of economic reforms for Egypt to restore macroeconomic stability and to support strong, sustainable and job-rich growth. The program aims to improve the functioning of the foreign exchange markets, bring down the budget deficit and government debt, and to raise growth and create jobs, especially for women and young people. It also aims to strengthen the social safety net to protect the vulnerable during the process of adjustment.

"The government's fiscal policy will be anchored to placing public debt on a clearly declining path toward more sustainable levels. Over the program period general government debt is expected to decline from about 98% in 15/16 to about 88% of GDP in 2018/19. The aim is to raise revenue and rationalize spending, to reduce the deficit and to free up public funds for high-priority spending, such as infrastructure, health and education, and social protection. As indicated in the budget approved by the parliament, the government will adopt the VAT law after approval by the parliament, and

will continue the program begun in 2014 to rationalize energy subsidies. It will advance the structural reform agenda to help increase investment and strengthen the role of the private sector.
"Social protection is a cornerstone in the government's reform program. Budgetary savings that come from other measures will be partially spent on social protection: including specifically food subsidies and targeted social transfers. The social protection measures will preserve or increase support for insurance and medicine for the poor, subsidies for infant milk and medicine for children, health insurance for young children and female primary providers, and vocational training for youth. The government will also develop a plan to enhance the school meals program. Priority will also be given to investment in public infrastructure. "The CBE monetary and exchange rate policy will aim to improve the functioning of the foreign exchange market, increase foreign reserves, and bring down inflation to single digits during the program. Moving to a flexible exchange rate regime will strengthen competitiveness, support exports and tourism and attract foreign direct investment. This would foster growth and jobs and reduce financing needs. "Financial sector policies will be geared toward safeguarding the strength and stability of the banking system. "Structural reforms will aim at improving the business environment, deepening labor markets, simplifying regulations and promoting competition. The ambition is to significantly improve Egypt's ratings in Doing Business and Global Competitiveness. In this context, the reform measures being implemented target creating a competitive business environment, attracting investment and increasing productivity to provide fertile ground for private sector activity. "Public financial management and fiscal transparency will be strengthened to improve governance and delivery of public services, enhance accountability in policymaking, and combat corruption. "With the implementation of the government reform program, together with the help of Egypt's friends, the Egyptian economy will return to its full potential. This will help achieve inclusive job-rich growth and raise living standards for the Egyptian people. We at the IMF are ready to partner with Egypt in this program. We will also encourage other multilateral agencies and countries to support Egypt. We have talked to our colleagues in the World Bank and the African Development Bank and they are willing to help. It would also be very helpful for Egypt's bilateral partners to step forward at this critical time.
"The mission would like to thank the authorities and all those with whom they met for their warm welcome and the frank and constructive discussions."

INVESTMENTS

Private investment in industry is critical to Angola's development

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

Angola: Candando group invests in country's logistics development

A partnership for developing initiatives on logistics sector, aimed to provide better products offer, was signed between Candando group and Mediterranean Shipping Company (MSC), thus investing in the development of the country's logistics.
The deal also includes the implementation of a logistics chain, allowing the arrival of the products to every part of the country very quickly, safely and efficiently, refers the press note realesed to Angop by Candando group.
The referred memo is aimed to respond to the challenges of transportation, storage, products outflow, as well as the optimization of the supply chain.
Opened on May 10, 2016, Candando shopping mall has huge quantity of goods produced in many provinces of the country. MSC operates, among other areas; in logistics sector it provides services of transportation, clearing, road and rail transit, cargo collection, merchandise insurance and container leasing. *(Angop)*

Old Mutual to invest in Nigerian real estate, agriculture

Anglo-South African financial services firm Old Mutual and Nigeria's sovereign wealth fund on Friday signed agreements to set up two funds to invest in real estate and agriculture in Africa's most populous nation. Old Mutual and Nigeria Sovereign Investment Authority (NSIA) said they would jointly raise a $500 million fund to invest in real estate and another $200 million to spend on agriculture projects in Nigeria.
The West African nation is in the middle of its worst crisis in decades as a slump in oil revenues hammers public finances and the naira. Gross domestic product shrank in the first quarter and the central bank governor has said a recession is likely.

Chief executive of NSIA, Uche Orji, said both parties will each commit $100 million as initial commitment for the real estate fund and $50 million for the agriculture fund. "We are looking at office towers, commercial real estate," Orji said. "We are investing equity in agriculture. We are looking at farming with emphasis on export."
Poor infrastructure and access to capital is a major bottleneck to growth in Nigeria, which has made diversifying its revenue base and reducing a huge import bill its top priority. "The most important thing is infrastructure. The problem is that its cheaper to move goods from China to Lagos, than move it from Kano to Lagos and that's because we don't have the infrastructure," Finance Minister Kemi Adeosun said.
Nigeria established the Sovereign Investment Authority (SIA) in 2011 with $1 billion of seed capital in an effort to manage oil export revenues.
The new funds, which will stay invested for up to 12-years, will target returns of around 20 percent, Hywel George, chief investment officer at Old Mutual said.
A successful real estate investment in Nigeria can earn an returns as high as 30-35 percent, while rental income yields in cities such as Lagos and Abuja can easily reach 10 percent, developers and estate agents say.
However, navigating through opaque land laws, corruption, a lack of development expertise and financing, a dearth of mortgages and high building costs will take courage and influential local partners. *(By Chijioke Ohuocha, Reuters)*

BANKING

Banks

Nigeria Diamond Bank might raise new capital, sell some assets - CEO
Nigeria's Diamond Bank is considering raising fresh capital and selling some assets in order to maintain its capital ratios, its chief executive said. Uzoma Dozie said the bank's capital plan will ensure it meets all regulatory requirements both in the short term and in the future. Diamond Bank's capital adequacy ratio had fallen to 15.6 % of assets by mid-year from 18.6 % a year ago. "We are doing a capital management plan and that will determine how much capital we want to raise, tenor and size," Dozie told an analysts' conference call. "We don't have any need to grow our branch network any more. We are also looking at some assets that we can dispose of and we are a long way into that," he said. *(By Chijioke Ohuocha, Reuters)*

Kenya Bank Profits Drop First Time in 16 Years on Costs
Kenya’s banking industry last year recorded the first decline in profit since 1999 as costs outpaced income in the wake of two failures and more onerous regulations.
Pretax profit across the sector declined 5 % to 134 billion shillings ($1.3 billion) in the 12 months through December, according to the central bank’s Bank Supervision Report, released in the capital, Nairobi. That came as a 16 % increase in expenses more than negated a 9.2 % rise in assets during the period. “The Kenyan banking sector is expected to register an enhanced performance in 2016,” the regulator said, boosted by the growth outlook for the country’s economy and improved integration with other East African nations. “Following the challenges witnessed in the banking sector towards the end of 2015, 2016 will be a transition year to seize on the lessons and challenges.”
Regulators in August seized Dubai Bank Kenya Ltd. after it breached minimum capital requirements and two months later placed Imperial Bank Ltd. into receivership amid claims of fraud that company executives deny. The top seven lenders in Kenya control almost half of the market, and own more than 70 % of all the industry’s assets, according to the report.
Assets held by subsidiaries of Kenyan banks in South Sudan, among them KCB Group Ltd., Equity Group Holdings Ltd., CFC Stanbic Holdings Ltd. and Co-operative Bank of Kenya Ltd., declined by 50 % during the year to 58.8 billion shillings following the devaluation of the South Sudanese pound, the regulator said.
Overall credit rose by 11.6 % to 2.2 trillion shillings in 2015 from a year earlier, while non-performing loans increased to 6.8 %, from 5.6 % in 2014. While capital adequacy declined by 120 basis points to 18.8 %, it remained above the 14.5 % threshold. *(By Adelaide Changole, Bloomberg)*

Why Standard Bank is expanding to francophone West Africa
South Africa’s Standard Bank – also trading as Stanbic Bank – has recently acquired a full banking licence in Côte d’Ivoire. The pan-African lender plans to use the market as a gateway to expand across the francophone West Africa region.
The bank first set up a representative office in Côte d’Ivoire’s economic capital Abidjan over two years ago to become more familiar with the market.
According to Hervé Boyer, Stanbic Bank’s CEO for Côte d’Ivoire, the decision was based on a growing interest from existing clients – particularly South African – to tap into this region. Standard Bank will initially concentrate on corporate and investment banking. “Our strategy is to first [focus] on the bank’s existing clients who are already in the region, or who are planning to operate in the region,” Boyer told How we made it in Africa. “And also we are going to try to bring more South African entities to Côte d’Ivoire.”
While South African companies have grown their African footprint across a number of English-speaking markets, they have typically been slower to expand to French-speaking countries – a result of challenges posed by the language

barrier. However, key markets such as Côte d'Ivoire are increasingly catching the attention of firms due to high-growth potential and improving investment environments. Earlier this year a Nielsen Africa report indicated that Côte d'Ivoire had overtaken Nigeria in terms of the overall outlook for opportunities for existing and potential investors.
Boyer said the eight French-speaking countries that make up the West African Economic and Monetary Union offer substantial business advantages due to their economic and monetary integration and stability. For example, the eight member states share the West African CFA franc, which is pegged to the euro. "So we don't face the problems that other countries like Nigeria and Ghana in West Africa face – with a very serious devaluation of their currency. We are a euro-based economy and we have a very low inflation," he added. "[Secondly], we have one central bank – which covers the eight countries… and is also very powerful. We have one stock exchange, and we have one legal framework – and it is a harmonised legal framework between the eight countries."
The Standard Bank group, now in 20 African markets, aims to open its first branch in Abidjan by the end of the first quarter of 2017. According to Boyer, around 60% of the market share is held by five banks and there is potential for Standard Bank to introduce retail banking operations. However, he added the strategy is to grow slowly.
"We are starting from scratch… and building a personal banking operation is very costly. So let's start with our existing clients, go really slowly and learn from our [experience in the market]. After that we can move on into the personal and business banking sector." *(How we made it in Africa)*

Behind Credit Suisse's Soured Mozambique Deals
Bonds and loans totaling $2 billion helped boost fees for Swiss bank and funded contracts for a defense contractor
When a Lebanese defense contractor asked Credit Suisse Group AG to finance sales of military ships to Mozambique, it looked like an opportunity to turn a relationship with a wealthy businessman into a lucrative deal.
Instead, it has embroiled the bank in a scandal that has spread from the capital city of Maputo to financial centers around the world.
Credit Suisse and a partner, Russian bank VTB Group, arranged $2 billion in debt for three state-owned companies fully or partly owned by Mozambique's intelligence service. The deals helped boost fees earned by Credit Suisse's investment bank and funded important contracts for Iskandar Safa, whose France-based military-shipbuilding company was struggling.
But the deals also ballooned Mozambique's national debt by about 35% and financed military spending by the country as a decades-old civil conflict flared back up. Much of the debt was kept secret for more than a year, leading to a backlash from investors, international donors and the country's Parliament after it was reported by The Wall Street Journal in April.
This account, based on interviews with people involved in the deals and offering documents, lays out the relationships and financial incentives that led Credit Suisse to take on deals that have become an albatross for the bank. The transactions also cast a rare spotlight on the ties between banks, defense contractors and the countries they supply.
Mozambique now is struggling to repay the money it borrowed as it contends with drought-related food shortages and intensifying violence, as well as a sharp decline in its currency, the metical.
The U.K.'s Financial Conduct Authority has begun looking into whether Credit Suisse and VTB misled investors when some of the debt was raised and subsequently restructured, people familiar with the matter said. Credit Suisse is also the subject of an inquiry by Switzerland's financial regulator, another person familiar with the matter said. Both banks used their U.K. operations to handle the bonds. "We have been open and transparent with the regulator on the Mozambique transaction and are not aware of any investigations," a spokeswoman for VTB said. Credit Suisse declined to comment.
Privately, Credit Suisse's top executives have recently expressed concerns about the deals, calling them the wrong type of business for the bank. "You're talking about a country with extreme health and poverty needs," said Anne Frühauf, head of southern Africa research at political risk consultant Teneo Intelligence. "If there had been a proper prioritization of public-investment needs, neither of these projects would have seen the light of day."
The deals included $622 million in loans to buy military equipment and $850 million in bonds for tuna-boat purchases arranged by both banks in 2013. Some bond proceeds later went to military purchases. In early 2014, VTB arranged a $535 million loan to build a shipyard to service military and fishing fleets.
International pressure mounted this month for Mozambique to clarify how the money was spent. The International Monetary Fund, U.K. High Commissioner to Mozambique Joanna Kuenssberg and U.S. Ambassador Dean Pittman both called on Mozambique's ruling party, Frelimo, to allow an independent forensic audit of the government's accounts. The IMF and a dozen donors have cut off about $320 million in aid since the loans came to light.
The roots of the debt offerings go back to 2010 and the discovery of large offshore natural-gas fields in Mozambique, one of the world's poorest countries with 27 million people and a gross domestic product of about $16 billion.
The prospect of new wealth fanned tensions between Frelimo and the opposition party, Renamo, which had fought a civil war until a 1992 truce. António do Rosário, chief executive officer of the three state-owned companies that borrowed the money, said the government wanted to protect the gas fields and invest in related businesses. "Our country has massive resources," Mr. do Rosário said. "In parallel to these resources, we have threats."

The government picked Mr. Safa's company, Privinvest, to supply ships, including patrol and surveillance vessels, and asked its help getting financing. The company disputes the characterization of the ships as military, saying they weren't outfitted with weapons. Privinvest approached Credit Suisse about a loan for Mozambique, and a committee of senior executives, including then-CEO Gaël de Boissard, approved the deal.

Credit Suisse's top brass signed off in part because the bank had pioneered a way to lend in developing countries without taking on much risk. The bank found it could purchase sovereign-debt insurance through the Lloyd's of London insurance market to hedge as much as 90% of the loans against default. Credit Suisse charged higher interest rates on the debt than its insurance premiums, pocketing the difference mostly risk free.

The insurance policies Credit Suisse used only covered governments. So when Mozambique wanted to borrow the money through state-owned companies instead, the bank came up with a twist: Mozambique would cosign.

Opposition politicians in Mozambique allege the administration structured the borrowings to keep them secret and illegally provided the government guarantee without Parliament's approval. "Information regarding these deals was carefully concealed from the public and opposition parties," said Maria Ivone Soares, Renamo's chairman in the Mozambican legislature, who is pushing for an investigation. Mr. do Rosário, CEO of the companies that borrowed the debt, denies any wrongdoing. "The financings went through all legal procedures," he said. "The specific nature of the debt and its holder were classified for national security purposes."

Initially, the deals paid big dividends.

Credit Suisse collected fees from Privinvest and from Mozambique, interest payments on the loans and bonds it kept, and made trading profits on debt it sold to investors. Its revenue from issuing bonds and loans around the globe jumped 18% in 2013, the year Credit Suisse raised $1 billion of debt for Mozambique. "The increase was driven by higher revenues in emerging markets, particularly in structured lending," Credit Suisse said in its annual report.

The deals also were a windfall for Constructions Mécaniques de Normandie, a struggling subsidiary of Mr. Safa's Privinvest that built some of the ships for Mozambique. CMN hadn't won a major contract since 2003, former employees said. In 2014, CMN's revenue jumped 186%, to €110 million ($124.3 million), well above the annual average of €46 million for the five years before Privinvest won the Mozambique contracts, according to data from S&P Global Market Intelligence. "CMN represents only 10% of the Privinvest group, which counts many shipyards and facilities world-wide," a Privinvest spokesman said. Andrew Pearse, a former Credit Suisse banker who worked on some of the Mozambican loans, now runs an investment firm majority-owned by Mr. Safa's Privinvest. Mr. Pearse managed Credit Suisse's unit responsible for lending in Europe, the Middle East and Africa until June 2013, when he left to found the new firm, called Palomar Capital Advisors AG, with startup capital from Privinvest. Palomar later helped VTB arrange the shipyard loan.

In 2015, things began to fall apart for Mozambique and its lenders.

The three state-owned companies had planned to repay the debt by doing contract security work for international natural-gas companies and by catching tuna. But foreign energy companies have stopped most operations in Mozambique for now because of low gas prices, and the country's tuna fishing fleet has been a bust.

The tuna enterprise, called Ematum, restructured its bonds this past April by converting them into sovereign bonds that Mozambique must eventually repay. Investors sold the new bonds for 70 cents on the dollar this week *(8th- 11th August)*, reflecting fears of a default.

The shipyard company, called MAM, missed a $178 million payment on its loans in May and is negotiating a restructuring with VTB. "We are working on restructuring the operations, and we are optimistic of the future outcome," Mr. Do Rosário said.

Meanwhile, conditions in Mozambique are worsening. Its foreign-currency reserves fell to $1.8 billion in May from $2 billion in January, and it is seeking $180 million in food aid. Intensified fighting has sent more than 10,000 refugees to neighboring Malawi, according to the U.N. High Commission for Refugees. "We need to have clarity on how the loans were made, what the money was used for and if there's a possibility to recuperate any of those funds," said Mr. Pittman, the U.S. ambassador to Mozambique. "These were bad decisions, they were made in secret and they will have consequences."

Corrections & Amplifications

Privinvest approached Credit Suisse Group AG several years ago about making loans to finance sales of Privinvest products to Mozambique and paid fees to the bank, but the company says it wasn't a client of Credit Suisse and neither was its owner, Iskander Safa, nor CMN, its French shipbuilding unit. A previous headline and article about the transactions described CMN and Mr. Safa, respectively, as clients. (By Matt Wirz and Julie Wernau in New York and Matina Stevis in Maputo, Mozambique, Wall Street Journal)

Markets

Islamic Finance: Ivory Coast Issues Second Sukuk

The Ivory Coast has issued its second sukuk following the launch and issuing of sukuk from neighbouring Senegal and Togo. The Ivory Coast sukuk for a value of 150 billion CFA and a seven-year maturity is backed by the property assets of the state including the building of the International Trade Centre of Abidjan (ICC) in the Plateau district, valued at 98 billion FCFA, and administrative towers A and B which are the seat of several ministries. The sukuk represents Ivory Coast's second sukuk after an issuance last year. The lead arranger is the Islamic Corporation for the Development of the Private Sector (ICD), a subsidiary of the Islamic Development Bank (IDB). The co-lead managers are Bibe Finance

& Securities (BFS), based in Cotonou, Bici Exchange (BNP Paribas Group) and BNI Finance Ivory Coast. *(African Markets)*

Angolan Industry Ministry helps companies obtain foreign currency

The Angolan Ministry of Industry has been helping the country's industrial companies overcome difficulties in the import of raw materials due to a shortage of foreign currency, Minister Bernarda Martins said in Luanda. Martins explained that her ministry has been working with state institutions to resolve the situation and that "industrial companies are being supported so they can have foreign currency available for raw material imports," reports Angop news agency. After touring the Viana Industrial Park with Mozambican Industry and Trade Minister Ernesto Tondela, Martins said the visit was meant to show the result of ongoing work to create conditions enabling industrial units to become more competitive. At Viana the two ministers visited the factories of Nampak Bevcan Angola (production of cans for beverages), Xuntong Internacional (metal infrastructure construction) and Acail Angola (industrial gases and welding). *(Macauhub)*

Ethos Capital debuts on JSE following R1.8 billion oversubscribed private placement

Mauritian-based Ethos Capital, an investment entity offering capital market investors a unique, liquid platform to gain exposure to a diversified pool of unlisted private equity type investments, successfully listed in the "Financials – Speciality Finance" sector of the main board of the securities exchange operated by the JSE. The opening trade in Ethos Capitals took place R10.26 per share, resulting in a market capitalisation of R1.85 billion.

Peter Hayward-Butt, Chief Executive Officer of Ethos Capital, said: "We are proud to be listing on the JSE. The overwhelmingly positive response to our placement affirms the strength of our company's differentiators and prospects. "We look forward to investing alongside Ethos Private Equity into high-potential businesses, supporting economic growth and job creation in the long term whilst simultaneously delivering value to our shareholders."

Ethos Capital earlier successfully placed 180 000 000 A ordinary shares at R10 per share with qualifying investors, raising R1.8 billion in an oversubscribed placement. Rand Merchant Bank, a division of FirstRand Bank Limited acted as the financial adviser, sole global coordinator, bookrunner and JSE sponsor in relation to the listing.

The listing offers investors long-term capital appreciation by investing, directly and indirectly, in a diversified portfolio of unlisted investments. Ethos Private Equity - the largest private equity firm in sub-Sahara Africa – has been appointed as fund manager and advisor to Ethos Capital.

Commented Stuart MacKenzie, CEO of Ethos Private Equity: "Growth is a central principle of Ethos Private Equity's strategy: value is added by actively transforming the strategy, operations and finances of investee businesses, striving to make them "best-in-class". "Through pioneering thought leadership, creativity and innovation, Ethos Private Equity has developed a long track record of sustainable investor returns."

In its 32-year history, Ethos Private Equity has invested in 104 acquisitions of which 91 have been realised, delivering investment returns with a gross realised internal rate of return (IRR) of 37.4%.

It is anticipated that the net proceeds from the listing will be invested in the following strategies:

- Primary Investments: commitments to various funds to be raised and managed by Ethos Private Equity ("Ethos Funds") during their respective fund-raising processes;
- Secondary Investments: acquisitions of existing Limited Partner interests in existing Ethos Funds;
- Direct Investments: acquisitions of interests in underlying investee companies alongside Ethos Funds to the extent that the Ethos Funds require co-investors in the underlying investee companies; and
- Temporary Investments: investments in a portfolio of low-risk, liquid debt instruments (including South African government bonds and other similar, low-risk, liquid instruments) for cash management purposes. *(African Markets)*

Tanzania Commodity Exchange to Begin in September

Tanzania Commodity Exchange (TCX) is expected to begin trading operations in September this year when cashewnut seasons begin. The TCX facility was launched by former president Jakaya Kikwete in November last year, setting the landmark initiative to transform agriculture sector that provides livelihood to nearly 75 per cent of the country's population. The Capital Market and Securities Authority (CMSA), Public Relations Manager, Mr Charles Shirima said in Dar es Salaam that the regulator is finalising sorting out some problems which may have contributed to the delays in TCX operations to take off. "CMSA has already received and working on the findings from a consultant picked to search why some farmers rejected the TCX initiative," he said. Initial survey had suggested that most farmers were ignorant with the TCX facility and how it would become an important instrument in giving true value for their crops.

Mr Shirima said also that the regulator is processing licences application of four brokerage companies to work on the TCX initiative. Similarly, he said training and examination of 60 commodities dealers was done successfully last year. Apart from cashew nuts, other commodities are coffee, sesames, rice, sunflower and probably maize -- currently traded under warehouse receipt system. The TCX is a central place where sellers and buyers meet to transact in an orderly and organised fashion, with clearly specified and transparent rules. The government backs commodity exchange as an answer to market challenges. *(African Markets)*

Wema Bank plans 20 bln naira bond issue this month

Nigeria's Wema Bank, which aims to expand its branch network this year, plans to issue 20 billion naira ($63 million) in bonds this month, its chief finance officer said. The bank is issuing local currency bonds after scrapping plans last year to issue a $100 million seven-year dollar bond because of currency risks. "We expect to open in a couple of weeks. We are awaiting final regulatory approvals and we expect to conclude the process this quarter," Tunde Mabawonku told Reuters by phone. Wema, which won regulatory approval last year to switch from a regional to a national bank, plans to re-open branches in Nigeria which it closed to become a regional player, he said. Wema obtained shareholders' approval in May to issue bonds or preference shares this year to raise 20 billion naira in the first tranche of a 50 billion naira programme, but market conditions then deteriorated.

The Nigerian naira has dropped 40 % since June, when Nigeria ditched its 16-month-old peg of 197 naira to the dollar in a bid to lure back foreign investors who had fled after a plunge in the price of oil, Nigeria's economic mainstay. Mabawonku said the mid-tier lender was watching debt markets closely for rates, adding that it had a target break-even rate at which it wanted to issue the notes.

Nigeria's one-year treasury bill is offering around 18 % yield, traders say. Yields on fixed income securities have been rising in recent months with the central bank mopping up naira liquidity to lure back foreigners. The central bank lifted interest rates by 200 basis points last week to 14 % to help fight inflation, which hit a 10-year high of 16.5 % in June. "Yes the economy has slowed but there are still business opportunities," Mabawonku said. "We are opening locations in areas where we are not present and we see that the population is underbanked." Wema, which has more than 100 branches, has also said it aimed to buy a mid-sized commercial lender to build scale. Last week Wema reported an 11 % rise in half-year pretax profit to 1.30 billion naira. ($1 = 319.50 naira) *(By Chijioke Ohuocha, Reuters)*

Ghana Scraps Eurobond Sale as Costs Soar on Fiscal Concerns

Ghana scrapped plans to sell its fourth Eurobond in as many years, balking at the price investors demanded amid concern that the West African nation may relax its commitment to fiscal targets ahead of parliamentary and presidential elections. The government will monitor markets and revive the sale "at the optimal time and the right conditions," the Finance Ministry said in a statement after concluding investor meetings in the U.K. and U.S. It also capped a buyback tender for $500 million of 2017 notes at $100 million. Yields on existing dollar debt soared in recent weeks as the government exceeded its deficit target amid a dispute with the International Monetary Fund over whether the central bank should be allowed to bankroll government spending. Ghana turned to the IMF for assistance last year as a plunge in the cedi and dwindling oil revenues weighed on the economy. "It's not an entire surprise," Nicolas Jaquier, an emerging-markets economist at Standard Life Investments Ltd. in London, said by phone. "The timing of the new issue was a bit puzzling, coming to issue a bond just before some of the pending issues with the IMF were being ironed out. That's what kept many investors away."

Yields on Ghana's $1 billion of bonds due August 2023 dropped 18 basis points to 10.12 % by 12:20 p.m. in the capital, Accra. The yield climbed as much as 90 basis points to 10.55 % last week after Finance Minister Seth Terkper said spending will be 3.8 % higher than projected and that the budget deficit target had been missed. That increased the yield investors expected for the new issue. "It is 30 % pricing and 70 % bad timing," said Richard Segal, an analyst at Manulife Asset Management, who attended an investor meeting. "Investors asked more than they were willing to pay." Lawmakers passed a new Bank of Ghana law, lowering a cap on how much the central bank can lend to government to 5 % of the previous year's revenue from 10 %, according to minutes of a parliamentary meeting handed to reporters in Accra. The move effectively rejects an IMF suggestion that the central bank should make no advances for government's spending plans.

Fiscal Deficit

Ghana, which heads into elections in December, agreed to a near-$1 billion program with the IMF in April last year to help rein in the budget deficit and arrest declines in the cedi. The fiscal deficit in the first five months of the year was 2.5 % of gross domestic product against a target of 2.2 %, Terkper said last month. The cedi has lost 4.8 % this year, trading 0.4 % weaker to 3.9550 per dollar at 11:34 a.m. in Accra. Selling a dollar bond later this year "will be

challenging if they do indeed fall off track with the IMF program," Standard Life Investment's Jaquier said. "If the IMF gives them a pass, then they might manage to try and issue before the elections." *(By Lyubov Pronina, Bloomberg)*

Ghana pulls planned $500 million Eurobond issue

Ghana said it will not to go ahead with a $500 million Eurobond issue, and while it gave no reason for the decision, investors said it had likely balked at the higher yields fund managers had demanded of the junk-rated credit. Rated B3/B minus, six notches below investment-grade, Ghana had planned to issue an amortising bond with a weighted average five-year tenor in conjunction with a tender offer to buy back some dollar bonds that mature next year.

In a statement, Ghana said "it will continue to monitor markets in the context of a potential new issue" and thanked investors "for their positive feedback".

Ghana said it would still proceed with the capped cash tender offer of up to $100m on its 2017 notes. The deadline for that offer is on the 5th August. The finance ministry did not respond to Reuters' requests for comment, but a spokesman said a statement would be issued later on Thursday 4th August. None of the syndicate bankers leading the deal - Bank of America Merrill Lynch, Citigroup and Standard Chartered - were not available for comment. While investors' robust appetite for emerging markets assets makes the decision somewhat surprising, Ghana is not an investor favorite as it struggles with high levels of debt and slumping commodity prices. A national election is scheduled for Dec 7.

Last year, it was forced to pay investors a 10.75 % coupon on a new issue, despite a partial World Bank guarantee.

Investors said the mood had soured further after parliament decided to allow central bank funding for the government's budget up to 5 % which contravenes the terms of its loan deal with the International Monetary Fund. "I think that they (Ghana) were hoping for lower yields, i.e. below 10 %, and to raise $500 million to $1 billion," said one investor who attended the roadshow. "They got negative feedback, plus realized that it would be hard to achieve this given the recent decision by parliament to allow central bank financing of the budget." Another investor described Ghana as a "challenging credit" and said a yield above 10 % was needed.

Ratings agency Moody's identified in its credit opinion published on Thursday 4th August "large gross borrowing requirements and rollover risk due to tight domestic and external funding conditions" as one of its challenges. Moody's has a B3 rating and a negative outlook on Ghana. Risks for the country are tilted to the downside, MUFG Securities' CEEMEA Strategy analyst, Trieu Pham, said. Pham agreed that the decision to pull the issue was probably due to pricing. He noted that Ghana's investor presentation had said any delay in selling a bond now could mean that the next feasible issuance window would have to be in second half of next year because of upcoming elections and the timing of the 2017 budget. "We therefore expect that the sovereign will intend to return to markets in the weeks ahead," Pham said. Ghana's 2023 Eurobond rose to its highest in more than a week, gaining a cent to trade at 88.500 cents in the dollar, according to Reuters data. The 2026 bond also added 0.625 cents to trade at 87.500 cents. *(By Sujata Rao, Reuters)*

Mozambique Sets Foreign-Exchange Limits, Standard Bank Says

Mozambique has instituted foreign-exchange restrictions, Standard Bank Group Ltd.'s local unit told account holders in the cash-strapped southern African nation, in an e-mail seen by Bloomberg.

"In response to restrictions on the import of foreign currency notes by the Mozambican Reserve Bank, Standard Bank has been compelled to administer the following restrictions in managing this situation," the lender said. "Effectively immediately foreign currency cash withdrawal and sale of foreign currency by account debit, shall observe the following monthly limits: $500, 1000 rand and 500 euro." Bank of Mozambique hasn't issued any new regulations, Eliana Namburete, a spokeswoman at the lender, said by text message.

In June, Mozambique held foreign reserves equivalent to 3.2 months of imports, not including merchandise for mega-projects, central bank Governor Ernesto Gove said, without giving a figure. The metical has fallen 31 % against the dollar this year, adding to losses of 32 % in 2015, according to data compiled by Bloomberg. It closed trading 1 % weaker at 69.50 against the dollar in Maputo, the capital.

The coal-producing nation, which is also trying to develop gas fields that the government says may make it the third-biggest exporter of liquefied natural gas, owes foreign investors $9.84 billion and has a domestic debt of $1.8 billion. Standard & Poor's Global Ratings believes the nation's public debt is equal to 90 % of its gross domestic product. The company is scheduled to review Mozambique's credit ranking later. *(By Borges Nhamire, Bloomberg)*

Nigeria's currency woes mean it is no longer Africa's largest economy – for now

In April 2014, Nigeria officially overtook South Africa as the continent's largest economy when its National Bureau of Statistics (NBS) updated the base year for calculating its GDP – from 1990 to 2010. The rebased GDP figure revealed the West African country to be almost 90% larger than previously thought – standing at US$509.9bn in 2013 compared with South Africa's $350.6bn.

But, just three months after Nigeria's rebased GDP was revealed, global oil prices began to decline, which would see them lose almost 60% in value over the following two years. In Nigeria, oil exports make up the majority of government revenue, and the collapsed crude prices quickly led to a shortage of dollars in the country. Since March 2015, the Central Bank of Nigeria (CBN) pegged the local currency at just below 200 naira to the US dollar in an attempt to protect its local population from inflation. But the scarcity of the US currency prompted it to halt dollar sales

to non-bank foreign exchange operators and investors became wary as news circulated of foreign companies struggling to convert earnings into US dollars.

According to the NBS, capital inflows in the first quarter of this year plummeted to $711m – a year-on-year decline of 73.79%. In June, the CBN was forced to unpeg the naira and adopt a market-driven exchange rate system. The naira has since lost over a third of its value to the US dollar, and as a result Nigeria lost its title as Africa's largest economy (measured in US dollars) to South Africa.

The South African rand has gained over 16% against the dollar this year – partly a result of investors turning to liquid emerging market stock exchanges after Britain's vote to leave the EU. The naira's devaluation, combined with the rand's current strength, means that when the IMF's GDP figures for the end of 2015 were recalculated, the size of South Africa's economy was $301bn, compared to Nigeria's $296bn.

But what does this mean?

According to Ecobank's head of economic research, Gaimin Nonyane, GDP size does have some impact on foreign investment as investors are generally attracted to larger economies. But South Africa's current domestic challenges have done little to instil investor confidence, and its Reserve Bank has forecast 0% growth for 2016. "At the moment confidence in both markets are weak. South Africa is going through some structural, as well as leadership, problems. So that is going to have some outside impact," she told How we made it in Africa. "At the same time Nigeria has this exchange rate hurdle to get over. So they are both in very critical positions at the moment where they aren't really appealing to investors to put their money into economies."

However, she believes Nigeria will regain its title as Africa's largest economy in the near future. "Over the long term period I think that the fundamentals are still good in Nigeria. There is a lot of room for optimism in Nigeria so I think it's just in the short term things are going to continue to remain bleak. And yes, in terms of market size South Africa will temporarily be bigger than Nigeria because of the exchange rate effects. But I think in the long run Nigeria will take back that position. "I don't see it coming out of the woods in the next two years – or 18 to 24 months. In terms of liquidity risk and foreign-exchange challenges for businesses, it's still going to be very difficult – which of course will continue to put pressure on the naira. So we are looking at the medium term in the next three to five years." *(How we made it in Africa)*

Republic of Congo Eurobond at record low after missed payment

The Republic of Congo's 2029 dollar bond has tumbled to record lows after the country missed a payment on its only international issue, leading to a credit rating cut from the Moody's and Fitch agencies. The bond, in which $478 million is outstanding, traded at 67.755 cents in the dollar on 4th August, after hitting a record low of 67 cents in the previous session.

The issue has fallen as much as five cents from last Thursday's closing level, according to Tradeweb data. Brazzaville missed a payment of the interest and capital due on 30 June 2016, and then failed to pay up during the ensuing 30-day grace period, Moody's and Fitch said this week. "The government indicates that the missed payment relates to an administrative error, rather than liquidity shortages, and stipulates that the payment will be made shortly," Moody's said. Moody's cut its RoC rating to B3 from B2 - six notches below investment grade - adding this was under review for further downgrades. Fitch downgraded its rating to 'RD' - or restricted default. No one from the government was immediately available to comment.

The bond was issued in 2007 by the oil-producing central African country as part of its debt restructuring. According to Moody's, the bond represents around 9 % of the government's debt by end 2015. "There is some sort of uncertainty in the market at the moment...It is one of the names that markets used to like in the past when oil prices were high, but there was limited disclosure," said Samir Gadio, Head of Africa Strategy, FICC Research at Standard Chartered Bank. "Now the fundamental case probably is weaker, but it is difficult to assess what is going on on the ground," he said, adding that it "looked strange" that the authorities would willingly stop servicing a bond, given the modest amounts involved. The bond is highly illiquid and not part of any major Eurobond debt benchmark. *(By Karin Strohecker, Reuters)*

Eurobond yield fall signals confidence in economy

- If Kenya (or Kenyan companies) were to issue a new Eurobond now, they would also pay much less in coupon interest compared to what they would have been charged by the market in January.
- Exotix says a number of macroeconomic conditions have changed for the better for Kenya since the beginning of the year hence the lowering of the risk profile of the debt.

The secondary market yield on Kenya's 10-year Eurobond has fallen to within 0.4 percentage points of coupon value since the beginning of the year, indicating improved investor confidence in the economy. Data compiled by UK-based investment bank Exotix Partners shows that the yield on the debt currently stands at 7.2 per cent, falling from 8.9 per cent at the beginning of the year during a raging debate on the use of proceeds and the volatile shilling.

Kenya issued the $1.5 billion bond in 2014 at a coupon rate of 6.785 per cent, alongside another $500 million five-year bond at 5.875 per cent. "Even in an environment of deteriorating market sentiment, we think that Kenya stands out as a relatively solid credit in the African space, with the potential to offer continued improvement on fundamental metrics,"

says Exotix in a fixed income strategy note. The country's debt is attracting lower premium compared to other African Eurobonds, majority of which above 10 per cent in yield.
Mozambique and Republic of Congo Eurobonds are offering yields of 17.8 and 13.4 per cent respectively, that of Zambia 10.3 per cent, Angola 10.1 per cent, Ghana 9.8 per cent and Cameroon at 8.4 per cent. The falling yields make for good reading for the original investors who may wish to sell in the secondary market, given that it has resulted in a rise of price from $88.90 to $96.90 per $100. Yields and prices move in opposite directions, with the seller discounting on the initial buying price when selling bond if the price is below 100.

A new Eurobond

If Kenya (or Kenyan companies) were to issue a new Eurobond now, they would also pay much less in coupon interest compared to what they would have been charged by the market in January. Kenya's interest burden on the loan is however not affected by falling or rising yields, purely a factor of the secondary market between buyers and sellers. Exotix says a number of macroeconomic conditions have changed for the better for Kenya since the beginning of the year hence the lowering of the risk profile of the debt.
The country's gross domestic product (GDP) improved to 5.9 per cent in quarter one this year compared to five per cent in the same period last year, a rate that is nearly twice the average for sub-Saharan Africa. Inflation has come down since the year began, standing at 6.39 per cent compared to 8.01 per cent last December. The country has also built up its forex reserves in recent months to the current level of $7.77 billion, representing a healthy 5.08 months of import cover.
This level of implied support has been among the factors that have kept the shilling stable this year at a range of 100.40-102.40 units to the dollar since January even with shocks like the Brexit hitting the market. "Debt service also remains relatively manageable at 14 per cent of total revenues while overall debt was 53.2 per cent of GDP at the end of quarter one 2016," says Exotix. Going forward, there remains concern however due to the need to finance the high budget deficit which will imply more borrowing and thus worsen the debt ratios. There is also lingering political risk in 2017 ahead of the General Elections. *(By Charles Mwaniki, Business Daily Africa)*

Uganda cuts interest rates again as inflationary pressures ease

Uganda's central bank cut interest rates, saying a stable shilling had dampened inflation as it faced calls to also bring down debt auction yields to help the monetary easing feed through to the broader economy. Making its third cut since April and signalling further reductions ahead, the central Bank of Uganda (BoU) lowered the benchmark policy rate by 100 basis points to 14 %, stepping up efforts to boost growth after the economy shrank in the first quarter from the previous one, hurt by a fall in agricultural output. BoU governor Emmanuel Tumusiime-Mutebile said the bank expected growth to accelerate to 5.5 % in the fiscal year ending June 2017, from a forecast 4.6 % in 2015/16.
Annual headline and core inflation were likely to drop by the end of 2016. "Given that inflation is forecast to stabilise around the policy target (of 5 %)... over the next six months, the Bank of Uganda believes that a continued easing of monetary policy is warranted," he said. That would also help to support a recovery of private sector credit, he added. A trader at a leading commercial bank in the capital Kampala said the BoU was sending mixed signals, lowering the benchmark rate while allowing yields on Treasury bills and bonds to remain high. In such circumstances, "banks won't find it appealing to drop lending rates," he said.
Although debt auction yields are in theory market-detemined, in practice the BoU often influences them via carefully timed liquidity mop-ups or injections. Yields on five-, and 15-year notes rose at the last bond sale on July 13, while yields on Treasury bills have also trended higher. Year-on-year headline inflation fell to 5.1 % in July, from 5.9 % the previous month, helped by slowing fuel prices. Core inflation, which strips out food, fuel and metered water, dropped to 5.7 % from a revised 6.8 %. The central bank, which uses the core reading as its monetary policy yardstick, holds its next policy meeting in October. *(By Elias Biryabarema, Reuters)*

Nigeria to sell $1bn worth of eurobonds this year to plug budget deficit

Nigeria is seeking two lead managers and a financial adviser to organise the issuance of $1bn worth of eurobonds this year, according to the nation's debt management office. The sale is the first tranche of a $4.5bn Nigeria global medium-term notes issuance programme that runs through 2018, the department said in a statement published in the UK's Financial Times newspaper.
The government wants to appoint two international banks as joint lead managers and a local lender as financial adviser for the whole programme, according to the statement. Bids are to be submitted by noon on September 19 in the capital, Abuja.
The move will "enable Nigeria to have the flexibility of quickly taking advantage of favourable market conditions in the international capital market to raise funds if and only when the need arises", according to the statement. The eurobond sales this year would be the first since Nigeria tapped the market in July 2013 and an inaugural issue in 2011. President Muhammadu Buhari approved a record 6.1-trillion naira ($19.3bn) spending plan this year and the treasury intends to borrow to plug the budget's 2.2-trillion naira deficit.

The Nigerian government is increasing spending to stimulate Africa's largest economy after it contracted 0.4% in the first quarter, as revenue dwindled amid lower oil prices and a decline in output. The economy could shrink 1.8% in 2016, according to the International Monetary Fund. *(By David Malingha Doya and Paul Wallace, Bloomberg)*

Banks set to float Kenya's first green bond

Kenya's commercial banks are planning to issue a green bond in the next six to eight months to raise money to fight climate change. In a joint statement, the Kenya Bankers Association (KBA) and the Nairobi Securities Exchange (NSE) said the country's first bank-supported climate change-aligned corporate debt instruments will pave the way for Kenya to join its peers in the continent who have already tapped the growing investor demand for green investments. The collaboration between the KBA and the NSE is in line with the Exchange's commitment to develop sustainable capital markets through the United Nations-led Sustainable Stock Exchanges (SSE) Initiative.

The initiative provides a framework for innovation within the capital markets, and is reinforced by the Sustainable Finance Initiative championed by KBA on behalf of the banking industry and the broader financial services sector. Institutions supporting the green bond initiative include the Central Bank of Kenya, the Capital Markets Authority and the National Treasury.

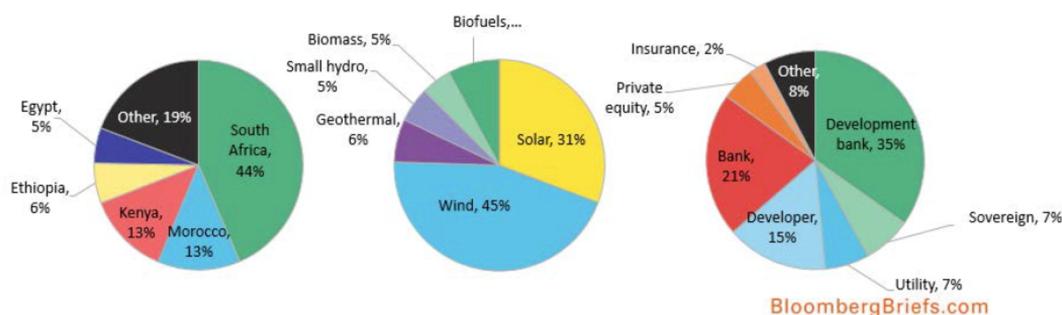
Kenya's Green Economy Strategy and Implementation Plan, and the UN Sustainable Development Goal on Climate that calls for urgent action to combat climate change and its impacts by the year 2030 also support the initiative. "We have had advanced discussions with the NSE and Central Bank of Kenya, which resulted in various proposals to be explored. Now that we have industry support, we are able to develop the roadmap and capital raising strategy," KBA CEO, Habil Olaka said at a consultative forum between banks, NSE and the investment community. "We are also very pleased that National Treasury and Capital Markets Authority have expressed willingness to align public and private sector efforts so as to position Kenya as the leading green bond market in East Africa," he said. Speaking in the same forum, the NSE chief executive Geoffrey Odundo said they have partnered with KBA to come up with a cooperative finance model which will see a credit-enhanced special purpose vehicle (SPV) formed by KBA. *(by Geoffrey Irungu, African Markets)*

Africa Project Bonds Held Back by Tenor, Building Risk

Absa Bank has been busier than usual financing deals in the power sector in Africa over the past three years, according to Theuns Ehlers, the head of resource and project finance at Absa's investment banking unit in Johannesburg. The bank has financed 1.6 gigawatts of renewables projects in the past four years just in South Africa — and has closed deals in Kenya, Zambia, Mozambique as well in Ghana and Nigeria. Still, closing a deal can involve convincing investors that repayments will be forthcoming from utilities over the long term. There are cases in which "it's really about educating the institutional investors," said Ehlers, whose unit works in mining, oil and gas, as well as power and infrastructure. Government payment guarantees help, but are not the whole solution.

Liquidity is also front of mind for those investing in project bonds — it is not always clear there will be a secondary market on which the paper can be traded. In any investment, Ehlers says, risks have to be assessed carefully, including the chances of not being able to exchange some currencies into dollars. "There is some currency convertibility risk, with tariffs payable in local currency linked to dollars," he said. "We know in some markets, at the moment, it's very hard to do these conversions — there are just not enough dollars in the economy." That said, the large population that still doesn't have access to sustainable power sources in Africa means that demand for power, and renewables projects, will continue to grow. And the future, even if coal does have a role, will be largely gas-fired power stations and integrated off-grid renewables, according to Ehlers.

South Africa Wind Farms Lead in Africa Renewables Finance



Source: Bloomberg New Energy Finance

The characteristics of renewable energy asset finance in Africa, cumulative 2005 to Q1 2016.

(By Ben Vickers, Bloomberg New Energy Finance)

ENERGY

Canary Islands institute to prepare rural electrification project in Cabo Verde

The Cabo Verdean government and the Luxembourg Development Cooperation Agency (LuxDev) have chosen the Canary Islands Technological Institute (ITC) to draw up technical plans for rural electrification projects in the Cabo Verde islands, reports the newspaper A Semana.

The ITC's mission will be to develop a sustainable plan for micro-networks with renewable energies and micro-network projects for rural communities in the Santiago Island interior, which still does not have an electric power network. The public tender carried out by LuxDev and the Cabo Verdean Ministry of Economy and Employment also counted the involvement of four more companies from Germany, the United Kingdom, France and Cabo Verde (Cape Verde). That tender is part of the renewables segment of the fourth Indicative Cooperation Programme (ICP IV) signed by the governments of Luxembourg and Cabo Verde on 12 March 2015.

ICP IV, to be implemented in 2016-2020, is endowed with 45 million euros and has four main action focuses: renewable energies, water and sanitation, stronger education and employability in the island country, and maritime economy. *(Macauhub)*

Transcorp Stops $1 Billion Nigeria Power Plan on Scarce Gas

Transnational Corp. of Nigeria Plc suspended plans to build one of the nation's biggest power plants as a local gas shortage makes it difficult to obtain fuel and a downturn in Africa's largest economy hinders efforts to raise funds for the project.

The company in 2014 said it would raise $1 billion to build a 1,000-megawatt gas-fired facility. Two years earlier, it bought the Ughelli plant in the hydrocarbon-rich Niger River delta from the government and more than doubled its output to 700 megawatts. Since then, attacks on pipelines by militant groups have cut gas supplies to stations and forced millions of Nigerians to either do without electricity or buy fuel for their own generators. Also, a dollar shortage blamed on a 15-month currency peg removed on June 20 has raised import prices and inflation, with the economy contracting in the first quarter. "How do you make the investments when you are generating far below your current capacity due to gas problems,'' Chief Executive Officer Emmanuel Nnorom said in a July 29 interview in Lagos, Nigeria's commercial hub. Transcorp's interests range from agriculture to energy.

Niger Delta Minister Usani Usani said the government is in talks with militants about ending the attacks on pipelines, but could not confirm whether one group, the Niger Delta Avengers, were part of the discussions as its members are unknown.

The partial sale of 17 former state-owned power utilities three years ago was meant to attract investment needed to expand the grid and end daily blackouts. Yet, private investors have been hampered by increasing debt owed by the government and the inability to obtain foreign exchange. Electricity firms under the umbrella body Electricity Generation Companies in Nigeria said last month they may be compelled to shut down because of the gas and currency shortages.

The scarcity of gas has reduced Nigeria's power generation to less than half of the installed capacity of 6,000 megawatts, the lowest in a decade, even as the country holds the continent's largest reserves of the fuel, contributing to the contraction of the economy which may shrink 1.8 % in 2016, according to the International Monetary Fund.

Solar Options

"My number one problem would be gas, owing to much capacity available that is not put to use," Transcorp Power CEO Adeoye Fadeyibi said in the same interview. Ughelli's generation slumped to 70 megawatts this year before rising to 300 megawatts, or less than half of what it's capable of generating, he said. The nation, which has about 180 million people, generated an average of 2,464 megawatts of electricity in June, the Power Ministry said. Comparably, South Africa with a third of the population, has capacity to generate more than 40,000 megawatts.

Transcorp is in discussions with some foreign companies to diversify its sources of electricity to include solar, which will enable it lower constraints from gas supplies, Fadeyibi said. Nigeria's Power Ministry signed agreements with 14 solar-electricity generating companies last month to supply 1,125 megawatts of electricity to the national grid. While Transcorp isn't part of the agreement, it is looking at deals that will be competitive based on its projections, Nnorom said. *(By Emele Onu, Bloomberg)*

Energy the 'light at the end of the tunnel' for Mozambique's economy

Mozambique's energy sector, which includes major projects being launched by Chinese companies, offers the country the best prospects to overcome the current adverse economic period, analysts have indicated.

One recently launched project is the building of a coal-fired power plant in Tete province, a US$25.5 million investment involving Shanghai Electric Power and Ncondezi Energy. Another planned thermoelectric plant in Tete involves the governments of Mozambique and Zambia.

The most recent report on Mozambique by credit-rating agency Standard Poor's calls attention to current economic and financial difficulties. It estimates real GDP growth of just 4 % this year, one of the lowest in recent decades, though predicting that it will accelerate to 6 % in 2017 and 7 % in 2018, with gas sector investments on the rise, along with those in power and transportation networks.

Construction of most railway track linking ports in the north and centre of the country to new coal deposits should sustain higher coal production in 2016-2019 "provided international coal prices recover from the current low levels," indicates the report received by Macauhub.
More significantly, S&P believes that the government and foreign partners in liquid natural gas (ENI and Anadarko Petroleum) will conclude negotiations on this year's investment framework, allowing construction of facilities to begin in 2017-2018.
The Economist Intelligence Unit sees foreign investment staying low in the short term, though recovering slowly beyond 2017 if the government takes sufficient steps to re-establish the IMF programme, which would be a crucial sign to investors that authorities are responding to the economic crisis.
Privatisation of assets should attract some investment, while capital employed in the gas industry may recover in the middle term, it specifies, adding that given slow overall demand for Mozambique's main exports there will be no promise of high returns to attract investors; the government will have to boost efforts to improve the business climate.
China should become one of the main clients for Mozambican natural gas, where it has already made its presence felt.
The Chinese National Offshore Oil Corp has obtained the first long-term contract envisaging the annual purchase of from 2 million to 2.5 million tons of gas, a quarter of production capacity at the first liquefaction unit associated to Area 1 of the Rovuma Basin, where Anadarko Petroleum is the lead operator.
Chinese oil companies' interest in Mozambican natural gas had already led Sinopec to buy from Italy's ENI a 20 % stake in Area 4, next to the one operated by Anadarko, for US$4.2 billion.
According to Standard Bank, natural gas exports will initially earn US$67 billion for Mozambique. With six liquefaction plants operational earnings will rise to US$212 billion.
The final decisions on Mozambique project investment by ENI and Anadarko are expected in coming months. ExxonMobil and Qatar Petroleum should also be involved, Reuters recently reported.
ENI envisages financing of US$11 billion, selling a 20 % stake in the Mamba well to ExxonMobil, a deal which could result in US$1.3 billion in tax earnings for Mozambique. That sum would be equivalent to the 'hidden' debts whose discovery led to cancellation of support from the IMF and other partners.
China Petroleum Pipeline Bureau (China National Petroleum Group, stakeholder in Rovuma Basin Area 4) will conduct the feasibility study for the 2600 km Rovuma/Gauteng gas pipeline announced last March. Once the investment decision is made, Chinese financial institutions will take on 70 % of the financing.
Chinese involvement means the project will be a triple winner, the analyst Aubrey Hruby of the Atlantic Council Africa Centre has stated. "China gains because Chinese contractors get the business; South Africa and Mozambique gain because they secure the gas they need and Zimbabwe and Zambia gain because they also need energy," said Hruby, cited by Interfax. *(Macauhub)*

Cuanza Sul: Ministry of Energy and Water holds VI Consultative Council
The Ministry of Energy and Water is holding in the coastal Cuanza Sul province its VI Broad Consultative Council, running under the guidance of the incumbent minister, João Baptista Borges.
The event is taking place under the motto "Energy and Water, the News Challenges". Speaking at the opening ceremony, the Minister said that the implementation of investments in the water area covers a share of 66 per cent of the rural population, equivalent to 4.6 million people. "These numbers were achieved through the completion of small water systems and boreholes, both with funds to central coordinating projects and site, although that programme has suffered, like all others, a strong retraction in its execution, by constraint fiscal policy", he said.
Regarding the capital of the country, the minister said that the conclusion of partial or full rehabilitation project includes the Luanda Water System – Kifangondo, Kalumbo and Kilamba water treatment centres and the Maianga water distribution centre. He said there is an effort to supply more water to Luanda.
As for the power sector, the official ensured the continued construction of the second power plant of Cambambe, AH Lauca, Soyo Combined Cycle Power Plant and the associated transport systems. He stressed that the completion of these projects set for next year will increase the power supply capacity to Luanda and for the first time will connect Luanda with the provinces of Zaire, Cuanza Sul and Benguela and Malanje with Huambo.
Participants are addressing the challenges of regulatory institute of power and water services and its new organic regulation for the sector, the National Water Plan, presentation of the electricity sector 2016/2017 prospect.
The challenges of the training centre for electricity staff under the transformation of the energy and water sector are also part of the agenda. The meeting is being attended by Secretaries of State for Water and Energy, CEOs of Boards of Directors of water and energy utilities, provincial directors, deputy governors for technical and infrastructural affairs, of social, political and economic issues of Cuanza Sul province and invited guests. *(Angop)*

Cuanza Sul: Minister wants more revenues in ENDE and EPAL
The minister of Energy and Water, João Baptista Borges, considered in Sumbe city, coastal Cuanza Sul province, imperative that the National Power Distribution Utility (ENDE), Water Utility (EPAL) and other companies of the two sectors to increase their commercial revenues, with the plans for rising the billings.

Speaking at the opening of the VI Broad Consultative Council of the institution, the minister said that these companies should engage continuously plans to increase the charges, also setting individual targets for their agents and employees. He added that it is necessary to instill in their employees the notion that salaries must be paid with the result of the daily efforts made by all employees.
The official pointed out that the sector will continue to focus special attention on the conclusion of projects that contribute to improve the quality of the water and power supply countrywide, as per the National Development Plan 2013/2017.
According to the minister, it is necessary to support the strategy of diversification of the economy so as to achieve in the goals of the "Water for All" programme, with the conclusion of the ongoing projects and ensure access to water in rural areas to more than 785,000 people. *(Angop)*

INFRASTRUCTURE

Foreign shippers authorised to operate along Mozambique's coast
Foreign shipowners can operate cabotage (coasting trade) service in Mozambique per the terms of a government-approved decree-law, Transport and Communications Minister Carlos Mesquita announced in Maputo.
Mesquita stated at the end of the Council of Ministers meeting that the decision was meant to boost activity and offer a transport alternative, enabling both national and foreign shipowners to invest "under equal circumstances, benefiting from the same treatment and arrangements offered by the state."
The reactivation of coasting service will help achieve economies of scale and thereby lower product prices, making them more affordable for the population, Mesquita added, cited by the Maputo-based daily Notícias. "To encourage foreign investors' entry in the coasting trade, the government considered regulatory instruments that guarantee priority for ship mooring and lower port fees in national harbours," he said. Without revealing percentages, Mesquita said the reduction of fees charged by the national maritime (Inamar) and hydrography and navigation (Inahina) institutes had also been approved to eventually benefit shipowners and the population. *(Macauhub)*

Mozambique's CFM Ports and Railways sells part of stake in Nacala Integrated Logistics Corridor
The state-held Portos e Caminhos-de-Ferro de Moçambique (CFM) has earned US$106 million by selling a block of shares it held in Corredor Logístico Integrado de Nacala (CLN), Transport and Communications Minister Carlos Mesquita announced in Maputo.
Mesquita specified that CFM maintained a stake in CLN's share capital and that the proceeds from the sale would allow the company to improve its cash holdings and make a number of planned projects feasible.
The press has reported that the shareholder restructuring of the Northern Logistics Corridor is meant to improve logistics for Moatize coal in various transport chain segments, especially the coal and general cargo terminals in Nacala-a-Velha, and also regarding rail passenger transport service.
Mesquita said that lower raw materials prices had significantly changed the results of various financial models that were studied at a time when coal was priced from 140 to 150 dollars per ton. "For example, Vale Moçambique continues to operate with losses, whereby the government accepted the sale of part of its coal-associated assets in Mozambique to the Japanese group Mitsui & Co., thereby allowing a strategic partner to enter," he added. *(Macauhub)*

Libyan ports set to reopen
The Libyan government has agreed with the militant group controlling the oil terminals of Ras Lanuf and Es Sider to reopen the ports. These two terminals can export up to 600,000 bpd and have been offline since 2014. No timeline has been set for a restart, and we'd expect exports to ramp up slowly given likely damage from the fighting. Mid-sized crude tankers typically low Libyan crude destined for European refineries. While the increased cargoes may help relieve pressure on the Suezmax sector, generally the short voyage distance means as trade flows shift it could be dilutive from ton-mile perspective. *(JP Morgan)*

Mozambican government launches tenders for road concessions
The Mozambican government has put out public tenders for the concession to private entities of several national roads, the Minister of Public Works, Housing and Water Resources, Carlos Bonete, has announced. The first phase of the concession project involves the Matola/Boane, Marracuene/Lindela, Nampula/Nacala, Vanduzi/Changara and Monapo/Mozambique Island sections and the introduction of tolls, said Bonete, cited by the Maputo-based daily Notícias. At the opening of his ministry's second Coordinating Council, under way in Marracuene, Bonete explained that the introduction of toll roads is crucial, given ongoing growth of the national road network and increased maintenance needs. The minister recalled that large sums have been spent to build and maintain roads, mentioning as examples the work on the Boane/Moamba, Maputo/Ponta do Ouro and Boane/Bela Vista sections in Maputo province. He also highlighted ongoing work on the Beira/Machipanda, Alto Benfica/Milange and Nampula/Cuamba/Mandimba/Lichinga roads. The first phase of the latter encompasses 350 km between Nampula and

Cuamba, of which about 234 have been completed between Nampula an Malema. The second phase involves the Cuamba/Mandima/Lichinga section, about 330 km long. *(Macauhub)*

Chinese consortium to build airport in Gaza, Mozambique

China's Anhui Foreign Economic Construction (Group) Co., Ltd., associated to the Chinese-capital Mozambican company Sogecoa Lda. (Mozambique), has been contracted by the Mozambican government to build the future airport of Gaza province, reports the Maputo-based daily Notícias.

The newspaper cites figures disclosed at a recent Transport and Communications Ministry meeting in Maputo, indicating that the future Gaza airport will cost US$50 million and include passenger and cargo terminals. It will be able to handle aircraft of the Q-400 type, a turboprop made by Canada's Bombardier.

The negotiation process to award the contract finished several days ago, said ministry officials at that meeting. They added that the airport's construction is deemed a strategic priority, so that the infrastructure can help galvanise rapid development of the province, especially by promoting tourism.

At the same meeting it was announced that runway improvement work at Maputo's international airport would be finished this coming December. The work is 70 % complete so far and includes installation of a new runway lighting system and pipelines for aircraft fuelling. *(Macauhub)*

MINING

Angola exports cut diamonds to United Arab Emirates

The state-held company Angola Polishing Diamonds exported 4,462 carats of cut diamonds to the United Arab Emirates last June, invoicing US$3.098 million at an average price of US$694.5 per carat, informs the Ministry of Geology and Mines in Luanda. June diamond production in Angola amounted to 753,000 carats, with participation of eight of the twelve operational mines, bringing in US$75.35 million at an average price of US$100 per carat. The Catoca mine accounted for 620,500 carats, Camatue 41,200 carats, Cuango 39,700, Chitotolo 20,000, Calonda 12,800, Somiluana 9,000, Luo 8,700 and Lulo 808.

Compared to May 2016, when 736,700 carats worth US$74.9 million were produced at an average price of US$101 per carat, respective increases in quantity and value of 2.23 % and 0.51 % were recorded. Between industrial tax and royalties paid by diamond companies, the activity brought in tax revenue of 934.1 million kwanzas (US$5.6 million), up year-on-year though down 11 % over May. *(Macauhub)*

Canadian company raises funds to mine diamonds in Angola

Canada's Gem International Resources raised 1.2 million Canadian dollars upon completion of the second phase of a private share placement that earned 400,000 dollars, the company announced in a recently released statement.

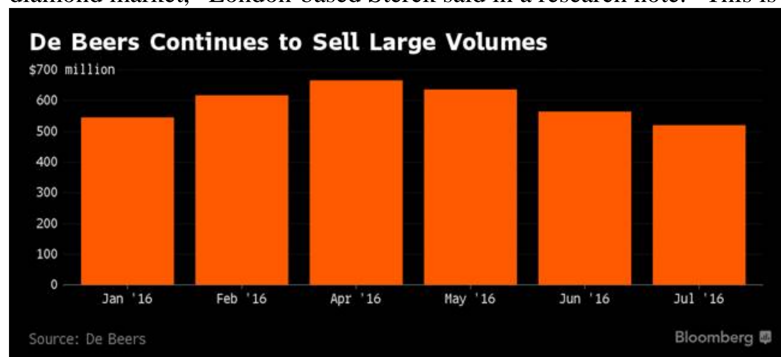
The company aims to use the proceeds to prospect for diamonds in Angola, specifically at a concession identified as Dala, situated near the Catoca mine, the world's fourth largest.

Gem International Resources investor relations director Andrew Philips explained that the region where the company has a concession is among the "most coveted" in Angola, adding "we're in the right spot."

Philips said the company's chief executive, Denis Hayes, had decided to focus on diamond mining in Angola after exploration work in other African countries. *(Macauhub)*

De Beers's $520 Million Diamond Sale Defies Summer Slowdown

De Beers's $520 million of rough-diamond sales at its most recent auction is raising hopes that the industry can avoid a slowdown in the second half of the year. While this was the smallest sale by the world's biggest supplier so far this year, continued demand during a typically slow period is being taken as a good sign by analysts including Edward Sterck at BMO Capital Markets. "This looks like an encouraging result given the seasonally quiet time of year in the diamond market," London-based Sterck said in a research note. "This is a positive data point."



The diamond industry is seasonal, with the holiday period from Thanksgiving in November through the Lunar New Year in Asia in January or early February the busiest period for jewelry sales. Diminished inventories that follow during

the first quarter mean cutters and polishers rush to refill stocks of rough stones. It’s been six years since prices advanced in the July-to-December period. The industry is also facing headwinds from an industry credit crunch as key financiers withdraw and as demand weakens because of a slowdown in China and India, the second- and third-biggest consumers.

“We don’t see many risks here as volumes remain high,” said Moscow-based Kirill Chuyko, head of equity research at BCS Global Markets. “Summer is one of the weakest periods for diamond consumption.” De Beers, a unit of Anglo American Plc, sold 17.2 million carats in the first half, a 29 % increase on a year earlier, as it sold down inventories accumulated last year after prices slid. The company said last week that inventory levels across the industry were returning to more normal levels and that it wasn’t oversupplying the market. *(By Thomas Biesheuvel, Bloomberg)*

OIL & GAS

South African refineries operational despite strike, fuel supply stable

Production at South Africa's oil refineries has continued despite an indefinite strike by workers demanding higher wages, the petroleum association said, while fuel retailers urged motorists not to panic.

Around 15,000 members affiliated to Chemical, Energy, Paper, Printing, Wood and Allied Workers union (CEPPWAWU) launched the strike, demanding a 9 % wage hike and one-year deal, while employers were offering less. "Refineries continue to produce," South African Petroleum Industry Association executive director Avhapfani Tshifularo said. Some parts of Gauteng province, the country's commercial hub, which includes Johannesburg and the capital Pretoria, had faced some delays, he said. Drivers ferrying fuel from depots to service stations were being threatened, he said, but did not give details. Union officials were not available to comment. Reggie Sibiya, chief executive officer at the Fuel Retailers Association, said mainly poorer areas were being affected by fuel delivery delays and disputed the claims of violence against the drivers. "Oil companies don't want to go deliver there and are using safety as an excuse. It's not because there is no product," he told Reuters.

Africa's most industrialised economy, which holds local elections, is a net importer of refined petroleum products. The government said previously that fuel shortages could cost the economy around 1 billion rand ($72 million) a day.

A similar wage strike in 2011 that lasted almost three weeks saw petrol pumps run dry as panicked motorists filled up their vehicles. Sibiya urged motorists not to panic. "There is no need for panicked buying. There is no crisis," Sibiya said. Chevron said operations at its 110,000 barrels a day Cape Town plant were continuing and measures were in place to minimise the strike's impact. At some service stations certain types of fuel were not available due to delivery problems, a Reuters witness said. ($1 = 13.8119 rand) *(By Wendell Roelf, Reuters)*

Sasol group contracts training services from Mozambican company

South Africa’s Sasol group has contracted Futuro Skills Mozambique Ltd to train its workers and those of its subcontractors operating at Inhassoro in Inhambane province, Australia’s RBR Group Ltd announced. The Australian group, which controls 100 % of Futuro Skills Mozambique Ltd, explained that its subsidiary would provide training in two fields, with classes to begin this coming September. RBR chief executive Richard Carcenac said he hoped that this first contract obtained with a major company would be followed by others as Mozambique’s abundant resources and natural gas are progressively exploited. Several days after awarding the first contract to Futuro Skills Mozambique Ltd, the Sasol group requested a new proposal for additional training, Carcenac added. The Perth-based RBR Group Ltd (http://www.rbrgroup.com.au/) is listed in the Australian Securities Exchange. It supplies services to companies operating in the natural resources, construction, gas and oil sectors. *(Macauhub)*

Sasol studies offshore transfer of Mozambican natural gas

The South African petrochemical group Sasol is studying the feasibility of building a pipeline to link the liquid processing facility (LPF) on land to a floating production, storage and offloading (FPSO) unit off the coast of Inhambane province, reports the Maputo-based daily Notícias. The transnational Environmental Resources

Management and the Mozambican company Impacto have been contracted to conduct the environmental impact study, including the public participation aspect, the newspaper indicates, citing a group source. A pre-feasibility study should be presented and subject to public debate this month in Inhassoro and Maputo. The group exports to South Africa via a 900 km gas pipeline natural gas it has extracted from the Pande and Temane wells since 2004. The aim of this investment is to diversify outflow alternatives. Besides this project, the Sasol group is involved in prospecting for more hydrocarbons in Inhambane, where it recently began a drilling programme under a shared production contract signed with the Mozambican authorities in January.
The Mozambican government also approved last January that contract's development plan. Sasol soon afterward ordered drilling equipment from the French Société de Maintenance Pétrolière, which arrived at the port of Maputo in March. The shared production contract's first development phase is estimated to require investment of about US$1.4 billion by the South African group. *(Macauhub)*

Angola China's third biggest oil supplier in June
Angola became China's third biggest oil supplier last June after Saudi Arabia and Russia, indicates the monthly oil market report prepared by the Organisation of Petroleum Exporting Countries. The three countries respectively account for 10 %, 18 % and 13 %. During the period under analysis China imported 151,000 more barrels per day from Saudi Arabia, 175,000 more barrels per day from Angola and 236,000 fewer barrels per day from Russia. Iran ranks fourth on the list, supplying 161,000 more barrels to China than the figure recorded in May. Chinese oil imports fell in June for the second straight month, down 140,000 barrels per day to 7.5 million barrels per day, though up 276,000 barrels per day year-on-year. *(Macauhub)*

Angola maintains position as Africa's top oil producer in July
For the fifth straight month Angola was Africa's top oil producer, with 1.782 million barrels per day, surpassing Nigeria, where production was 1.508 million barrels per day, the Organisation of Petroleum Exporting Countries has informed. Those two figures are based on secondary sources, according to OPEC's monthly oil market report, and indicate that the countries have seen their respective production fall in monthly terms by 3,800 barrels per day for Angola and 41,300 barrels per day for Nigeria. Based on direct communication, OPEC informed that Angolan production stood at 1.761 million barrels per day, up 8,600 barrels per day and that Nigeria had seen a monthly increase of 147,400 barrels per day to production of 1.527 million barrels per day.
The International Energy Agency indicated in a recent report that only disorganisation, political instability, petroleum theft, problems controlling armed groups and successive postponements of the new petroleum law prevented Nigeria from resuming its first place position in African oil production. Angolan oil production in the first half-year recorded an average of 1.773 million barrels per day. *(Macauhub)*

Angola's Sonangol backs off from deal with Cobalt International group
The US-based Cobalt International Energy group will sell its 40 % stake in two Angolan oil blocs to "third parties" after the state-held Sonangol pulled out of the deal, the group has announced. In a statement to the market released in Houston, the group indicated that its chief executive Tim Cutt met in late July with the head of Sociedade Nacional de Combustíveis de Angola (Sonangol), Isabel dos Santos, to discuss the sale of those two stakes. At that meeting, the two sides agreed that Cobalt International Energy would seek to sell its 40 % stake in blocs 20 and 21 to "third parties". In August 2015 the US group announced that it had sold to state-held Sonangol its stakes in those two blocs for US$1.75 billion. Indicating that it would only keep a stake in bloc 9, the group stated that "the sale and purchase agreement provides for a smooth transition to a new operator and underscores the parties' commitment to attain the final investment decision" so that production can begin in late 2018. *(Macauhub)*

Eni reaches deal with Exxon on Mozambique gas project-sources
Italian oil firm Eni has wrapped up long-running talks to sell a multi-billion dollar stake in its planned Mozambique liquefied natural gas (LNG) development to Exxon Mobil, two sources with knowledge of the matter said. "The deal is done but won't be announced for several months at Exxon's request," one of the sources said. Eni declined to comment, while a spokesman for Exxon said, "We do not comment on market rumours or speculation".
The offshore gas reserves already discovered by Eni in Area 4 are large enough to need a giant land-based LNG export plant whose proximity to Asian and Middle Eastern growth markets makes it potentially a highly-lucrative project. But talks to bring in a technically-savvy partner with deep pockets like Exxon have dragged on due to a differences over valuations in the light of falling oil and gas prices. In 2013 Eni sold 20 % of its Area 4 licence to China's CNPC for $4.2 billion but since then oil and gas prices have come down by more than half.
However, last year Mozambique awarded Exxon three offshore exploration licence blocks of its own which sit to the south of Eni's discoveries, giving a new dimension to development prospects. "As you are aware, on October 28, 2015, Exxon was awarded three offshore blocks in Mozambique," the spokesman for Exxon said. "We look forward to further discussions with the Mozambique government on the development of a production-sharing contract for the blocks." Eni

has been reluctant to sell too much of its 50 % stake in the Area 4 permit where as operator it has already found 85 trillion cubic feet of gas.

But in recent weeks Eni Chief Executive Claudio Descalzi has raised the possibility of it selling up to a 25 % stake, up from the 10-15 % previously on offer. The two sources said after lengthy talks, Eni and Exxon have now agreed terms and "sealed" a deal that could give Exxon its desired operating stake in the onshore LNG export plant while Eni would retain control over the Area 4 gas fields feeding it. Last week Descalzi reiterated Eni's desire to remain operator for the gas fields. "Our model is to remain and keep the operatorship or keep, in any case, a clear control on the asset - the asset that we discovered," he told analysts.

While Eni will export gas as LNG from at least one floating offshore platform in the Coral field development in Area 4, the main focus of work will be on the larger land-based plants. The Coral field will remain outside the scope of the deal with Exxon, the sources said, and Eni has earmarked LNG from the Phase I development of Coral to BP. *(By Oleg Vukmanovic and Stephen Jewkes, Reuters)*

Kenya Approves Oil-Production Plan

Project includes upgrading infrastructure to allow trucks to carry oil to Mombasa

The Kenyan government has approved a plan to start producing crude oil, with a goal of reaching up to 4,000 barrels a day, as the nation seeks to tap its newly discovered oil resources. As part of the plan, infrastructure will be upgraded to allow trucks to ferry the oil to the main port in Mombasa, according to a statement from the president's communications department.

The plan has the potential to deliver as much as 2,000 barrels a day in the second half of 2017, according to Tullow Oil PLC, which is doing the exploration. Tullow discovered oil in Kenya in 2012 and estimates there are 750 million barrels of recoverable resources.

The cabinet also approved the development of a pipeline from the exploration fields in the country's north to Lamu, where Kenya is constructing a second port, which in the future will be the main source of transportation for crude oil from Kenya. Kenya's moves come as global oil prices are recovering from record lows. Brent crude futures ended Thursday 11th August at $46.04 a barrel on the ICE Futures U.S. exchange, up nearly 24% for the year to date. The International Energy Agency said that a long-standing oversupply is waning even as the world's leading exporters pump at record levels. *(Associated Press & Wall Street Journal)*

Uganda says to grant oil production licences to France's Total

Uganda's cabinet agreed to allow the energy ministry to grant three oil production licences to France's Total, the presidency said. Commercial crude reserves were discovered in the east African country a decade ago but production has been repeatedly delayed amid wrangling over taxation and field development strategy. The absence of key infrastructure, such as a crude export pipeline, has also slowed progress to production. According to a statement issued by the president's office, the cabinet approved a request from the minister of energy to allow the issue of three petroleum production licences to Total E&P.

The licences cover the Ngiri, Jobi-Rii and Gunya fields in the Albertine rift basin, the area along the country's border with the Democratic Republic of Congo. The licenses will be valid for 25 years and can be renewed for an additional 5 years, the presidency said in the statement.

Total is the second oil firm to be offered a production license after one of its partners, China's CNOOC. Tullow Oil, which also co-owns fields with Total and CNOOC, has also applied for production licences and has been waiting for approval for years. In April, Uganda agreed with Tanzania to jointly develop a pipeline to the Indian Ocean port of Tanga to help export Uganda's crude reserves, which are estimated at 6.5 billion barrels. *(By Elias Biryabarema, Reuters)*

RETAIL

'Africa's Ikea' Steinhoff to Buy Sleepy's Owner Mattress Firm for $2.4 Billion

Deal would mark South African furniture retailer's entry into U.S. market

Steinhoff International Holdings NV, Africa's retailing giant but little-known outside the continent, has made its first foray into the U.S., agreeing to pay $2.4 billion for Sleepy's owner Mattress Firm Holding Corp.

Steinhoff, a family-owned furniture seller based outside Cape Town, South Africa, is called "Africa's Ikea" for its home furnishing retail chains. Until recently, it had trained its sights on expansion in Europe, from Germany and Switzerland to Poland and Bulgaria, and Australasia. Last month, it agreed to pay £597 million ($793.77 million) for British retailer Poundland Group PLC, which sells most of its goods for a pound, or about $1.31 at today's rates.

The company said on Sunday it would push into the U.S. as well, acquiring Mattress Firm for $64 a share in cash. The offer represents a 115% premium to Mattress Firm's closing price of $29.74. Steinhoff described the deal as one that would "create the world's largest multi-brand mattress retail distribution network."

Houston-based Mattress Firm, meanwhile, is the largest U.S. specialty mattress retailer with 3,500 company-operated and franchised stores in 48 states and sells a variety of brands including Tempur-Pedic and Sealy. Founded in 1986, it too has been expanding through acquisitions, including the purchase of rival Sleepy's in February. The expansion has

bolstered sales but also resulted in rising costs. Mattress Firm warned in June that it expected a loss for the fiscal year as it moved to rebrand all its stores under the Mattress Firm banner.
Bruno Steinhoff, the Steinhoff family patriarch, started his business selling cheap furniture from West Germany to East Germans in 1964. The fall of the Berlin Wall in 1989 put Mr. Steinhoff in a position to tap a growing consumer class in Eastern Europe. In 1997, the family acquired a stake in a South African furniture company, listing the combined entity on the Johannesburg Stock Exchange in 1998 under its current name. Steinhoff owns a variety of chains that sell furniture and bedding in countries ranging from Switzerland to Poland. Steinhoff has since been looking to tap markets further afield. "In South Africa and Africa, our market-share is already quite big. Growth potential in our current product category is a bit capped," said Mariza Nel, director of corporate services at Steinhoff, in an interview before the Mattress Firm deal. "We need the market to grow, or we will need to enter into a new product category."
For the nine months ended March 31, the company—which recently moved its primary stock listing to Frankfurt—posted a 45% increase in revenue to €9.93 billion, while operating profit rose 46% to €1.09 billion. Many of South Africa's companies have found success tapping developed markets like Australia, rather than tackling developing but difficult ones in Africa, despite the continent's population of more than one billion people. In Nigeria, Africa's largest economy, for example, rents are exorbitant and supply chains tough to maintain.
Upscale South African food and clothing retailer Woolworths Holdings Ltd. closed its three Nigerian stores in late 2013. Months later, it acquired Australian department-store chain David Jones and the remaining minority stake in specialty apparel maker Country Road Group. The company now reaps more than 40% of its revenue from Australasia.
Naspers Ltd., Africa's largest company by market capitalization, catapulted to that position after acquiring an early stake in China's Tencent Holdings Ltd., now an internet giant. Naspers is Tencent's biggest stakeholder, and has investments in internet companies from Argentina to India to Turkey.
Steinhoff isn't leaving Africa. Last year, it bought South African clothing discounter Pepkor Holdings Proprietary Ltd. for 62.8 billion South African rand, about $5.7 billion at the time. The combined entity currently has more than 6,500 stores in 30 countries across Africa, Europe and Australasia. Still, during the six months ended Dec. 31, Africa, excluding South Africa, accounted for less than 2% of Steinhoff's revenue.
Like many multinationals with South African roots, it retains a secondary listing on the Johannesburg Stock Exchange, where it is the eighth biggest company, with a market capitalization of 346.08 billion South African rand ($25.26 billion). Others include mining behemoth Anglo American PLC, luxury-goods giant Cie. Financière Richemont SA and SABMiller PLC. Just three of the Johannesburg exchange's 10 largest companies by market cap have primary listings there.
SABMiller's precursor, South African Breweries, moved its headquarters from Johannesburg to the U.K. in 1999 amid a wave of corporate defections. Then as now, a weak currency and limited access to international investors hobbled the country's economy. Steinhoff's deal with Mattress Firm is expected to close in the third quarter. Linklaters LLP acted as legal counsel to Steinhoff, and Ropes & Gray LLP acted as legal counsel to Mattress Firm. Mattress Firm's financial adviser for the transaction was Barclays. *(By Alexandra Wexler, Wall Street Journal)*

AGRIBUSINESS

Mozambican entrepreneurs aim to produce sugar in Angola

The Angolan government will support a sugar production project that Mozambican entrepreneurs and their Angolan partners plan to implement in Uíge province, Industry Minister Bernarda Martins said in Luanda. In comments after meeting with Mozambican Industry and Trade Minister Oldemiro Baloi, Martins said that the project in question was being studied, given that "Angola does not produce enough sugar to supply the country."
Regarding a memorandum of understanding for bilateral cooperation in the industrial sector, she stressed that Angola would benefit "from Mozambique's experience, specifically in institutional terms and in quality, support for SMEs and training." Cited by Angop news agency, Martins said the level of trade between the two countries was very low. She highlighted that under the signed memorandum of understanding steps would be taken to reverse the current situation. "We've been talking to private sector entrepreneurs from the two countries and there are Mozambican companies interested in investing in Angola as well as Angolan entrepreneurs interested in developing industries in Mozambique, above all for the supply of raw materials such as clinker for cement production," she added. *(Macauhub)*

Tanzania plans to boost sugar output 31 pct in four years

Tanzania aims to raise sugar production by about 31 % over the next four years to meet domestic demand, the prime minister's office said. Local growers produce around 320,000 tonnes of raw sugar per year against demand of 420,000 tonnes, with imports from Brazil and elsewhere filling the deficit. President John Magufuli in February tightened restrictions on sugar imports, leading to nationwide shortages and pushing up the local price. "The government is determined to protect domestic sugar factories to ensure they boost sugar production in order to do away with imports," Prime Minister Kassim Majaliwa's office said in a statement. The goal is to increase production by 100,000 tonnes by 2020 to fully cover the annual deficit. Sugar production in Tanzania comes mainly from four large companies, which

include Kilombero Sugar company, majority owned by South Africa's Illovo Sugar, and TPC, a unit of Mauritius sugar producer Alteo. *(By Fumbuka Ng'wanakilala, Reuters)*

Biocom to produce 47,000 tons of sugar by October

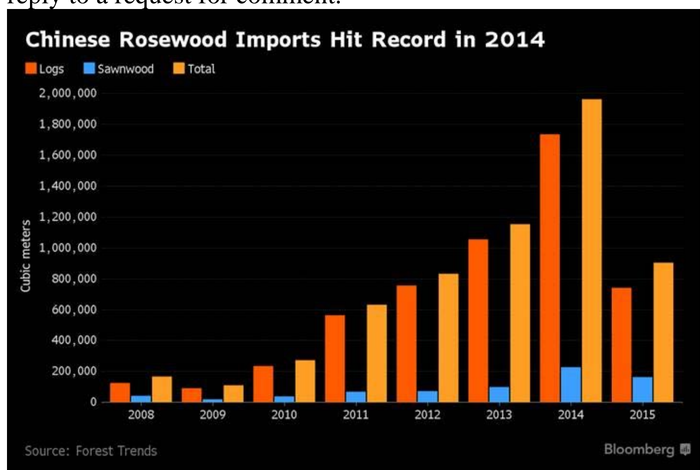
Luanda - Biocom, first plant in the country to produce and market sugar, ethanol and electricity from biomass plans to reach a production of 47,000 tons sugar by October, as final stage of the agricultural season 2015/2016. Under the current agricultural campaign, the company's production, located in Cacuso northern Malange province will reach 16,000 cubic meters of ethanol, which will generate 155,000 megawatts of power. According to a press note released to ANGOP says that in the current year the company has reached a partial balance of 8.947 tons of sugar, 2.186 cubic meters of ethanol and 8.600 megawatts of electricity. However, to achieve the goals set in 2016, the company has more than 2000 workers, divided into shifts running 24 hours a day. According to the results of last year (2015), the note informs that there has been an increase in production levels compared to 2016. In 2015, they obtained a production of 24,770 tons of sugar, 10.243 cubic meters of ethanol and generated 42,000 megawatts of electricity. The Biocom product’s main beneficiaries are small, medium and large wholesalers in Angola. *(Angop)*

Chinese Furniture Fashion Ravages West Africa’s Savannas

No one paid much attention to the gnarled, yellow-blossomed rosewood trees dotted around farmsteads in northern Ivory Coast until Chinese-backed buyers started offering money for the timber. Fast forward five years and Ivory Coast is looking back at a tumultuous time in the logging industry, with confusion over permits, illegal harvesting of trees, seizures of trucks, and finally, a blanket ban on rosewood exports in 2014. “We simply had no idea; for decades, the trees were just there,” said Jean Yves Garnault, the government’s principal adviser on rosewood. “We only realized its value when we discovered that the wood is fashionable in China.”

Soaring Chinese demand for rosewood has spurred a largely illicit trade in West Africa worth at least $1.3 billion since inception, according to advocacy group Forest Trends. That’s decimating forests and heightening tension as governments find that export bans simply prompt dealers to divert truckloads of timber to ports in neighboring countries.

Seven of China’s biggest suppliers of rosewood logs by volume are in Africa, with Nigeria topping the list and Ghana ranking third. Gambia, even if it’s 86 times smaller than Nigeria, is fourth because it illegally ships rosewood from neighboring Senegal, according to activists and the Senegalese government -- part of a cycle in which illicit trade moves opportunistically from country to country. Rosewood is coveted in China, the world’s largest consumer of the wood, because it’s used to make antique-looking furniture with intricate carvings fashionable among middle-class consumers. Importers initially turned to nearby forests, but when Southeast Asian stocks were almost depleted, traders in 2009 began eyeing West Africa, home to a more affordable variety. Representatives of China’s ministry of commerce didn’t reply to a request for comment.



Medicinal Purposes

“What happened is a combination of the species being overlogged in southeast Asia to the point of endangerment, and more Chinese consumers having the budget and appetite for rosewood,” Naomi Basik Treanor, a researcher for Washington-based Forest Trends, said by phone. “African rosewood has that luster but it’s cheaper, so it’s in high demand.” Pterocarpus erinaceus, the scientific name for the tree that’s 15 meters (49 feet) high, can survive protracted droughts and grows in semi-arid savannas from Senegal to Central African Republic. Its grey bark is used for medicinal purposes, and the leaves, once dried, are popular with sheep farmers as fodder.

Most West African countries have imposed export embargoes on rosewood, an umbrella term for more than 30 species of the red-hued hardwood, with some bans going back decades and many revised regularly. Togo issued the most recent prohibition in June, as the government announced a 10-year stop to logging. During a summit in Guinea Bissau in March, 11 West African countries agreed to urge China to restrict imports.

But regulation hasn't stopped illegal logging and shipments continue unabated. Volumes of Chinese imports of West African rosewood logs surged 30 % between January and May, according to Chinese customs data compiled by Forest Trends. The value of the imports rose 19 %, it said.
Weak rule of law and opportunistic traders mean that exports from one country often originate in another. To circumvent bans, logs are smuggled across borders or cut into blocks and labeled as generic timber. That accounts for hugely volatile import data, such as a 100 % collapse in exports from Guinea Bissau and a 350 % surge in exports from Ghana since last year, the Chinese data show.

'Stopgap Measures'

"One export will invariably lead to leakage to neighboring countries," Basik Treanor said. "These measures are a stopgap and a real solution would be for China to prohibit the import of illegal timber. There needs to be robust legislation on the consumer side."
The Gambia is a case in point. A tiny enclave that cuts a horizontal swathe through larger Senegal, it shipped 57,900 cubic meters of rosewood logs to China last year, despite an export ban in place since 2012, according to customs data. Prior to 2010, the Gambia didn't export timber.
Almost all of that rosewood is smuggled from Senegal, whose forest reserves are in the relatively remote Casamance region close to the Gambian border, according to activists and the Senegalese government. Illegal traders, most of them Senegalese, are destroying at least 40,000 square meters (10 acres) of forest area annually, President Macky Sall said in a speech last year as he announced an immediate halt to all wood-cutting permits. He also pledged to recruit thousands of additional forest rangers. Senegal in 1998 completely banned exports of the Pterocarpus erinaceus variety and took the lead in requesting the Geneva-based Convention on Trade in Endangered Species, or Cites, to list the tree as imperiled.

Horse Carts

The government's tough stance and soaring demand have spawned vibrant cross-border traffic, with Senegalese smugglers using horse carts to carry logs to warehouses in the Gambia, according to aerial images shown to reporters in May by conservationist and former environment minister Haidar el Ali, who used drones to film the evidence. "The Casamance forests will be damaged irreparably within the next two years if the illegal trafficking toward Gambia continues at its current pace," he said. "There's a blatant 'Who cares?' attitude that is just mind-boggling." The permanent secretary of the Gambian Forestry Ministry, Ousman Sow, couldn't immediately comment on allegations that the nation exports Senegalese rosewood, he said by phone. The media department of the Chinese embassy in Dakar, the Senegalese capital, didn't answer calls.
In the Gambian village of Busumbala, 25 kilometers (16 miles) from the capital, Banjul, Tom Chen, a Chinese national, stood at a dust-covered sawmill where about 80 workers were sawing timber into planks and packing the wood in containers for export. Chen said he and his brother arrived in the county four years ago and obtained a license to purchase and ship timber, including rosewood, to China. Chen pays $1,150 to $1,400 for a truckload of timber. Asked what he would do if the Gambia decided to end to the trade, he said: "We will probably move to another country to continue our business." *(By Pauline Bax, Bloomberg)*

Africa's Top Cotton Grower Looks to Bayer After Monsanto Ban

Burkina Faso has asked Bayer CropScience to help produce genetically modified cotton even as the government decided to stop planting a variety introduced by Monsanto Co., the world's largest seed company. Africa's biggest producer will only grow conventional cotton this season but doesn't rule out a return to genetically modified cotton, according to Wilfried Yameogo, managing director of state-controlled Sofitex, the largest buyer in the West African nation. Burkina Faso said in April it was completely phasing out Monsanto's cotton because the length of the fiber degraded, which hurt revenue for three consecutive seasons. But if Monsanto can restore the quality of the crop, the government will tell farmers to resume planting genetically modified cotton, said Yameogo, who was appointed the same month. "If we find an agreement with Monsanto we'll go back to them," Yameogo said in an interview in Bobo-Dioulasso. "If we can't find a solution, we'll look for a different technology company to develop genetically modified cotton. Burkina Faso's request to Bayer CropScience, the agricultural unit of German chemicals company Bayer AG, is "under consideration," company spokesman Richard Breum said in an e-mail.

Regional Monopoly

Yameogo said the cotton industry continues to negotiate for compensation it seeks from Monsanto, as buyers and producers estimate they've lost 48 billion CFA francs ($82 million) during the past three seasons. "The traders who buy our cotton had doubts about the length of the fiber and would always impose a discount," Yameogo said. "We were no longer able to make a suitable profit." Sofitex is the largest of three cotton buyers in Burkina Faso that each hold a regional monopoly. The company buys from farmers in the west of the country and expects to purchase about 600,000 tons of the coming crop, forecast by the government to reach a total of 700,000 tons. Burkina Faso, which has produced cotton developed by Monsanto since 2003, is the only country in West Africa to grow genetically modified cotton on a commercial scale. Farmers grew 630,000 tons of the fiber in the 2015-2016 season. Neighboring Mali is the region's second-biggest cotton producer, while Ivory Coast ranks third. *(By Simon Gongo, Bloomberg)*

Guinea-Bissau government delivers to farmers seed and fertiliser donated by China
The government of Guinea-Bissau has begun distributing to farmers the agricultural production resources, namely seed and fertiliser, donated by China at a ceremony last weekend in Bafatá.
Official information indicates that the donation involves 500 tons of rice seed, 617 of fertiliser and 20 of peanuts, along with bean varieties, and also six new tractors and several power tillers. They will be placed at the disposal of farmers in the country's 39 sectors and 8 regions, including the Autonomous Sector of Bissau. Agriculture Minister Rui Nené Djata said that these production means should enable more than 400 hectares to be planted with peanuts and a similar area with beans. The rice seed should lead to a harvest of 30,000 tons. Prime Minister Baciro Djá presided at the ceremony. He said the time had come to transform the family-based farming currently practiced in Guinea-Bissau into mechanised agriculture, to increase agricultural production and productivity. Djá stated that one of his government's goals is to create conditions to enable farmers to harvest up to 80,000 tons of rice, with a view to reducing imports of that cereal. *(Macauhub)*

China to install factory for tractors and farm machinery in Guinea-Bissau
A delegation of Chinese technical personnel will soon arrive in Bissau to begin a project to manufacture tractors and other agricultural machinery in Guinea-Bissau, said Beijing's ambassador in the West African country. Wang Hua made his statement during a ceremony during which he delivered to the Guinea-Bissauan government machinery and other goods meant to help produce rice, "so that the country can become self-sufficient in this cereal".
The donation comprised agricultural machinery, specifically tractors, as well as seeds and fertiliser, among other production goods used to plant rice. Wang stressed that Guinea-Bissau has natural resources such as plentiful water, arable land, a good climate and above all farmers, whereby the country can produce enough for domestic consumption and also export surpluses.
Guinea-Bissauan President José Mário Vaz in turn thanked China for the donation, adding that the production goods would delivered directly to his country's farmers. Vaz said that agricultural transformation and diversification are currently a national priority, which will necessarily involve gradual mechanisation of the production chain and eventual marketing of the products in Guinea-Bissau. *(Macauhub)*

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UPCOMING EVENTS

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

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

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

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

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

Africa Hotel Investment Forum Rwanda 5-6 October 2016 Radisson Blu Hotel & Convention Center - Kigali, Rwanda

http://www.africa-conference.com/rwanda/

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

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

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

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

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

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Disclosures

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

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

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