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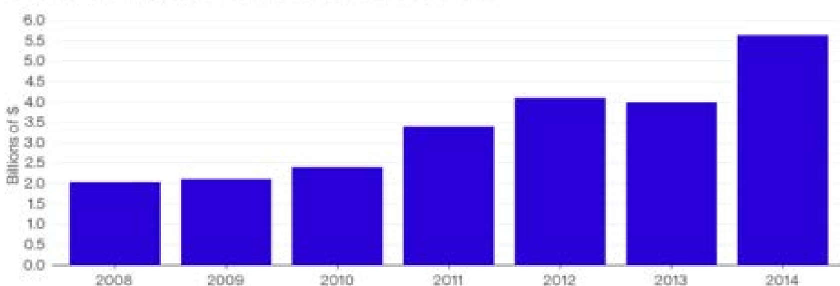
In-depth: Global Slump Brings These Two Rivals Together

Zuma's state visit to Nigeria may help South Africa reset relations

Misery loves company. Africa's two biggest economic rivals — South Africa and Nigeria — are turning to each other as they fall on tough times.

South Africa's economy is threatened with recession as demand from China, its main trading partner, weakens and commodity prices plunge, while Nigeria has been hit by a collapse in oil revenue. To weather the global storm, the two countries are seeking closer trade and investment ties when South African President Jacob Zuma leads a high-level delegation of ministers and business executives to Nigeria. In the process, he may rebuild a relationship that's come under diplomatic strain in the past.

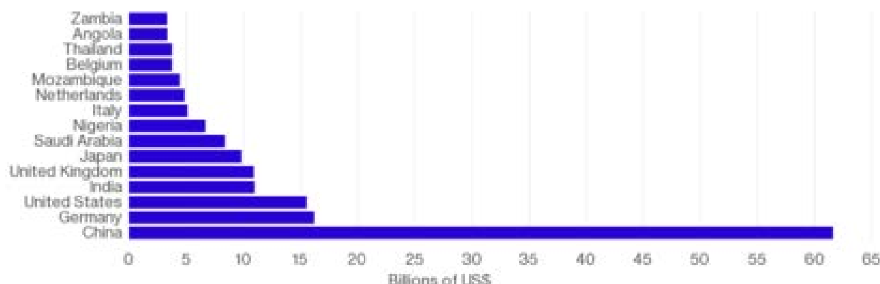
Nigeria may be Africa's largest economy — having overtaken South Africa in 2014 after the data was overhauled — but South Africa still dominates because of better power and transport infrastructure, a sophisticated financial services industry and a more diversified economy. Both economies are now under pressure, with growth slowing to 1.3 % in South Africa last year and reaching a 16-year low of 3.3 % in Nigeria, according to the World Bank.



South Africa is the biggest buyer of Nigerian oil in Africa, shipments of which have more than doubled between 2008 and 2014, according to data from the International Monetary Fund. However, Nigeria doesn't even feature in the top 20 of South Africa's export markets.

"There is scope for the two countries to expand trade ties, particularly in non-commodity products," said William Jackson, a senior emerging markets economist at Capital Economics Ltd. in London. There could "be greater benefits over the medium term, as rising trade in non-commodity goods tends to come alongside faster productivity growth and more rapid rises in incomes," he said.

The one thing standing in the way of stronger trade ties is the Nigerian currency. The central bank has effectively pegged the naira at 197 to 199 per dollar for a year by banning imports of everything from glass to wheelbarrows and restricting foreign-currency supply. The currency controls are deterring investors, like Johannesburg-based Truworths International Ltd., which shut its two remaining stores in Nigeria in January.



Economic Snapshot

	Nigeria	South Africa
GDP ($b)	493	317
2016 GDP growth forecast (%)	4.6	0.8
GDP per capita ($)	2,758	5,783.5
Unemployment rate (%)	9.9	24.5
Government debt:GDP (%)	11.9	48
Current account:GDP (%)	-1.8	-4.3
Population (million)	177	54
Inflation (% January)	9.6	6.2
Poverty (% of population)	46	53.8
Electricity generation (MW)	4,271.5	30,500
Credit Rating	B+	BBB-

Source: IMF, World Bank, Statistics South Africa, Nigeria's National Bureau of Statistics, Standard & Poor's, government data — Bloomberg

In his first state visit since Muhammadu Buhari was elected Nigeria's president last year, Zuma may also seek to resolve a dispute that threatens the Nigerian operations of one of South Africa's biggest companies, MTN Group Ltd. Nigeria's telecommunication regulator imposed a record $3.9 billion fine on MTN last year for failing to meet a deadline to disconnect unregistered mobile-phone subscribers.

Even before that, diplomatic relations between the two countries were strained by xenophobic violence in South Africa last April, in which Nigerian businesses were attacked. Nigeria temporarily withdrew its two most senior diplomats from South Africa at the time.

"These two countries need this competitive kind of relationship, where they cooperate even though they are competing," said Azwimpheleli Langalanga, a visiting research fellow in the economic diplomacy department at the Johannesburg-based South African Institute of International Affairs. Nigeria wants "to be taken seriously because they are a serious player on the African continent," he said. *(Bloomberg)*

Côte d'Ivoire overtakes Nigeria as best bet for investors in Africa

The second Africa Prospects Indicators report, recently released by Nielsen Africa, shows that Côte d'Ivoire has taken over Nigeria's leading position in terms of overall outlook for opportunities for existing and potential investors. The report ranks leading African countries based on their macro-economic, business, consumer and retail prospects.

Nigeria, which held the top position overall last year, has slipped to fourth place – a result of a slump in commodity prices, which have driven down the country's macro-economic indicators. This has also impeded consumer prospects and overall investor confidence. "Despite this, Nigerians continue to be some of the most optimistic consumers on the continent, with more positive sentiment for their job prospects and personal finances, even though immediate spending intentions and levels of spare cash are more strained," notes the report.

Côte d'Ivoire, on the other hand, now holds the top position in terms of its retail outlook and has improved in the ranking in business sentiment. While it only comes in third in terms of its macro-economic rank, the report cites its solid economic growth, stable inflation climate, and recent peaceful elections as reasons why the country has a good investment environment. "Its principal prospects for realising growth remain consumer-related elements such as identifying and fulfilling consumer needs, building category, brand and product awareness, as well as trust and recommendation," states the report.

Below are a number of other findings recorded by Nielsen Africa.

East African markets climb rankings

Kenya and Tanzania have climbed the overall rankings to second and third position respectively. Both markets have also recorded improvements in their macro-economic outlook ranking, with Tanzania taking first place, and Kenya second. "Business sentiment for Kenya remains a little more sceptical, as the ranking declines amidst slower sales off take impacting company performance."

RANKING

COUNTRY	OVERALL RANK	MACRO RANK	BUSINESS RANK	CONSUMER RANK	RETAIL RANK
COTE D'IVOIRE	1	3	1	8	1
KENYA	2	2	5	6	7
TANZANIA	3	1	4	7	8
NIGERIA	4	4	3	2	3
ZAMBIA	5	7	9	1	4
CAMEROON	6	6	2	5	2
SOUTH AFRICA	7	8	8	4	6
UGANDA	8	9	6	3	5
GHANA	9	5	7	9	9

South Africa's ranking improves

South Africa has received an overall ranking of seventh place, a slight improvement from its ninth position in the previous report. Its greatest prospect is seen among the consumer indicators, where the country took fourth place.

"The South African economy accounts for the largest base of consumer spend in sub-Saharan Africa and has one of the most favourably-priced common item baskets. This provides more promising

avenues for growth through product innovation and choice, thanks to a greater product/value equation," continued the report. "Retail execution, route to market and distribution are also far more easily achieved in a country with the highest concentration of modern trade on the continent."

Angola takes dive in perceived growth opportunities

Business executives across the country were also asked to rank 26 sub-Saharan African markets based on their view of growth opportunities for the next 26 months. The ranking incorporates both sentiment for the country's overall economic growth, and the outlook for their companies' growth. Ethiopia, Côte d'Ivoire, Mozambique and Kenya take up the top four positions, which remains unchanged from the previous year. Nigeria holds fifth position. South Sudan, Mali and Burkina Faso were ranked as least favourable in terms of perceived growth opportunities, while Angola saw the biggest drop down the rankings – from fifth to 16th position. *(How we made it in Africa)*

What South Sudan will gain from joining the East African Community

South Sudan's accession to the East African Community could prove a major step forward in the economic development of the world's newest nation.

On March 2, the East African Community Heads of State Summit admitted South Sudan as its newest member. Accession negotiations had commenced in November 2014. The relatively accelerated timeline to its conclusion is a strong indication of the willingness of all sides to admit South Sudan to the community.

To date, oil revenues have financed more than 90% of South Sudan's budget. Such singular reliance on commodity and resource revenues is generally a risky and unsustainable approach to development.

This is true of South Sudan. The civil war that broke out in 2013 disrupted oil production. This was compounded by the drop in oil prices from more than US$100 per barrel in 2013 to $35 per barrel currently. These two factors mean that South Sudan can no longer rely on this source of revenue. Hence, regional integration will be an important route to diversifying its economy.

Hindrances to economic development

One of the major hindrances facing South Sudan in participating actively in regional and world trade has been high transport costs. South Sudan is a landlocked country with poor domestic infrastructure. Most of its road network is unpaved.

Studies of informal, cross-border trade between Uganda and South Sudan show substantial mark-ups on goods once they enter Juba market. The largest portion of the increase in price is attributed to transport costs as well as other stamps and duties along the way. This is particularly challenging for a country like South Sudan that relies primarily on imports.

As part of the East African Community, South Sudan will be able to benefit from ongoing and future regional infrastructure projects. These include the port that is being constructed in Lamu, Kenya, and the EASSy cable, a 10,000 km submarine fibre-optic cable along the coast of eastern and southern Africa.

As infrastructure development is an expensive undertaking, regional collaboration will be vital for improving South Sudan's connectivity. Improved connectivity will, in turn, lower transport costs and thus the price of consumer goods in the country. At the same time, it will also improve access and competitiveness in regional markets for South Sudanese exports.

In terms of economic diversification, agriculture is one potential area South Sudan could capitalise on. According to some estimates, 70% of land in South Sudan is suitable for agriculture, but less than 4% is currently being cultivated.

If South Sudan can move towards mechanised agriculture, it not only has the opportunity to increase in-country production, but also to potentially export to the region. For example, the extensive flood plains of the Greater Bahr-el-Ghazal and Upper Nile areas may be suitable for rice production. To ensure its products are competitive, investments in infrastructure and connectivity will be essential.

In the short-term, there will be some costs to accession. However, many of these costs can be mitigated with appropriate negotiations and domestic reforms. In particular, there is the potential that the cost of living may increase for consumers, as in some cases the current customs tariff bands in South Sudan are lower than the common external tariff it will have to adopt.

Rwanda is an example of a country that faced a similar challenge and managed to mitigate the effects by negotiating various flexible arrangements, including longer transition periods for implementation. South Sudan has the opportunity to learn from and follow on Rwanda's lead.

Labour costs in South Sudan are among the highest in the region. Years of conflict have left the population with low levels of education and skills. In the short-run, this may present another barrier for South Sudan in attracting foreign direct investment flows.

Rather than investing in South Sudan, firms may locate in other community countries and export their products to South Sudan, benefiting from the favourable tariff structure.

As South Sudan undertakes domestic reforms and investment in infrastructure to lower the costs of production, firms will increasingly look to locate there. Additionally the Common Market Protocol also provides for the free movement of labour.

Although this is a politically sensitive topic, it would be advantageous for the government to embrace it. Foreign labour could lower domestic costs of production while filling the skills gap. Furthermore, there are very likely to be spill-over effects in terms of skills for the domestic labour force.

Opportune moment

It is an opportune moment for South Sudan to accede to the regional bloc. As the world's newest country, it is still in the phase of developing many domestic laws, policies and regulations.

Rather than having to retrofit laws and regulations at a later stage, South Sudan can benefit from learning and adopting those that reflect best practice. This will not only facilitate smoother integration, it will bring about transparency and conformity into its national laws. This will act as a strong signal for the private sector and others that South Sudan is pursuing growth-enhancing economic reforms.

Despite costs in the short-run, significant benefits from South Sudan's accession are expected to accrue in the medium to long-run. As successful examples like Rwanda have shown, regional integration can enhance growth and thus support poverty reduction. South Sudan can learn from the history of existing East African Community members. It also then has a place at the negotiating table, which it can use to advocate for future policies that are advantageous for its domestic growth. But the key to unlocking and maximising the benefits of regional integration will lie in domestic reforms targeted at creating a stable and competitive macroeconomic environment. Astrid R.N. Haas is a country economist for South Sudan and Uganda at the International Growth Centre. This article was originally published in 'The Conversation'. *(How we made it in Africa)*

IMF, WORLD BANK & AFRICAN DEVELOPMENT BANK

Economic Memorandum: Kenya's Growth Story: Past, Present and Future

- *Kenya's economic performance has improved significantly in the past decade, according to the latest country economic memorandum*
- *The report identifies services as main engine behind the acceleration of the country's growth*
- *The discovery of oil opens new opportunities for raising Kenya's growth*

NAIROBI, March 8, 2015 — Driven by modern services, Kenya's economic performance has improved significantly over the past decade, according to a new World Bank report released today. The 2016 Kenya Country Economic Memorandum (CEM): "From Economic Growth to Jobs and Shared Prosperity, takes a bird's-eye view of Kenya's economy, zooms in on some of the key bottlenecks, and proposes some "how-to" ideas. Between 2006 and 2013, 72% of the increase in gross domestic product (GDP) came from services, the report notes. Expansion in services such as financial intermediation and mobile communications have also stimulated demand for other services, such as trade, according to the report.

The report also shows that agriculture, the mainstay of Kenya's economy, and manufacturing have stagnated and have not created enough jobs for Kenya's growing working age population. Most of the jobs are created by the informal economy and are concentrated in low-productivity areas such as trade, hospitality, and jua kali, entrepreneurs who can be hired to do just about any task. "Improving the ease of doing business is vital for job creation and higher productivity. However, there is still a need for creating job opportunities for the rural poor, for poverty reduction and achieving shared prosperity," said Apurva Sanghi, World Bank lead economist and program leader for Kenya. "Reviving agriculture, in particular, remains the pathway for poverty reduction."

According to the report, accelerating growth to meet Kenya's development goals requires technological advances and innovation that raise firms' productivity, as only a few Kenyan firms have come up with products that are actually new to the domestic market. It will also require macroeconomic stability to boost investment and savings, the report adds. As the government strives to build its energy and transport infrastructure, the report recommends improvements in the public investment management process and better execution.

The report also highlights the recent discovery of oil as an opportunity for raising Kenya's growth. If used prudently, it can contribute to achieving the country's Vision 2030 goals, and with appropriate management of resource revenues, it can generate resources that could be used to raise public investment, human capital, and productivity in the non-resource sectors of the economy. The Country Economic Memorandum is a strategic World Bank product that analyzes key aspects of the country's economic development, with the main aim of providing an integrated and long-term perspective of the country's development priorities. This particular edition of the Kenya CEM has benefitted from extensive review from various stakeholders, including the government, academia and private sector.

AfDB receives Green Climate Fund accreditation to increase low-carbon and climate-resilient development in Africa

The African Development Bank announced its accreditation on Wednesday, March 9 as a multilateral implementing entity and intermediary to the Green Climate Fund (GCF), further enabling it to scale-up financing necessary to address the impacts of climate change.

The GCF is a fund within the framework of the United Nations Framework Convention on Climate Change (UNFCCC) founded as a mechanism to assist developing countries to adapt and mitigate against the adverse effects of climate

change. Its investment priorities target many of the continent's priority areas such as expanding sustainable climate-smart agriculture, transforming energy generation and increasing energy access, scaling-up finance for forest protection, and enhancing resilience of small island developing states. Between 2011 and 2015, as part of its Climate Change Action Plan (CCAP), the AfDB mobilized approximately US $12 billion of climate finance to support climate-resilient and low-carbon development in Africa, but Africa still lags behind other regions in attracting necessary funds to implement climate-smart initiatives. With new GCF funds now available to be channeled through the AfDB, African countries will have additional resources to access. Moving forward, AfDB will focus efforts on working with member states to bring proposals forward for GCF funding consideration. Speaking after the announcement at the GCF Board meeting, Alex Rugamba, Energy, Environment and Climate Change Director and Chair of the AfDB Climate Change Coordination Committee, said, "AfDB is committed to significantly scale-up its climate finance to US $5 billion per year by 2020 to support adaptation and mitigation challenges in Africa. Partnering with the GCF will be essential to meet this target. Not only will AfDB be able to help channel new GCF resources, it can also blend GCF funding with AfDB's own resources, or with other third-party financing."
The AfDB has been involved in the design of the GCF since its inception and has followed as an observer in GCF board meetings. After the historic international climate agreement reached during COP21 in Paris last December, the Bank's accreditation sends an additional positive message to Africa. The GCF Board is holding its 12th meeting in Songdo, South Korea, this week, during which a total of thirteen new implementing entities, including the AfDB, were approved for accreditation, expanding the network of GCF-accredited partners to 33.
In addition to the GCF, the AfDB already serves as an implementing agency of the Global Environment Facility, the Climate Investment Funds, and the Kyoto Protocol's Adaptation Fund. The AfDB also hosts and manages several internal climate-related instruments such as the Africa Climate Change Fund, the African Water Facility, the ClimDev-Africa Special Fund, and the Sustainable Energy Fund for Africa.

Water for a better life: Niassa provincial town water supply and sanitation project in Mozambique
Context
The inadequate water supply and sanitation infrastructure in Cuamba and Lichinga in northern Mozambique accounts for the majority of incidences of water-borne diseases and environmental degradation in Niassa Province. In order to address this situation, the Mozambican Government requested financial and technical assistance. The African Development Bank's response was to provide an African Development Fund loan of US $27.7 million to rehabilitate and expand the water and sanitation infrastructure in both cities for the benefit of more than 250,000 people. The project positively impacted multiple areas such as health, quality of life and local industry enhancing the attractiveness of the province. It has demonstrated complementarity among donors (World Bank, Japan International Cooperation Agency (JICA) and the Netherlands) in the urban water sector where the AfDB plays the role of the lead donor partner.
Objectives
To improve the access, quality, availability and sustainability of water supply and sanitation services in Cuamba and Lichinga, through:

1. Water supply and sanitation rehabilitation and expansion of water supply systems
2. Rehabilitation/construction of sanitation infrastructure for schools and health centres
3. Support for solid waste management of the municipal councils
4. Community mobilization, hygiene education and environmental awareness creation
5. Support to the water supply and sanitation regulator to develop customer relations and systems

Key facts and figures
Board approval: 2009
Financing: US $30.8 million
Beneficiaries: 250,000 inhabitants
Impacts

- Extended coverage from 10% to 70% of the population.
- Improved quality of water, meeting WHO quality guidelines.
- Reduced time for fetching water, from average 1.5 hours/day in 2009 to 0.5 hours/day.
- Lower water losses (leaks, theft, etc.) from over 50% in 2009 to 25%.
- Increased daily hours of water supply from 1.5 hours/day in 2009 to 24 hours per day.
- Reduced incidences of diarrhea, dysentery and cholera by 30%, lowering high maternal maternity and infant mortality.

General Electric's Chairman holds talks with AfDB First Vice-President on partnership opportunities in the region
The Global Chairman and CEO of General Electric (GE), Jeff Immelt, and the GE leadership team held a working session with senior African Development Bank leadership led by its Acting First Vice-President, Charles Boamah on Wednesday, March 2 in Abidjan.

Both parties discussed mutually beneficial opportunities that will broaden and deepen existing relationships. The GE Chairman said, “GE’s relationship with the African Development Bank is key for our strategy on the African continent. As you know Africa is one of the most promising growth regions for our business.”
Commenting on the outcome of the working session, Boamah commended the President of General Electric for the company’s significant and increasing investments in key sectors in African such as healthcare, infrastructure, energy, oil and gas. Private sector players like General Electric can play a critical role in bridging Africa’s infrastructure gap. “Africa’s development financing needs are huge and meeting them requires strategic partnerships with the private sector,” he said.
The AfDB’s Acting First Vice-President said infrastructure is a key pillar in the Bank’s 2013-2022 Strategy. It is in the backdrop of this strategic focus that the Bank launched the Africa50 Infrastructure Fund, an innovative infrastructure investment platform that aims at accelerating infrastructure projects in Africa by mobilizing public savings and leveraging finance from the private sector. At Africa50’s Constitutive General Assembly in July 2015 in Casablanca, Morocco, 20 African countries and the AfDB subscribed for an initial aggregate amount of USD 830 million in share capital.

AfDB provides EUR 9.7 million to launch African Network of Centers of Excellence in Electricity
On Monday, February 22, Stefan Nalletamby, African Development Bank Acting Vice-President, Operations, in charge of Infrastructure, Private Sector and Regional Integration, and the representative of Minister of Energy and Petroleum of Côte d’Ivoire officially launched the African Network of Centers of Excellence in Electricity (ANCEE) in Abidjan, Côte d’Ivoire.
In his statement, Nalletamby emphasized the urgent need for Africa to address the human resource capacity gap in the energy sector, especially in view of the massive investments planned in the coming few years. The energy sector in Africa has suffered from years of inadequate investments in infrastructure and human resources, particularly technicians, engineers and sector managers, creating a major threat to the sustainability of the sector. He highlighted the alignment of this important initiative with the current strategic approach of the Bank framed around the New Deal on Energy for Africa and the development priority to light up and power Africa.
The African Development Bank is providing a grant of approximately EUR 9.7 million, while the French Development Agency is contributing EUR 3.0 million to the Association of Power Utilities of Africa (ASEA) in order to structure a network of four centers of excellence and to train roughly 9,700 technical and managerial staff of the power utilities, one third of whom are to be women. This innovative networking approach aims at improving the performance of the power sector and increase the quality of power services.
The selected four centers of excellence are the Eskom Academy of Learning (South Africa), the Kafue Gorge Regional Training Center (Zambia), the Institute de Formation Pour l’Electricité et le Gas (IFEG), and the Centre des Sciences et Technologies en Electricité (Morocco).
The launching meeting was attended by representatives of more than 40 power utilities, the African Union, and the power pools.

AfDB approves over US $36 million support package for Djibouti
The African Development Bank Group will help Djibouti to diversify its economy, improve governance and create employment for the country’s young population.
These commitments were agreed in the 2016-2020 Country Strategy Paper (CSP) for Djibouti approved by the Bank’s Board of Directors on Wednesday, March 9, 2016 in Abidjan, Côte d’Ivoire.
This new CSP aims to promote inclusive and diversified growth through support to the energy and health sectors as well as private sector-related institutions. To achieve these goals, the Bank will adopt a private sector-focused approach by prioritizing energy sector investments and supporting policy and institutional reform to create an enabling environment for private sector development.
Therefore, the CSP focuses on two strategic pillars: (i) development of socio-economic infrastructure in the energy and health sectors; and (ii) support for good governance through institutional capacity-building. For the first three years, under the first pillar, it will finance an electrification support project as well as a referral hospital construction project while the second pillar will finance a new institutional capacity-building project in the public and private sectors.
According to papers presented to the Board, “The CSP combines innovation and continuity, and will differ from previous CSPs in that it focuses more closely on advisory and institutional capacity-building actions, scales up the local job content in project design, and its formulation is based on a series of analytical briefs that will help to inform advisory activities and support Bank and Government investments.”-
Furthermore, cross-cutting issues such as green and inclusive growth and gender are more effectively mainstreamed in this new strategy, which will be reviewed at mid-term in 2018 to assess implementation, enhance focus and allocate new resources if necessary.
Aside from the African Development Fund allocation for the country, other resources can be mobilized for the country from the concessional ADF regional envelope subject to the identification of multinational projects; the AfDB window for private sector operations, other Bank’s financial instruments, in particular, the bilateral trust funds, and the funds

allocated to the development of clean energy. Project co-financing with other donors constitutes another lever. The Bank will also play a leadership and catalytic role in mobilizing private sector resources through public-private partnerships (PPP) and co-financing with development partners.
This new CSP draws on experiences gained from the implementation of the 2011-2015 CSP. It is aligned with the country's national strategy, the Bank's **2013-2022 Ten-Year Strategy** as well as other institutional strategies and policies, and it also supports the Sustainable Development Goals for Djibouti.
At the end of 2015, the Bank's portfolio in Djibouti comprised 12 operations, representing a net commitments of US $149 million. These included 10 public sector operations accounting for 40% of commitments and two private sector operations, representing 60% of total commitments. The public sector operations, representing total commitments of US $59.3 million, comprise eight national operations and two regional operations. The agriculture sector leads with 52%, followed by the social sector with 17%, the water and sanitation sector with 14%, the energy sector with 9%, and the multi-sector projects with 8%.

INVESTMENTS

Orion Hotels partners with US's Best Western

South African hotel group Orion Hotels has officially joined US hotel chain Best Western Hotels and Resorts as its local franchisee. Orion CEO Franz Gmeiner announced at a media event that 13 Orion hotels would be converted to become part of the Best Western franchise.
Each of the 13 hotels would adapt Best Western brand standards, but would operate under the management of Orion Hotels. The two companies planned to further expand throughout Africa as Orion Hotels would continue to lease, manage and acquire new properties. The rebranding of the first three hotels – Velmoré Hotel Estate, in Pretoria; Hotel Promenade, in Nelspruit; and the Magoebaskloof Hotel, in Limpopo – was projected to be completed by July. This would be followed by the rebranding of a further ten hotels by the end of the first quarter of 2017.
Speaking to Engineering News Online on the sidelines of the event, Gmeiner said the idea to join Best Western was conceptualised last year, after which negotiations were held between the companies. "We concluded the deal in November last year and agreement contracts were finalised in February," he said. He added that the partnership was opportune for Orion because its property portfolio suited Best Western's portfolio of properties. "Best Western has been looking to expand into South Africa for some time and they were very excited about this partnership," he said. He added that being a member of a major hotel group would be beneficial to Orion and noted that, once the rebranding was complete, Best Western would be the biggest international hotel brand in Southern Africa. "Best Western gives us more gravitas in the market and speaks to service elements, upping the game to international standards. "This partnership provides an ideal platform for Orion Hotels to expand its footprint through contracts and leases throughout Africa and elsewhere," he stated. *(Engineering News)*

Dubai consortium builds hotel complex in Cabo Verde

A consortium from Dubai will invest about US$70 million in construction of a hotel complex on the island of Fogo, Cabo Verde (Cape Verde), called "Aloe Vera Resort & Spa," reported Cape Verdean weekly newspaper A Semana.
The consortium members are investors from Austria, Germany, Italy and the United Arab Emirates (UAE) that concluded a five-day visit to Cabo Verde and the island of Fogo, during which they presented the project to the municipal authorities. The newspaper also wrote that construction work for this five-star hotel complex should start this year, with completion scheduled for 2020. The "Aloe Vera Resort & Spa" will be located between the city of São Filipe and the port of Vale dos Cavaleiros, occupying an area of 150,000 square metres. It will include a 50-room hotel and 100 luxury suites, a "villa" with 50 apartments, several shops and a residential area with 47 modern villas of varied type, as well as a Spa – Wellness and Healthcare Centre – with a covered area of 3,000 square meters. The investors believe that the development will have great impact on tourism of the island of Fogo, highlighting scientific interests, the potential of which is connected to the active volcano of Cha das Caldeiras. *(Macauhub)*

Cabo Verde has over 200 hotel units in 2015

Cabo Verde (Cape Verde) in 2015 had 226 hotel units in operation, representing a year on year fall of 1.3 %, reported the National Statistics Institute (INE) of the archipelago. INE, which released the results of its annual hotel sector inventory, also said that the hotel units in operation had an accommodation capacity of 10,626 rooms, 18,055 beds and 22,954 places, which represented decreases of 2.0 %, 0.7 % and 0.9 %, respectively compared to 2014.
The island of Santiago, the largest and most populated in the country, stood out with 49 tourist accommodation establishments, which corresponds to 21.7 % of the total, followed by the islands of Santo Antao with 42, Sao Vicente with 40 and Sal with 28 establishments, representing 18.6 %, 17.7 % and 12.4 % of the country's capacity. The survey's results revealed that Sao Vicente, with three, was the island that gained the most units in 2015 over the previous year.
Sal was the island with the largest number of rooms, with 47.2 % of the total, followed by the islands of Boa Vista with 24.7 % and Santiago with 11.2 %. By type of establishment, hotels continued to lead with 75.6 % of the rooms, inns represented 7.4 % and bed and breakfasts just 6.7 %. *(Macauhub)*

Huawei looks to Africa to cut network deals

Chinese telecommunications giant Huawei has spread rapidly across the African continent. Undaunted by the economic slowdown at home in China, Huawei plans to build out more national broadband networks and put more smartphones in people's hands across the region. "I'm very positive about our current business growth and future prospects in Africa," Jimin Pang, vice president of global government affairs at Huawei, tells This is Africa on the sidelines of a conference in Sharm el Sheikh, Egypt. This is not a new approach but rather an affirmation of a strategy that has allowed the company to expand rapidly in the region. "Of the several dozen available commercial 4G networks in Africa, more than 70 % are built by Huawei," Mr Pang says. Huawei employs about 10,000 people across its Africa operations, with an emphasis on local hires. It has also established several training centres in South Africa, Egypt, Tunisia and Angola among others, focused on technology development. The company's influence on connectivity in Africa is already substantial. The region now has the fastest growing rate of mobile subscriptions in the world.

According to a German academic study profiling Huawei's global reach, "Africa's mobile technology progression would not [be] as far as it is now without Huawei and its cheaper products". That reach is set to expand. Huawei is currently in talks with the Egyptian government to implement fibre optic networks in Egypt's controversial new proposed capital city, which will be built 28 miles east of Cairo, the current capital.

A deal to install networks around the newly revamped Suez Canal and its attendant industrial zones is also in the works. Mr Pang met with Egypt's prime minister Sherif Ismail in February to outline an agreement.

Also in February, Huawei signed a deal to develop Nigeria's high speed 4G network with Intercellular. The Nigerian subsidiary of Sudatel has played a key role in the rapid proliferation of the mobile customer base of 117 million in Africa's top oil producer and largest economy. Now Huawei plans to expand that further.

For Mr Pang, building out broadband capacity is as fundamental to improving the business environment in Africa as better roads. "By increasing broadband penetration, Huawei directly contributes to creating better business opportunities for start-ups and companies all over Africa," he says. He points to South Africa as a recent example where Huawei helped to set up the national broadband network. He says the company wants to bring "connectivity to both cities and rural areas" in the country. Huawei has also signed a memorandum of understanding with the African Telecommunication Union in a bid to boost literacy through digital solutions, a deal likely to cement its leadership in mobile education ahead of competitor ZTE, another Chinese multinational.

Expanding reach

Across Africa, smartphone sales are expected to rise to 120 million annually by 2020. Huawei shipped more than 108 million smartphones globally last year accounting for 7.5 % of the worldwide share. That influence has been built up in only a few short years. While Huawei has been in Africa for nearly two decades, the company's global profile as a smartphone manufacturer is a recent phenomenon. "Four years ago, no one knew who we were. Even in China," Richard Yu, head of Huawei's device business, told an industry meeting in February. Huawei is now the third largest device maker in the world behind Samsung and Apple. Huawei sees the continent as a key destination for its latest consumer technology. The flagship Mate 8, the company's new six-inch smartphone, is being introduced in Egypt and South Africa as part of its first wave of the global launch.

However as with other Chinese enterprises forays into Africa, Huawei's has not been uncontroversial. Huawei is one of the top 10 Chinese companies in terms of investment and job creation, according to a report by fDi Intelligence. Yet the company, founded by a former military officer, has also been accused of capitalising on nascent ICT infrastructure to set up surveillance networks that can be tapped by the Chinese government as it expands its military and political footprint in Africa. American officials in particular have been discomfited by Huawei's global expansion and its close ties to the Chinese establishment. Ultimately, however, Mr Pang argues that Huawei is trusted across Africa because it is in the region for the long haul. "Every country is different, we work together with local partners to ensure that we adapt to each country's circumstance," he says. "Huawei is recognized all over Africa as a long-term partner by telecom carriers, enterprise customers, and smart device consumers." *(This is Africa)*

President of Vietnam visits Mozambique to promote business

The President of Vietnam, Truong Tan Sang, in Mozambique began a tour of three countries focused on economic and trade partnerships, according to international press reports. Several ministers and officials of the National Bank of VIetnam and the Vietnam Chamber of Commerce and Industry are part of the delegation of the Vietnamese head of state. Vietnam and Mozambique established diplomatic relations in June 1975 and have maintained a close relationship, according to the Vietnamese press. Currently, Viettel Group and Hapro ("Hanoi Trade Corporation") are investing in Mozambique in the areas of telecommunications and trade. In 2015, the trade between Vietnam and Mozambique reached US$66.1 million, of which US$59.6 million were exports of Vietnamese products. Truong Tan Sang's international tour, which also includes Tanzania and Iran, will continue until Tuesday, 15 March. *(Macauhub)*

Angolan group invests in expansion of fruit groves for juice production

Angolan group Giasop this year plans to invest US$30 million in agro-farming projects and in the recovery and expansion of fruit groves and orchards that will provide the raw material for its fruit juice production plant, said the managing director of the group.

Miji Feliciano, cited by Angolan newspaper O País, said most of the funds will be applied to the expansion of Fazenda Boa Fruta, a farm with 46 hectares in the area of Porto Amboim, Kwanza Sul province. There the group plans to plant more mango trees, better quality orange trees, passion fruit and guava trees to supply the factory.
In addition to planting more fruit trees, the group plans soon to install a new irrigation system, the managing director of the group said. The Amboim Natural factory, which has daily production of 20,000 litres of juice of different flavors such as mango, orange, pineapple and passion fruit, and pulp and tomato paste, is located in the municipality of Porto Amboim. The factory also has two milk filling lines, with a total capacity of 45,000 litres per day. The milk is also used to make yoghurt, cheese and butter. *(Macauhub)*

Mozambique wants to attract capital for cabotage
The government of Mozambique is preparing the legal and regulatory framework to attract the private sector to invest in cabotage, said the Minister of Transport and Communications, Carlos Mesquita. The minister noted some of the advantages of cabotage such as reduction of freight prices and consequent lower product prices at the destination, as well maintaining national cohesion, through the north-south connection, which is currently only provided by road . Mesquita, cited by Mozambican daily newspaper Notícias, said that another of the advantages of cabotage was increased productivity, as producers will now have easier access to potential markets. The minister, who was speaking at a business meeting between Mozambique and Canada, said that “if all goes well, by the end of March we will be able to present a document for assessment and approval to the Council of Ministers.” Cabotage is shipping along the coast, specifically between ports in the same country. *(Macauhub)*

Chinese group organises consortium of private companies to invest in Angola
The Wahaha Group, based in Hangzhou, in China’s Zhejiang Province, will organise a consortium of Chinese private enterprises to invest in Africa in general and Angola in particular, the group’s chief executive said in Beijing. Zong Qinghou said in a panel at the National People’s Congress that he had received from the President of Angola and several ministers, “a cordial invitation for Zhejiang enterprises to invest in the country.” He said he had been attracted to Africa because of the immense natural resources of the continent and the fact that the Chinese government actively promotes the internationalisation of Chinese companies and groups. Cited by the South China Morning Post, Zong also said the time had come “to look with fresh eyes to Africa, given that we need to industrialise and we need its resources.” Reinforcing what he had previously said, Zong Qinghou said he would promote the establishment of the consortium, a large group of private companies in China, “to offer help to African countries in their industrialisation processes.” In the case of Angola, he said, the occurrence of natural gas reserves, copper and diamond mining and large available land areas were the most attractive points for Chinese companies. The Minister of Foreign Affairs of China, Wang Yi, who attended the panel agreed with the statements of the President of the Wahaha Group and gave assurances that the government would support Chinese private companies that want to deploy capital in Africa. *(Macauhub)*

BANKING

Banks

Role of the National Bank of Angola will be strengthened
The role of the National Bank of Angola will be strengthened in order to boost the financial system and contribute to the prosperity of businesses and households, said the new governor of the central bank following his inauguration ceremony in Luanda. “We have received from the President the responsibility to make the National Bank of Angola a real foreign exchange, regulatory, monetary and supervisory authority,” said Válter Duarte da Silva. Inducted in the same ceremony, the new minister of Hotels and Tourism, Paulino Domingos Baptista, said that the sector was “key” to getting more revenues for the state coffers. The minister said it was important to implement programmes to boost the domestic sector and create tourist attractions in the different provinces of the country, in order to obtain more revenue. The President of the Republic, José Eduardo dos Santos, inducted the new political appointees named on 4 March, including five ministers, two governors (of the BNA and a provincial governor) as well as four provincial deputy governors. *(Macauhub)*

Banking profits in Mozambique increase in 2014
The banking sector in Mozambique posted pre-tax profits of 8.4 billion meticais (US$171 million) in 2014, 28 % more than in the previous year, according to a study by the Mozambican Association of Banks (AMB) released in Maputo. The study conducted in partnership with KPMG said “the banking sector in Mozambique remains highly profitable,” driven by growth of 23 % in total assets from 281 billion to 339 billion meticais between 2013 and 2014. The growth of the profitability of the banking sector, which posted net profits of 6.4 billion meticais in 2014, compared to 5.2 billion in 2013, has been supported by an increase in income from foreign currency transactions, largely as a result of the sharp depreciation of the metical against the dollar. The study adds that the three main commercial banks,Banco Internacional de Moçambique, Banco Comercial e de Investimentos and Standard Bank, continue to dominate the market, controlling 73 % of total assets, a drop of two percentage points compared to 2013. The Mozambican banking sector was composed in 2014 of 18 registered commercial banks, unchanged compared to 2013. *(Macauhub)*

Barclays Braces for Tough Sell as It Looks to Unload Big Stake in Africa Business
In interview, CEO of Barclays Africa says group won't break up and sell individual assets
Halfway through the Barclays PLC presentation last week that detailed the selloff of its Africa assets, a footnote warned: "Implementation of these plans is subject to significant execution risks." It was more than a disclaimer. As the London-based lender seeks a serious suitor to take up a roughly $3 billion stake in Barclays Africa Group Ltd., it is bracing for a tough sell in a difficult environment. Africa's biggest economies are reeling from low commodity prices and China's slowdown, while many global financial institutions are facing regulatory pressure to cut their exposure to risk and build bigger capital buffers.
At stake is the future of one of Africa's largest banks. Barclays Africa owns 12 banks across the continent, the biggest of which by far is South African lender Absa. Barclays PLC, separately, directly owns a bank in Zimbabwe and one in Egypt. Barclays's decision to sell a big chunk of its 62.3% stake in Barclays Africa sparked consternation from investors and panic from some clients, forcing one Barclays manager to take to YouTube to reassure customers the bank wasn't shutting down. Barclays will likely need to bring down its stake in Barclays Africa to less than 20%, meaning it will have to sell some $3 billion worth of Barclays Africa shares.
Some investors are hoping to pluck choice cuts of business from the pan-African operation and that has led to public jostling between the bank's leadership—which wants to sell the unit as a whole—and potential suitors who want to buy more-affordable components of the group in Kenya, Uganda, Tanzania, the Seychelles and elsewhere on the continent.
Barclays Africa Chief Executive Maria Ramos said in an interview that she wouldn't allow the group to be split up. The 57-year-old Ms. Ramos has been CEO since 2013. "We have no intention or interest in divesting our [non-South African] Africa operations. We have a fantastic business across Africa," Ms. Ramos said. "It's not a desire, it's what's going to happen."
That approach may have strategic advantages for the African bank, but could make the search for the right investor with deep enough pockets even harder, analysts said. "The smaller banks can easily find buyers, even local guys. Who's really able and willing to buy the whole stake in the group?" said Kato Mukuru, head of equities at consultancy Exotix and a veteran Africa-focused investment banker with Citigroup and other major institutions.
The most talked about prospective buyer is former Barclays Chief Executive Bob Diamond and his Africa-focused Atlas Mara fund, which owns eight banks in seven African countries. Mr. Diamond, who has been seen at the Barclays central London offices recently, has been in contact both with Barclays and with potential investors who could boost his fund's bid, people familiar with the discussions said. Mr. Diamond is unlikely to bid for the whole group, people with knowledge of the situation said. His fund's listed shares are valued at about $320 million—a fraction of what would be needed to buy the chunk Barclays is seeking to sell. Beyond the price, the South African component is outside the interest of a fund focusing on the continent's less-developed but higher-growth markets. Ms. Ramos said she hadn't spoken with Mr. Diamond about the sale. Barclays in London and a spokesman for Atlas Mara declined to comment. Barclays is playing a long game, giving itself up to three years to sell down most of its shares in Barclays Africa.
Ms. Ramos said she was looking for a "serious investor who'd make a long-term commitment" to the group's future, and she dismissed concerns about the perilous state of the economy in South Africa and other parts of the continent, which are being buffeted by low commodity prices and a Chinese slowdown.
In the absence of a credible buyer, Barclays wants to sell its stake in Barclays Africa in chunks to asset managers or sovereign-wealth funds, executives have said.
Despite a heavy bias toward South Africa that amounted to almost 80% of revenue in the first half of 2015, executives at Barclays are eager to pitch the unit as a pan-African investment. Barclays executives have already held discussions with a number of asset managers, people familiar with the matter said. Analysts expect the South African Public Investment Corp., a state-owned investment vehicle, which holds around 5% of Barclays Africa, to boost its stake. Still, it is unlikely that the PIC will be able to buy the whole chunk Barclays is looking to sell. The bank could also face regulatory hurdles. The sale would have to be approved both by U.K. and South African regulators, while the corporate structure of the bank and its shareholders add more layers of complexity.
Another financial institution analysts see as a possible investor in Barclays Africa is Qatar National Bank. Backed by its wealthy owner, the state of Qatar, QNB has been on an aggressive buying spree in recent years, snapping up assets in Egypt and, most recently, in Turkey in a bid to become the largest bank in the Middle East and Africa by 2017. Barclays is also selling its Egyptian business separately, a target that may attract Middle Eastern buyers.
But the rapid succession of these acquisitions makes it unlikely the bank has any appetite to make another complex takeover soon, according to a banker who has advised QNB on previous transactions. The bank wasn't immediately available to comment. QNB already has a sizable presence in Africa. In 2014, it became the largest shareholder of pan-African lender Ecobank. Ms. Ramos is confident the right suitor will be found and Barclays Africa will be well-placed to capitalize on the economic ascent of the African continent. "Those who will be investing in our business will be looking at our long-term prospects," she said. "And I've been very pleased with the interest already." *(Wall Street Journal)*

Barclays Would Consider Full Africa Unit Sale, Staley Says
Barclays Plc would consider an offer for its entire 62 percent stake in the African banking unit that it's selling down to boost capital, Chief Executive Officer Jes Staley said.

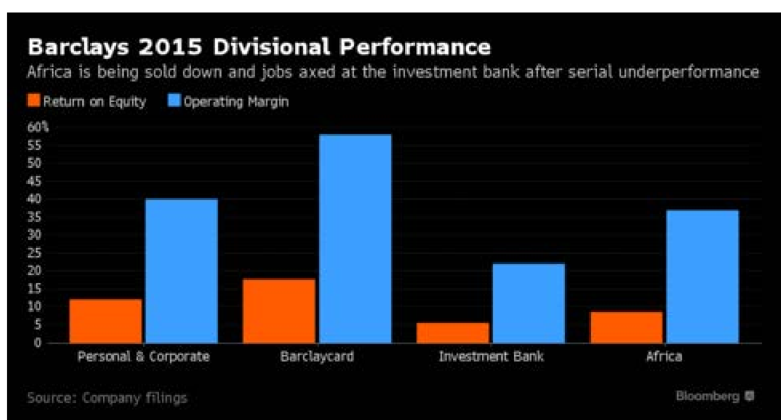
The firm is already receiving "a lot of interest" in the business a week after announcing its intention to cut its stake, Staley said in a Bloomberg Television interview with Erik Schatzker, without naming any potential bidders. The decision to sell down the firm's stake in Barclays Africa Group Ltd. and focus on the U.K. and U.S. markets was part of a broader strategy update Staley presented to investors on March 1. "The idea of keeping some optionality in Africa is attractive, but for sure, at some point there is a price where a strategic sale might make sense," Staley, 59, said. "We have given ourselves time, two to three years, to get the sale done in a way that protects the franchise of Barclays in Africa, because it is a separate bank."

In his first 100 days in the job, Staley has already left his mark on Barclays, stepping back from almost a century of operations in Africa, closing offices from Moscow to Brazil and cutting thousands more staff from the investment bank. The moves haven't rallied the shares, which trade at about 50 % less than its book value, driven in part by Staley's decision to slash the dividend in half for the next two years.

The shares rose 1.7 % to 167.4 pence at 1:56 p.m. in London, paring the loss this year to 24 %, the worst performance of any U.K. lender. Barclays needs to cut its stake to roughly less than 20 % to be able to deconsolidate the Africa business and escape punitive capital charges. Staley said last week that the unit is very attractive, but that capital rules require Barclays treat the stake as if it owns 100 %, thus diluting its profitability.

Former CEO Bob Diamond, who now runs private equity firm Atlas Mara Ltd., has been reported to be among those interested in some or all of the business. Staley said he doesn't believe Diamond has the "financial capability" to buy the entire unit. Diamond resigned in 2012 amid public and government pressure after the bank was fined 290 million pounds ($411 million) for rigging Libor interest rates. He's now building a banking franchise in sub-Saharan Africa through Atlas Mara and owns eight banks in seven countries. Barclays bought South African bank Absa in 2005 and three years ago the Johannesburg-based unit acquired its parent's operations in eight African nations, giving Barclays a presence in 12 countries on the continent with 12 million customers.

'Won't Rest'



Staley rebuffed calls from analysts and investors to exit or spin off Barclays's under-performing investment bank, seen as the main culprit for the two-year slide in shares, calling such demands "shortsighted" earlier this month. The investment bank reported its first quarterly loss in at least two years last week and Staley has pledged to refocus the unit on London and New York, where it's most profitable. "Being one of the few European investment banks out there these days is a competitive advantage," Staley said. "We have a long way to go, we have a lot to do with managing the costs at our investment bank, so we won't rest until we deliver a return on equity that covers the cost of capital."

Staley rejected the notion that U.K. regulations put Barclays at a significant disadvantage to its U.S. peers, and said the market will adjust to allow investment banks to earn sufficient profits. "I fundamentally believe U.K. regulators want to see a British bank within the leading investment banking group" and a "major player in the world's capital markets," the CEO said. "I don't believe the world will feel safe if we are relying on global capital markets where the intermediaries, the investment banks, can't raise capital or can't earn a fair return to their shareholders."

'Existential Risk'

While markets are currently "challenging," Staley said his firm had "a pretty good January and February." U.S. rivals Citigroup Inc. and JPMorgan Chase & Co. have forecast drops of 15 % or more in first-quarter trading revenue. Staley vowed to change the bank's culture after about 20 billion pounds of profit in the past five years have been wiped out by misconduct charges.

"Wall Street lost its way in the late 90s; I do believe that money became too much of a motivational factor," Staley said. "We have a lot to atone for, we made a lot of mistakes, but make no doubt, the only existential risk to Barclays is if we get it wrong in the future on conduct."

Negative Rates

A potential headwind for Barclays' retail and commercial units, which produce the highest returns at the bank, is the prospect of a prolonged period of negative interest rates. Staley spoke before the European Central Bank announced further easing measures, including pushing its rate on cash parked overnight by banks to minus 0.4 %. "Negative interest rates are a reality today, but on a very limited scale,'' Staley said. "We're a long way to go from it being a very disruptive influence in the banking industry, but we've got to keep an eye on it.''*(Bloomberg)*

Diamond eyes Barclays Africa assets

Bob Diamond, the forceful former Barclays chief executive, is approaching investors to back a takeover bid for a swath of the UK bank's African empire that he helped to construct. His audacious move comes after Barclays announced plans this week to sell its African operations, which date back almost a century. The retreat has raised concerns among customers and regulators about the future of one of the continent's biggest lenders. Mr Diamond has held preliminary talks with global investors who he hopes will put hundreds of millions of dollars into a deal to buy Barclays' African operations outside of South Africa, people familiar with the matter said.

The deal would be a remarkable comeback for Mr Diamond, who created Atlas Mara as a London-listed vehicle to invest in African banks after being ousted from Barclays in 2012 over the Libor rate-rigging scandal. Mr Diamond is betting that Barclays will decide to undo the merger he oversaw five years ago of its operations in 11 countries across eastern and southern Africa with Absa, one of South Africa's biggest banks. This could pit the former Barclays chief against Jes Staley, the lender's new boss, who has been unpicking its global ambitions since taking over last year to focus on its core markets of the UK and US. People who know the former Barclays boss said he had discussed his move with potential investors, adding that sovereign wealth funds in the Middle East and Asia are seen as the most likely sources of funding.

However, they said it could be challenging for Atlas Mara to raise enough money as its £230m market capitalisation is swamped by the £1.5bn that Barclays' operations outside of South Africa are expected to be worth. "This is the opportunity of a lifetime for him," said a person who knows the Atlas Mara founder. "It is a very difficult transaction in my view, but if anyone can pull it off it is definitely Bob." He could face competition for the non-South African assets of Barclays in the continent, such as from China's ICBC, which owns a large stake in South Africa's Standard Bank. Another potential bidder is France's Société Générale, which has operations in 18 African countries.

Rivals say there are few strategic buyers for all of the UK bank's 62.3 per cent stake in Barclays Africa Group, its Johannesburg-listed subsidiary. Regulators are expected to block any attempt to merge with a local rival, such as FirstRand or Nedbank. This could mean Barclays has to sell down its African stake into the market by offloading it in chunks to institutional investors. The UK bank has given itself two to three years to sell the stake below a level to deconsolidate it from its accounts. An alternative would be to sell its banking interests in 11 countries outside South Africa before selling down its stake. But there is no guarantee that the independent board of Barclays Africa Group will approve such a move. "I would have thought a split may be a solution here," said one banker. "But the optics are horrible for Barclays to sell to Bob Diamond. They will not want to do this." Barclays Africa generates only about 20 per cent of its profits from its operations outside of South Africa, which include Kenya, Tanzania, Uganda, Botswana, Mauritius and Zambia. Atlas Mara and Barclays declined to comment. *(Financial Times)*

Potential buyers 'are showing an interest in Barclays Africa'

Barclays Africa said there is no lack of interest from buyers seeking a stake in SA's third-largest lender as Barclays prepares to reduce its 62.3% holding to less than 20%. The London-based bank's interest would not be "sold in the short term and a number of players will have a say in the process", Barclays Africa deputy CEO David Hodnett said. It was too soon to speculate on how the British bank would sell its shares, he said, adding that regulators would be looking for investors who offered "long-term stability". Barclays said on March 1 it planned to sell down its interest in the lender formerly known as Absa over the next two to three years to reduce demands on the capital it needed to set aside for controlling the company. The company is moving more assets into its noncore unit and cutting the dividend for two years in an effort to shrink the bank and boost capital ratios. Bob Diamond, the former CEO of Barclays, had not directly approached the African lender on buying shares in the company, Mr Hodnett said.

Further expansion

While the two companies would still operate an investment-banking joint venture, the African unit's work with multinational corporations and its cash-equities business could be affected by the parent's withdrawal, he said. The investment bank still had room to grow and Barclays Africa wanted to expand further in Nigeria, while searching for insurance assets in Ghana as part of its plan to become one of the biggest pan-African banks, Mr Hodnett said. The British bank bought the South African business in 2005 and in 2013 the Johannesburg-based unit acquired its parent's operations in eight African countries. This gave Barclays Africa a presence in 12 countries on the continent and it now has more than 12-million customers. Barclays Africa was down 0.9% at R139.65 as of 2.11pm on the JSE, paring earlier losses of as much as 1.9%. The seven-member banks index declined 2.3%. *(BDLive)*

Equity Bank CEO: ‘The future will be driven by digital banking, not brick and mortar’

Kenya’s Equity Bank has traditionally been known for long queues at its branches, inspiring jokes about how many of its customers spend hours waiting to transact small amounts of money. After all, its rise from a technically insolvent building society in 1993, to one of the leading financial institutions in East Africa, has much to do with its strategy to offer banking services to low-income earners ignored by other lenders. And as the bank grew, so did the congestion in banking halls, which eventually put off some customers.

But a mobile phone-based platform, called Equitel, is changing all this.It all began in 2014 when the Kenyan regulator granted Equity Bank’s subsidiary, Finserve, a mobile virtual network operator (MVNO) licence. Essentially a MVNO offers mobile communication services without owning its own network infrastructure. MVNOs typically use the network infrastructure of an existing mobile operator to provide services to consumers under their own brands. In Equity Bank’s case it has partnered with Airtel.

Equitel was officially launched last July, and began issuing SIM cards to customers. Once fitted in a mobile phone, Equity Bank’s customers can access a toolkit on the menu that gives them options to borrow, send, receive and withdraw money. And like traditional mobile networks, one can also make calls, send messages and access the internet.

The mobile banking platform is what Equity Group CEO James Mwangi describes as a “massive transformation” to a digital bank.

More than two-thirds of all Equity Bank loan transactions carried out in 2015 were processed via Equitel. Transactions at the counter and at ATMs are beginning to “shrink significantly” as many retail clients switch to the mobile platform. This decongestion in banking halls is also having an impact on employee expenses – 660 staff exited the bank last year and a further 5% shrinkage in staff costs is expected in 2016. “In 2011 the branches were doing annually 28 million transactions. Despite the growth of customers from 4 million then to 10.1 million today, the branches have only dealt with 23.8 million transactions [in 2015],” says Mwangi. “ATMs, which used to deal with 34 million transactions, has gradually been declining and now we are at 30 million transactions. We are on the verge of a turning point where we start slowly retiring the physical infrastructure.”

Although Equity says it will not shut down branches, they will mostly serve a different clientele – SMEs and corporates. “The branches will now grow an SME corporate bank, and the old bank has gone virtual. We will see the branches significantly contributing more revenue because they are now doing high value business. We are also seeing diversification of branch income because they are able to do custodial, brokerage, advisory services,” explains Mwangi. “However, not everybody will move to virtual banking so the branches will still be necessary to serve slow adopters for as long as they want. The two banks will exist side by side.”

Most banks offering mobile lending in Kenya only allow micro-loans where the credit limit gradually grows based on the customer’s repayment habits. However, Equity is moving its usual lending to the digital platform, allowing customers to access loans of up to Ksh.3m (about $30,000) via their mobile phones.

Every day Equity receives 50,000 loan applications via Equitel. By December 2015, Equitel had disbursed 1.9 million loans totaling Ksh.8.5bn ($84m) in value. In 2016, Mwangi expects this figure to rise to Ksh.30bn ($295m). He attributes the success of the bank’s digital strategy to substantial investments in information technology over a period of two years. In 2014, the bank hired Raphael Hukai, a former IBM employee, as its first chief information officer. Although a significant investment, Mwangi says the digital strategy is paying off. The bank is benefitting from convenience and “enormous reduction” in operational costs and deficiencies. “The future [will] be driven by digital banking, not brick and mortar [branches].” *(How we made it in Africa)*

Kenya struggles to find banking consolidation consensus

Kenya plays host to some of Africa's more established pan-regional banks, but with 41 lenders active in the country many claim that it is overbanked. Attempts are being made to increase capital requirements and suspend any new licences with the intention of kick-starting a consolidation drive, but those who oppose such measures are making their presence felt.

Kenya’s banking sector is considered to be among the strongest in the east Africa region, and several of its lenders have established a multinational presence in the region and beyond. But a proliferation of small banks, two of which have collapsed in recent months, has led to considerable hand-wringing over the need to consolidate the country's fragmented market. There are 41 banks operating in Kenya, 13 of them foreign owned. But six of these account for 50% of total market share, while a further 16 banks control 42% of the market, leaving 12 banks with just an 8% share between them. “There’s been an obvious sense that consolidation is required in Kenya’s banking sector for quite a while,” says Aly-Khan Satchu, CEO of Nairobi-based investment advisory Rich Management. “The central bank governor is on record as saying that the sector requires some consolidation.”

Government pressure

In recent months the government has begun to apply pressure for exactly that reason. In the 2015 budget, covering the period from July 1, 2015 to June 30, 2016, the finance ministry proposed to increase banks’ minimum core capital requirement, and in November, the Central Bank of Kenya (CBK) announced the suspension of licensing of new commercial banks with immediate effect. “Saying no to new licences is a way of calling for consolidation, because the door has been left open for interested parties to take on existing licences,” says Mr Satchu.

But in August the proposed increase in capital requirements, from Ks1bn ($10m) to Ks5bn, was quashed by the Kenyan parliament. Lawmakers claimed that the move would stifle growth in the banking sector. Even the central bank decided not to back the measure. The bank's governor, Patrick Njoroge, took over the role at the beginning of June 2015, just days before the treasury secretary, Henry Rotich, delivered his budget speech. Mr Rotich argued that an increase in core capital requirements would promote a sustainable banking sector comprising strong, well-capitalised institutions able to invest in large infrastructure projects and withstand financial shocks.

A few weeks after his appointment, Mr Njoroge made his own position clear, warning parliament that the proposed measure would squeeze out smaller lenders offering niche products services to Kenyan citizens, and that there was no evidence that consolidation would drive down commercial lending rates.

Feeling the failure

Pressure for consolidation has mounted since the failure of two small banking institutions towards the end of 2015. Dubai Bank was put in receivership in August for liquidity and capital deficiencies, and within a matter of days the bank's statutory manager, Kenya Deposit Insurance Co-operation, recommended its liquidation. A ruling by the High Court to halt the liquidation has been challenged by the CBK.

Imperial Bank was placed under statutory management in October, after the bank suffered losses of Ks35bn due to alleged fraud over a 13-year period. Consolidated Bank has also been accused of being in breach of minimum capital requirements. The lender advanced more than one-quarter of its core capital to cigarette manufacturer Mastermind Tobacco, according to the findings of the government's Public Investments Committee.

The collapse of Dubai Bank and Imperial Bank led some clients of smaller banks to shift their deposits to the bigger institutions. Kenya's banks themselves are striving to meet existing capital adequacy requirements. Prime Bank announced on February 1 that it had raised Ks1.02bn from investors to shore up its capital base in advance of a planned expansion.

Capital struggle

If capital requirements are increased, many small banks will struggle to make the grade. About half of the country's 41 banks are currently above the Ks5bn threshold, while a number of others are close enough that they could probably raise the additional capital within the three-year timeframe envisaged by the proposed legislation. But there would inevitably be casualties. "If they raised the capital requirement to Ks5bn obviously there would be some banks that would be compelled to be acquired by larger ones," says Kefa Muga, a senior economist at the African Trade Insurance Agency in Nairobi. "Some lack the capacity to increase their capitalisation to that degree." Jared Osoro, director of research and policy at the Kenya Bankers Association, agrees that such an increase would "force some mergers or acquisitions". Between 30 and 35 banks would survive such a measure, according to banking sources speaking to The Banker. It remains to be seen whether the government will continue to push for an increase in capital requirements, and if it does whether it can secure parliamentary assent. Strong opposition to the move is likely to persist due to the influence of those invested in the status quo. Despite their weaknesses, there is also a recognition that smaller banks have a role to play in the sector. "There are a number of banks serving niche markets," says Mr Osoro. "There are those with purely corporate customers who because of their deep understanding of their customers can provide higher quality services. And there are those focusing on small and medium-sized enterprises, which make up a much larger part of the market in Kenya than in Nigeria and South Africa."

The smaller players "understand the risks at a finer granularity than banks that have their headquarters overseas and are often making decisions from the point of view of their Africa business", says Mr Satchu. Mr Njoroge argues that the collapse of Imperial Bank and Dubai Bank does not mean that all small banks are mismanaged. "There's some truth in what the central bank has said," says Mr Muga. "It's not a systemic problem. The banks with problems are finding themselves in those situations because of individuals [at management level]."

Better supervision?

What is clear, however, is that the system needs to do better when it comes to identifying when such problems arise. "The central bank is a very effective regulator, but it is just realising that it needs to do more monitoring of the smaller banks to ensure they are effectively managed," says Mr Muga.

Mr Njoroge has made the improved supervision of the banking sector a central pillar of his programme at the central bank. If implemented, his plans would offer an alternative route to consolidation. "If the idea behind increasing minimum capital requirements is to enhance stability in the banking sector, that can be done by other means, such as beefing up prudential guidelines and ensuring capital adequacy ratios are adhered to," says Mr Osoro. Even without an increase in capital requirements, many of Kenya's smaller banks would struggle to cope with the demands of an overhaul in banking standards. Satisfying requirements for improved management, transparency and due diligence may be an insurmountable challenge for some smaller players. "Banks with a very small loan book will struggle to make the required investments in compliance," says Mr Satchu.

Smaller government

In parallel to these developments, the government is looking to reduce its stake in the banking sector, and to merge some of those banks in which it holds shares. National Bank, Consolidated Bank and Development Bank are all candidates for a government divestment, and possibly for a merger. "National Bank is already listed on the Nairobi Stock Exchange, so the government can divest by selling shares on the market," says Mr Osoro. "The other two can be

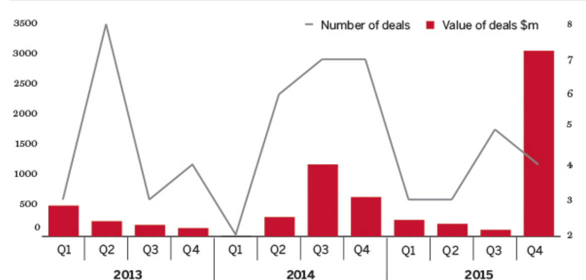
merged." However, international interest in Kenya's weaker banks cannot be taken for granted. With the exception of the recent acquisition of a 70% stake in Fina Bank by Nigeria's Guaranty Trust Bank, there has been scant merger and acquisition activity in the Kenyan banking market. The only move currently on the table is the proposed buy-out of Giro Bank by I&M Holdings, which was made public in September and is awaiting approval from the central bank. In future there is likely to be consolidation in Kenya's banking sector, but at a slow pace. "There's definitely a desire to push in this direction, but the question is how to make it happen," says Mr Satchu. "It's not going to be a linear process, there's going to be some zigs and zags. But at least the course is set." *(The Banker)*

Middle East and Africa banks retain M&A allure

The high levels of merger and acquisition activity seen in the Middle East and Africa banking sector – from both overseas names and domestic companies – shows that the economic and political turbulence much of the region has experienced in recent years has not dampened investors' appetites. The Middle East and Africa region has enjoyed a steady increase in merger and acquisition (M&A) activity among banks and investment banks in recent years. This trend has seen total deal activity climb from just over $1bn in 2013 to about $3.6bn by the end of 2015, according to data from industry analyst Mergermarket. Encouragingly, this growth has been driven by an increasingly diverse range of participants, including big spending banks in the Gulf Co-operation Council (GCC) and a number of lenders in markets such as Kenya and Morocco, which are looking to spread their wings across the African continent.

GCC-led charge

It is notable that in 2013, five of the six largest deals involved acquisitions by banks from the GCC. Buoyed by strong oil prices and booming domestic economies, these lenders aggressively pursued opportunities both domestically, as well as in larger regional markets. The Commercial Bank of Qatar's $473m acquisition of a 75% stake in Turkey's Alternatifbank formed part of a wider trend of Middle Eastern lenders looking to gain exposure to the country's promising banking sector. In the same year, the United Arab Emirates' FGB completed the acquisition of Dubai First, a consumer financial services business, for $164m. According to statements from FGB, the deal represented an opportunity for the bank to provide additional value to its customer base by leveraging Dubai First's specialisation in liability and credit card products. Meanwhile, Bahrain's Al Salam Bank merged with BMI Bank, an affiliate of Oman's Bank Muscat, in a $156m deal that formed part of a wider drive to establish larger and more competitive banks in the country.



Outside of the GCC region, Angola's Banco BIC, the country's fourth largest lender by total assets, completed two acquisitions of subsidiary units of Banco Portuguese de Negocios (BPN) in 2013. This followed the African lender's acquisition of the BPN parent entity from the Portuguese government for €40m in 2012, a deal that did not include the subsidiaries.

As such, Banco BIC went on to make two further acquisitions of BPN units in Cape Verde and Brazil for $39m and $17m, respectively. These transactions reflect the Angolan bank's stated plans for aggressive geographical expansion across the Southern African Development Community and beyond.

Good bank, bad bank

The deal data for 2014 is notable for the fact that about $1.07bn-worth of transactions were executed by Qatar National Bank (QNB) and South Africa's Nedbank for stakes in the pan-African banking group Ecobank Transnational Incorporated (ETI). For QNB, the move was a significant step forward in its ambitions of becoming the leading bank in the Middle East and Africa by 2017. The Qatari lender executed two transactions in September 2015, valued at $283m and $220m, to secure a 23.5% stake in ETI.

Just one month later, Nedbank, South Africa's fourth largest lender by total assets, took a 20% interest in ETI for $493m. The deal is at the heart of the bank's plans to expand beyond South Africa and secure access to faster growing markets across the continent. According to estimates reported in a number of local and international news sources, the transaction diluted QNB's shareholding in ETI to between 17% and 19%.

Other transactions in Africa in the year included a number of sell-offs by the Asset Management Corporation of Nigeria (Amcon), the country's bad bank set up following the 2009 banking crisis, to stabilise the banking sector. These deals include Amcon's local sales of Enterprise Bank to Heritage Bank for $350m, and Mainstreet Bank to Skye Bank for $124m. In addition, Atlas Mara, the London-based investment vehicle run by former Barclays group chief executive Bob Diamond, purchased a 20.9% stake in the Union Bank of Nigeria from Amcon for $270m.

African footprint

Of the 10 largest Middle East and African M&A deals in 2015, nine involved the acquisition of banking targets in Africa. Though deal volumes were relatively small, the focus on the continent's sub-Saharan market by both African and non-African acquirers was the standout feature of the year.

Here, Atlas Mara announced the $76m acquisition of Zambia's Finance Bank. With Finance Bank boasting an existing asset base of $286m, 63 branch locations and 800 employees, Atlas Mara has cited the potential for a tie-up with its existing Zambian holdings to create the country's largest bank by branch network and fifth largest by assets.

Meanwhile, Norway's investment fund for developing countries, known as Norfund, in partnership with NorFinance, an investment company created by Norfund and private investors, purchased a 12.22% stake in Kenya's Equity Group Holdings for about $257m from private equity group Helios Investments. The deal is in keeping with NorFinance's founding strategy focused on investments in African financial institutions.

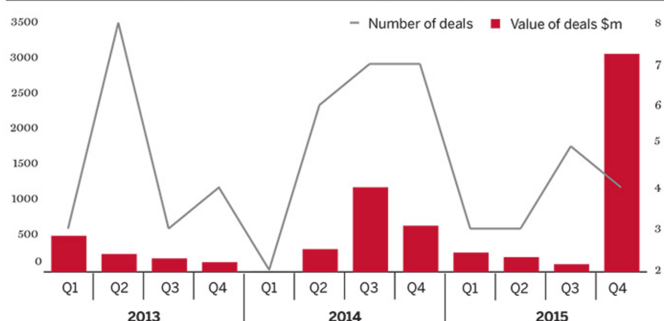
In the same year, Equity Group Holdings itself secured a stake in ProCredit, the seventh largest bank by assets in the Democratic Republic of the Congo. The deal, which was valued at $60m, gives Equity Group a strong position in Africa's fourth most populous country. ProCredit has assets of about $200m along with a customer base of close to 170,000. Equity Group has stated that it will use ProCredit to aggressively develop the country's underserved retail segment.

In West Africa, Moroccan banks maintained their recent expansion drive in the hunt for higher returns across francophone markets. Morocco's largest lender by total assets, Attijariwafa, acquired a 39% stake in Société Ivoirienne de Banque at a value of $56m, while the Banque Centrale Populaire secured a 53% stake in BIA Niger for $25m. The growth of Moroccan banks across Africa partly reflects the country's push to become a major financial hub for the north-west of the continent. But it also mirrors the strategy of other Moroccan corporates, particularly in the telecommunications sector, which have adopted similar non-organic growth strategies across much of west Africa.

Turkish delight

The biggest deal of 2015 occurred outside Africa. Qatar National Bank's announcement of the purchase of a 99.8% stake in Finansbank of Turkey, at a price of $2.9bn, single-handedly drove up the total deal volume of the year to ensure that 2015 easily outpaced the previous two years put together. The deal emerged as the Turkish lender's parent entity, the National Bank of Greece, was required to make the sale as a condition of the various bail-outs it had received.

According to statements from QNB, the acquisition of Finansbank is a major step forward in its ambitions of becoming a leading global lender by 2030. With 647 branches, 5.3 million customers and about $19.5bn-worth of loans, Finansbank represents a sizeable addition to QNB's global footprint.



The rapid growth in trade between Turkey and the Arab world over the past 10 years was cited as an additional incentive for the deal. QNB's move into Turkey therefore represents another deal in which the Qatari lender has played a significant role in bumping up the overall figures for M&A activity across the Middle East and Africa. Between 2013 and 2015, the total figure for the bank's acquisitions in these regions reached about $3.5bn.

Yet, these figures should not discount the impact of wider trends shaping the M&A landscape. For one, a number of Africa's burgeoning banking hubs, including Kenya and Morocco, are likely to be the source of further outbound acquisitions as their domestic banking markets mature and local lenders push further afield in the hunt for higher growth opportunities. Similarly, rising capital requirements across the continent are likely to see further consolidation in key markets moving forward. *(The Banker)*

Nigeria's banks rethink African expansion plans

Economic problems at home and lower profits elsewhere in Africa mean Nigerian banks are having to revisit their strategies for growth across the continent, but what will be the consequences for the countries that they are winding down in or even exiting from?

Talk of Nigeria's banking sector today is dominated by the challenges facing lenders at home. With a growing dollar liquidity crisis, depressed oil prices and sluggish economic growth, the country's banks are in a tough spot. But, beyond the domestic market, Nigeria's lenders are facing new challenges – as well as some opportunities – in their continuing story of regional expansion. Today, Nigeria's largest banks boast a footprint across parts of western, eastern and central Africa.

While this growth offered significant upside potential during the years of the commodity boom, the outlook today is less certain. Across the continent, the near-term prospects for economic growth have dimmed as currency volatility and falling commodity prices have prevailed. These trends have emerged as regulators in a number of key markets are ramping up their capital requirements for banks. As a result, the prospects for Nigerian banks' subsidiaries across Africa are changing.

In response, some lenders appear to be moderating their regional expansion plans as they withdraw from existing positions. Others are maintaining a slower and more cautious approach to regional growth. What is clear is that the days of Nigerian banks acquiring significant positions across Africa on a meaningful scale are very much on hold. While this

trend is far from problematic for most Nigerian banks, given the small contribution of these subsidiary units to their overall performance, it is likely to have implications for the banking markets in which these units operate.

Regional ambitions

Nigeria's lenders first began to expand in 2004, following a tenfold increase in minimum capital requirements that led to the consolidation of the domestic market. "The banks used that increased capital to expand across the continent," says Adesoji Solanke, sub-Saharan banking analyst at Renaissance Capital in Lagos. Backed by a booming domestic economy, favourable oil prices and the ambitions of the country's larger corporate groups, many of which were investing across the continent, the rationale for expansion was strong. According to research from the Bank for International Settlements, this led to more than half of the country's domestically owned banks owning units or subsidiaries outside Nigeria by 2008. This figure compares with just two lenders with foreign subsidiaries in 2002.

During this period and in subsequent years, much of this expansion has been non-organic as the banks have pursued existing in-country operations of local lenders. For most, opportunities in west Africa have offered the most attractive acquisition targets. Proximity to the home market is one reason for this, as is the common linguistic and regulatory norms on offer in most of these jurisdictions. "The further Nigerian lenders expand away from west Africa, the harder it is for them. There would be less of an incentive to maintain subsidiaries beyond this region if the outlook for subsidiaries outside West Africa deteriorated," says Akin Majekodunmi, a vice-president and senior analyst with ratings agency Moody's.

Growth opportunities

Nevertheless, a number of Nigerian banks have decided to pursue growth opportunities further afield. In particular, east and central Africa has been a focal point for Nigerian banks looking to tap into the region's favourable demographics and economic growth. For instance, First Bank of Nigeria, United Bank for Africa and Access Bank, Nigeria's first, third and fifth largest lenders by total assets, respectively, have all established a presence in the Democratic Republic of the Congo (DRC).

For First Bank, the DRC represented its first investment into a fully-fledged African subsidiary. "We were looking for a solid investment opportunity in a local lender. In 2011, we had the chance to acquire Banque International de Credit Congo. Aiding this decision was the fact that the country is very similar to Nigeria in terms of opportunities as it has a large and growing population with abundant resources," says Bashirat Odunewu, group executive of First Bank's international banking group.

Following this deal, in November 2013 First Bank announced the acquisition of International Commercial Bank's subsidiaries in Gambia, Ghana, Guinea and Sierra Leone. "For us, these countries have different business focuses. Some of them are agriculturally focused, while in the [DRC] we are working on a lot of infrastructure development. We need to consider the strengths of each market and the ways in which the bank can maximise our returns while helping the economy to grow," says Ms Odunewu.

Scaling back

Yet, more recently, a number of Nigerian lenders have reduced their presence across the continent. In particular, Access Bank has led the way in terms of drawing down its equity position in some subsidiary units, while executing a full withdrawal from other markets.

In January 2014, the lender announced the sale of its loss-making unit in Côte d'Ivoire to Cameroon's Afriland First Bank Group. In the same year, it divested its subsidiary in Burundi, FinBank. These withdrawals emerged as nationalised lender Keystone Bank, under the management of 'bad bank' the Asset Management Corporation of Nigeria, sold its stake in Uganda's Orient Bank in 2015. Keystone Bank also intends to divest its positions in Sierra Leone and Liberia.

The mixed fortunes of Nigeria's lenders abroad have much to do with the difficult economic environment across the region. "There are so many challenges now in sub-Saharan Africa that a lot of banks are not generating the kind of profits that they had anticipated outside Nigeria. Given the difficulties at home, many of them are now focusing on the domestic market," says Mr Majekodunmi.

Guaranty Trust Bank, the country's fourth largest lender by total assets, posted a loss on its operations in Côte d'Ivoire to the year ending September 30, 2015, although its remaining five African units were profitable. Meanwhile, Access Bank recorded losses in its subsidiaries in Sierra Leone, Gambia and Zambia over the same period, though its operations in Rwanda, the DRC and Ghana all posted positive returns. As such, questions remain over the extent to which Nigerian lenders are willing to back their loss-making subsidiaries across the continent while conditions at home remain increasingly difficult.

In conjunction with a more challenging economic landscape, rising capital requirements across the region pose another obstacle. "Regulators across the continent are increasing capital requirements for banks, whether it is across the board or specifically for the international banks operating in a particular jurisdiction. This could be a constraint for the Nigerian banks that do not have the capital to inject into those countries," says Mr Solanke.

Leaving a hole?

Beyond the implications for the banks, the exodus of lenders from some markets may prove challenging for their respective financial sectors. Though Nigerian banks' operations in many countries remain relatively small, a number of these markets are yet to reach the requisite scale or maturity required to handle sudden shocks. This is particularly true

in the case of the DRC. "Any move by Nigerian banks to offload, downscale or close foreign operations, such as those in the DRC, in response to changes in home market capital requirements, could have sizeable disruptive effects within the Congolese banking sector. While I do not think this would pose a systemic risk to the wider sector, care needs to be taken to manage any potential disruption," a senior banker in the DRC told The Banker. "Some banks are pricing risk aggressively, and lending at durations that are hard to justify in the context of the local economy, in order to build market share. Clients face significant refinancing risk in the event that Nigerian banks retreat, as the broader sector may not refinance at similar rates or durations," the source added.

The coming years will be a solid test for the performance of Nigerian banks' subsidiary units across the continent. As the problems pile up at home, the prospect of further divestments from some lenders remains high. For others, a more cautious approach to regional expansion, characterised by the consolidation of existing positions, appears to be on the cards. "We want to concentrate on our existing acquisitions for now. If promising opportunities come along it doesn't mean that we will ignore them but our priority is to maximise our current investments," says Ms Odunewu. *(The Banker)*

Markets

Emerging-market stocks and currencies climb to three month high

Emerging-market stocks and currencies rose for a second week and bonds rallied as oil's rebound above $40 a barrel and European stimulus boosted demand for riskier assets. A gauge of developing-nation currencies climbed to a three-month high as China strengthened the yuan's fixing, spurring a surge in the onshore currency. Russia's ruble, and South Africa's rand each jumped at least 1% as oil's advance boosted sentiment toward commodity exporters. Brazil's real strengthened for a fourth day and the Ibovespa advanced amid mounting speculation that there will be a change in government. Hungarian equities rallied to a six-year high, leading an advance in eastern European stocks toward their highest close since November. While monetary easing from the European Central Bank (ECB) encouraged inflows to higher-yielding assets, investors are watching the Federal Reserve as speculation gathers momentum that it will raise US interest rates this year. Futures traders see about a 77% chance of an interest rate increase by the Fed's December policy meeting. Chinese factory production and foreign direct investment data are also forecast to provide further evidence of a slowdown in the world's second largest economy.

Currencies Strengthen

"Investors are realizing that the ECB is still able to ease further and that is helping sentiment toward emerging markets," said Guillaume Tresca, a strategist at Credit Agricole SA in Paris, who recommends selling the rand and buying the Turkish lira. "The Fed March meeting will be a reminder that it is on course to normalize monetary policy later this year, so we could see some profit taking."

A gauge tracking 20 exchange rates climbed 0.8% to close at 71.09, pushing its gain for the week to 1.3%. Volatility in developing-market currencies, a measure of risk used in pricing options, fell 0.3% in the past five trading days following a 13% drop in the past three weeks, according to a JPMorgan Chase index.

The MSCI Emerging Markets Index rose 1.3% to the highest level this year. The advance wiped out the stock benchmark's decline for 2016. Brent crude jumped almost 1% to $40.44 a barrel. The Bloomberg Commodity Index of 26 raw materials added 0.7%, pushing its five-day gain to 2%.

Russia's ruble appreciated 2.3%, dipping below 70 per dollar for the first time this year. A four-week rally in the currency is giving policy makers room to resume a cycle of interest-rate cuts, with wagers for a reduction in borrowing costs widening to the highest level this year.

Rand and Real

SA's rand strengthened 1.3%, extending gains for a second week. The Brazilian real gained 1.2% against the dollar, pushing its gain to 4.6% this week, the most among 24 emerging currencies tracked by Bloomberg. China's onshore yuan rose 0.2% ahead of key data and an annual press conference by People's Bank of China Governor Zhou Xiaochuan and his top deputies. Hungarian equities advanced 1.4% to the highest level since January 2008. Turkey's Borsa Istanbul 100 Index climbed for a 10th straight day, its longest winning streak since 2013. It advanced 0.5% to the highest level in more than three months, taking the weekly gain to 2.8%.

Stock Valuations

The Ibovespa advanced 0.1% in Sao Paulo. Lender Banco do Brasil SA led gains in the benchmark, rallying 6.3%. The Shanghai Composite Index rose 0.2%, stemming a 2.2% drop for the week as state intervention failed to regain investor confidence. Shanghai Pudong Development Bank slumped after a stock-sale plan. The Hang Seng China Enterprises Index of mainland stocks listed in Hong Kong advanced 1.7%, erasing its decline for the week. All 10 industry groups in the MSCI Emerging Markets Index gained this week, led by technology and industrial companies. Developing-nation stocks have climbed 0.9% this year and are valued at 11.6 times 12-month estimated earnings. The MSCI World Index has declined 2.2% in 2016 and is valued 15.8 times earnings. The premium investors demand to own emerging-market debt over US Treasuries narrowed seven basis points to 411. JPMorgan Chasecut "several" emerging-market credit traders, including global head Robert Milam, as volatility in the asset class bled into this year, according to people with knowledge of the moves. South Korea's 10-year government notes fell this week after the central bank refrained from cutting the benchmark interest rate from a record low. The yield rose five basis points to 1.92%, Korea Exchange prices show. Russian government bonds fell, trimming the second-best rally in emerging markets this month. The yield on

five-year sovereign OFZ bonds advanced five basis points to 9.4%. They're still down 154 basis points since touching a 2016 high in January. *(Bloomberg)*

Mozambique "tuna bond" heads toward default waters

Debt issued by Mozambique's state-run tuna-fishing company Ematum may net a ratings downgrade after the agency Fitch said the state's offer to exchange outstanding liabilities for a fixed rate sovereign note could represent a default. Dubbed the tuna bond, the original $850 million bond was issued in 2013 and presented as funding for "tuna fishing and related infrastructure" although it quickly became apparent that much of the cash was for maritime surveillance and security.

Fitch said it was placing Mozambique's Long-term foreign and local currency Issuer Default Ratings (IDRs) of 'B' on Rating Watch Negative (RWN) because of its concerns about the bond. Such a move would be a fresh blow to the deteriorating investor image of Mozambique, one of the world's poorest countries, which sits on vast untapped reserves of natural gas but has been hard hit by the slump in global commodity prices.

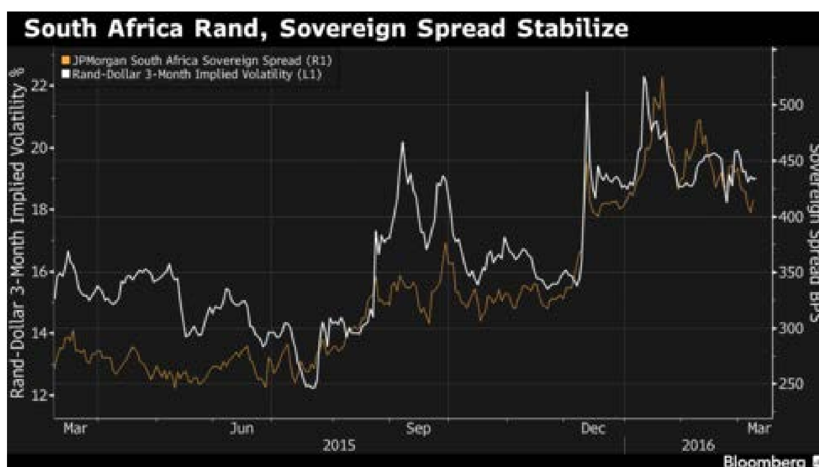
Mozambique this week asked holders of bonds in Ematum to swap the debt for new U.S. dollar-denominated 2023 bonds to smooth its debt maturity profile. The Mozambique government is offering to exchange 2020 maturing bonds, with $697 million outstanding that paid a 6.305 % coupon, into a new fixed rate sovereign note due 2023. "In Fitch's view, the offer could constitute a Distressed Debt Exchange (DDE) under the agency's criteria, which we would consider a default event," Fitch said in a statement. "If Fitch deems the exchange offer to be a DDE, the agency would downgrade Mozambique's Long-term foreign currency Issuer Default Ratings to 'C' from 'B', indicating that default is highly likely in the near term," it said.

Conversely, Fitch said it could remove the rating watch if the transaction was not judged to be a distressed debt exchange. "The funds raised were originally intended for the development of Ematum's tuna-fishing capabilities, but according to the IMF, $500 million was spent on maritime security equipment instead," Fitch said. "The government subsequently incorporated the $500 million into the budget while the remaining $350 million is booked on Ematum's balance sheet," it said. Mozambique is set to publish more details of its exchange offer, including coupon and pricing, on March 17. The metical currency has fallen by a third against the dollar over the past 12 months as investors worry about the government's ability to manage its finances. *(Reuters)*

No Sale Time Like Present for South Africa on Cusp of Downgrade

Now may be as good a time as ever for South Africa to sell Eurobonds for the first time in almost two years. Finance Minister Pravin Gordhan traveled to the U.K. and U.S. this week to reassure investors and rating companies of his commitment to meet fiscal goals. While the trip was billed as a "non-deal roadshow," some say an opportunity has opened even as Moody's Investors Service signaled it may cut the nation's credit rating to one level above junk.

The government said last month it planned to raise as much as $1 billion in international markets before the end of March, if market conditions allow. That would mean stability rather than lower yields, Tshepiso Moahloli, head of liability management at the Treasury, said on Feb. 24. Since then, rand volatility has dropped, while the premium investors demand to hold South African dollar debt rather than U.S. Treasuries fell as much as 40 basis points to the lowest since mid-December, when President Jacob Zuma roiled markets by firing his finance minister. "On paper, it was a non-deal roadshow, but having said that, given the recent rally and if they feel they will be downgraded this year, I would not be surprised if they issue over the next few weeks," Claudia Calich, a money manager at London-based M&G Ltd., which oversees about $1 billion in emerging-market debt, said after attending one of the meetings. "It would be good for them to issue soon, especially as spreads are off the wides, U.S. Treasury yields are still low and they will likely be downgraded this year, the question being by how many notches." A dollar-denominated sale by South Africa would be only the eighth by a developing country this year. International dollar issuance by emerging-market nations this year is down 56 % from the corresponding period in 2015, according to data compiled by Bloomberg, as the prospect of rising interest rates in the U.S. lures capital away from higher-risk assets.



South Africa last sold dollar bonds in July 2014, when it issued $1 billion of securities maturing in 2044 at a spread of 220 basis points above comparable U.S. Treasuries. That spread has since widened to 318 basis points, suggesting the nation's borrowing costs would rise

in a sale this month. In South Africa's favor is its relatively low ratio of foreign debt to gross domestic product, at just 5.4 %, compared with 33 % for Turkey.
Africa's most-industrialized economy is at risk of losing its investment-grade status, with growth forecast to slow to less than 1 % this year. Confidence also hasn't recovered since Zuma decided in December to install little-known lawmaker David van Rooyen as finance minister, causing the rand and bonds to plunge as investors fretted about his commitment to fiscal targets. Zuma backtracked four days later, re-appointing Gordhan to the position he had held from 2009 to 2014.

Fiscal Restraint

Moody's placed South Africa's Baa2 rating on review, saying could lower the assessment if it sees signs authorities aren't committed to fiscal restraint. A downgrade by Moody's would move its rating to one level above junk and on par with that of Standard & Poor's, which has a negative outlook and is reviewing the rating in June, and Fitch Ratings Ltd. "Investors remain very worried on the politics and their views are not really shifting on the inevitability of a downgrade," said Peter Attard Montalto, an economist at Nomura International Plc in London, who said he had spoken to investors who attended the meetings. "This trip, though, will help to get a bond issuance away without having to pay up for it too much. They will want to get something away before the June ratings updates."
The rand has rallied 25 % since plunging to a record on Jan. 11. The currency weakened 0.3 % to 15.2631 per dollar by 5:07 p.m. in Johannesburg. Yields on benchmark dollar bonds maturing in Sept. 2025 have dropped 44 basis points this year to 5.14 %. The JPMorgan EMBIG South Africa Sovereign Spread has narrowed 116 basis points to 409 since reaching a seven-year high in January. ''With the rand starting to appreciate from the really oversold levels, it might be a good time to test the market internationally," Asief Mohamed, chief investment officer at Aeon Investment Management Ltd., said by phone from Cape Town. "It would create some sort of perception of confidence in South Africa. There are investors out there that will take up the bond issue. Relative to the political risk, they're prepared to take an investment." *(Bloomberg)*

Brace for another rate hike, economists warn

The South African Reserve Bank is set to hike rates, according to two prominent economists who believe a 25 basis-point interest rate increase will likely be the outcome of the next monetary policy committee (MPC) meeting. "Next week's MPC meeting is likely to be a tug of war between different factors which makes it more difficult to establish serious conviction on, unlike the January meeting," Nomura emerging markets economist Peter Attard Montalto said. "Broadly, the tug of war will be between a slightly more bullish (i.e. benign) inflation path and a stronger ZAR compared with the last meeting, versus a range of bearish other factors including wage round fears and expectations. Ultimately, we think the latter will win." Mr Montalto believes the Reserve Bank's growth forecast should be more or less unchanged, as fourth-quarter gross domestic product (GDP) data would not have been too much of a surprise. "Overall, then, we think the broad balance of the growth vs inflation narratives on both the baseline and the skew of risks remains broadly unchanged for the MPC." Labour issues will be in the spotlight, with the Reserve Bank "getting more worried about the forthcoming wage round and the ability of the imminent gold sector wage conflict to skew larger manufacturing and other mining sector awards later in the year". On top of that, the Reserve Bank is increasingly studying the impact of food price shocks on expectations, wages and long-run sticky second-round effects in inflation, he said.

Rates could even remain unchanged.

Mr Montalto sees a 55% chance of a 25 basis-point rate increase. "We think a 50bp hike is very unlikely and so see a 45% (chance) of rates remaining unchanged. Put another way, we would not be surprised if rates were unchanged." However, whatever the outcome, the Reserve Bank is firmly on course for a cycle of rate hikes: "We expect strong signals of future hikes and the MPC set on a hiking path, highlighting the risks and fears outlined above," said Mr Montalto. Gina Schoeman of Citi Research concurs in part with Mr Montalto: "We expect the Reserve Bank MPC to hike the repo rate 25bp next week, to 7%. Our view is premised on the MPC's consumer price index (CPI) outlook still breaching the 6% target ceiling for an extended period, made more uncomfortable by a rise in Q1 inflation expectations."
The MPC's statement in January presented an eight-quarter breach in the Reserve Bank's CPI outlook and this, together with higher risk, justified the 50bp hike at the time, said Ms. Schoeman. However, she expects the Reserve Bank to announce a shorter inflation breach next week because of five key factors:

1. January's 50bp hike will reduce CPI in 12 months by around 0.1 percentage point;
2. The dollar-rand rate is 5% stronger and the nominal effective exchange rate has gained 4.4%;
3. Eskom's electricity tariff increase is confirmed at a lower 9.4% than the Reserve Bank's 12.2% estimation, deducting 0.1 percentage point off 2016 and 2017 CPI;
4. The GDP outlook may reduce slightly which, barring a reduction in potential growth estimates, means a slightly wider output gap; and
5. CPI food is likely to peak earlier which, owing to base effects, allows the 2017 profile to reduce sooner.

Ms. Schoeman's CPI outlook has a shorter five-quarter breach but she cautions that this is still extended and remains within the reach of monetary policy effectiveness, with hikes starting to show an effect on CPI after four quarters.

"This is hard to stomach alongside still-high risk on the economy and out-of-target inflation expectations. Despite a stronger ZAR since January, there is no doubting its touch-and-go outlook: volatile global markets, hugely uncertain politics and the risk of a sub-IG foreign currency rating looms over the economy," said Ms. Schoeman.
She believes the MPC will raise interest rates to address the inflation breach and inflation expectations sooner rather than later. *(Fin24)*

Nigerian policymaker advised central bank to devalue naira: MPC minutes
A member of Nigeria's central bank monetary policy committee(MPC) has said the naira should be devalued and allowed to trade within a band, saying that the fixed exchange rate would not work alongside a planned rise in government borrowing. Adedoyin Salami, an academic, said the naira was 10-% over-valued and voted to move the exchange rate band to plus or minus five % from 220, minutes from the 12-member MPC January meeting showed. Nigeria faces its worst economic crisis for decades as the falling price of oil has slashed revenues, prompting the central bank to peg the currency and introduce curbs to conserve foreign exchange reserves which have fallen to a more than 11-year low. The naira trades some 40 % below the official rate on the black market versus the dollar. Africa's biggest economy grew by 2.8 % last year, its slowest for decades. Salami said his proposal gained no support at the meeting and that the central bank was focused on exchange rate stability at the expense of inflation. "The absence of an exchange rate management policy has diminished Nigeria's attractiveness as a destination for international capital flows," he said.
Other policymakers voiced concerns that tight liquidity in the currency market could threaten economic growth this year as businesses struggle to get dollars for imports. They all voted to keep benchmark interest rate at 11 % in January. The central bank last year pegged its exchange rate to curb speculative demand for the dollar and conserve its dwindling foreign reserves after it restricted access to hard currency for imports of certain items, frustrating businesses. Last month, the IMF called on Nigeria to lift the curbs imposed by the central bank in 2015 and let the naira reflect "market forces" more closely, as the restrictions had significantly affected the private sector.
However, President Muhammadu Buhari has rejected calls by the International Monetary Fund to lift foreign exchange curbs and allow a more flexible rate for the naira currency, backing the central bank's actions. The tight controls have forced domestic lenders to delay hard currency loan and trade repayments to foreign banks and increased the risk of default, bankers say. Nigeria wants to borrow up to $5 billion to fund its 2016 budget deficit but the minutes showed that all 12 committee members warned that spending should not increase after the loss of vital oil revenues to curb inflation and enhance debt ratios. *(Reuters)*

Angola pays interest of almost 17 pct for 364-day financing
Public debt securities in the form of Treasury bills placed by the National Bank of Angola (BNA) in the week ended 4 March will pay almost 17 % in their longest maturity, according to information provided by the central bank. The BNA, as the State's operator, last week placed 36.600 billion kwanzas in treasury bills at rates of 14.21 %, 15.52 % and 16.99 % for maturities of 91, 182 and 364 days, with increases of 0.06, 0.02 and 0.41 percentage points, respectively, over the previous week. Overall, the Angolan central bank placed treasury bonds amounting to 49 billion kwanzas, 12.4 billion of which in the form of Treasury bonds with maturities of 2 and 5 years, paying rates of 7.00 % and 7.75 %, respectively. The National Bank of Angola also carried out the sale of foreign currency in the amount of 115.3 million euros for the acquisition of raw materials and equipment for the manufacturing sector, government sector programmes, telecommunications and airlines. *(Macauhub)*

Fund – Private Equity

South Africa: The power of the family business
The Gupta brothers are the target of criticism that government is being influenced by big business
As South Africa grapples with arguably its deepest economic crisis of the democratic era, two names have become a magnet for anger over the direction the country is taking. One is that of Jacob Zuma, the president whose seven years in office have been characterised by scandals against a backdrop of tepid growth and mounting concerns about corruption and cronyism. The other name is Gupta, a family with close ties to Mr Zuma, who run a multibillion-rand business empire stretching from mining to IT and media. In many South Africans' minds the two have become inextricably linked.
To detractors, theirs is a relationship that has seen the Guptas, who are originally from the Indian state of Uttar Pradesh, hold undue sway over government decisions in Africa's most industrialised nation, amid allegations that their political connections have allowed their business to profit from favouritism in state-related contracts.
The claim is that under Mr Zuma's watch, predatory networks of patronage and cronyism are effectively looting the state, with the phrase "state capture" now part of the South African lexicon. And as scrutiny on their interests and role mounts, the Guptas are increasingly portrayed as a symbol of the malaise afflicting the nation.
They have been accused of overstepping the mark in a range of areas, from wielding influence over state officials and appointments, to using their connections to win government contracts. The allegations — none of which is proven — have proliferated amid battles for power inside the faction-plagued ruling African National Congress and the government. "[The Guptas'] businesses are quite opaque and difficult to pin down," says David Lewis, head of

Corruption Watch, a civil society group. "But [their] sole competitive advantage seems to be their closeness to important political leaders. . . notably President Zuma and his family."

In separate interviews with the Financial Times, Mr Zuma and Ajay Gupta defended their relationship, denying the family had any influence over politics or had benefited unduly from their relations. "We are business people and we have nothing to do with politics," says Mr Gupta, in a rare interview. The eldest of three brothers who run the family's empire, he says only 1 per cent of the more than R5bn ($325m) annual revenue generated from their businesses is derived from government contracts. "It's rubbish, completely rubbish," says Mr Gupta, in response to questions about whether his family has influenced ministerial appointments. "These are all rumours and you cannot give a reply to the rumours. You cannot justify it."

Ministerial move

Since Mr Zuma's decision in December to replace his finance minister, Nhlanhla Nene, with a little-known backbencher, David van Rooyen, the scrutiny on the Guptas' role has intensified. The debacle — Mr Zuma was forced to replace two finance ministers in four days — triggered one of the deepest political and economic crises in two decades, with speculation that Mr Zuma and his allies wanted a more pliable hand managing the state's purse strings. Mr Nene is said to have resisted Mr Zuma's plans for the government to build nuclear plants that many believe the country cannot afford, as well as attempts by the board of the lossmaking state carrier, South African Airways, to renegotiate a deal with Airbus.

Floyd Shivambu, deputy leader of the Economic Freedom Fighters, a breakaway group from the ANC, wrote at the time that Mr Nene "was removed to open space for the Gupta-led syndicate to loot state resources for private enrichment". It is not, however, just the opposition that has raised questions about the Gupta's influence. A former senior state official confirmed that, in 2011, the country's three chiefs of intelligence agreed that the family should be investigated as reports of their influence surfaced. But the security ministry quashed the idea within 24 hours, the person says. "If there's state capture, it goes to the heart of national security," the former official says. All three intelligence chiefs later resigned.

Two years on from those events the intelligence bosses' fears seemed to be borne out when a chartered aircraft carrying passengers from India to a Gupta family wedding landed at Waterkloof Air Force base in April 2013, prompting a national scandal and raising the profile of the family. A government inquiry later said the affair was deemed a "national security incident", as the air base was exclusively for the use of military flights and heads of state.

It concluded that the "activities of some of the persons involved were driven by the undesirable practice of undue influence and abuse of higher office".

It reported that officials invoked the president's name, either directly or referring to "Number One", as pressure was applied for the aircraft to be allowed to use the air base.

A meeting of senior ANC officials in January said the party needed to "deal decisively with the threat of state capture", a phenomenon where state contracts are divvied up among a cabal of politicians and businessmen. Zweli Mkhize, a senior ANC official, says the message was not aimed at one group or individual, but rather as a warning to "elected leaders to be conscious not to succumb to any demands from any interest groups. I wouldn't personalise it on the Guptas, I would say it's general," he says.

Sticking together

The Guptas trace their roots in South Africa to 1993, when Atul Gupta, one of the three brothers, first visited the country. He decided to return to open a shoe shop in Johannesburg. His brothers, Rajesh and Ajay, followed and in 1997 the family — which already had business interests in India — established Sahara Computers. It has since expanded its interests across mining, property and the media, with the launch of the pro-government New Age newspaper in 2010 and a TV news channel. Ajay Gupta puts the success down to "hardworking people" but questions remain about where the family got the money to expand its business empire. Its two main holding companies, Sahara Holdings and Oakbay Investments, generated revenue of R1.35bn and R3.6bn respectively in the 12 months to the end of February 2015, the Guptas say. Duduzane Zuma, once a trainee at Sahara Computers, has direct or indirect holdings in several Gupta-controlled entities. These include Infinity Media, the holding company for the TV channel ANN7, and Tegeta Exploration & Resources, a mining company. "We realised we had a good synergy and he [Duduzane] is a young man, he really worked . . . so . . . we said, 'OK, let's stick together," Mr Gupta says.

He adds that the family "maybe" provided the younger Mr Zuma "a very small loan" in the form of vendor financing, as is common in South Africa when businesses look to bring in black partners to meet targets on black participation in the economy.

Optimum deal

Tegeta — 34.5 per cent owned by Oakbay Investments and 28.5 per cent by Duduzane's Mabengela Investments — has been at the centre of allegations that mining authorities pushed Glencore, the Swiss group, into selling its lossmaking Optimum coal mine to the company last year. One person familiar with the deal says the mining authorities used the threat of regulatory action to pressure Glencore, adding: "It was an interventionist strategy with a credible threat from the authorities."

The mineral resources department and Oakbay deny the allegations. The company says it sought, and failed, to buy two other mines. "Despite our perceived influence and power, we got knocked out in the first round in two of those [bids],"

says Nazeem Howa, chief executive of Oakbay Investments. The Guptas have enjoyed relations with politicians for many years. In 2002, two years after Ajay Gupta moved permanently to South Africa, he was appointed to the board of trustees of Brand SA, South Africa's international promotion agency, a position he retains. Mr Gupta dismisses local media reports suggesting he had links to the mining minister or any influence in Mr Van Rooyen's four-day stint as finance minister. "Maybe I saw him at one or two places, but I don't have any relationship at all," Mr Gupta says of Mr Van Rooyen. The family also denied a claim, made to the FT, that weeks before Mr Van Rooyen's appointment they had asked Mcebisi Jonas, deputy finance minister, if he was interested in the Treasury's top post at a meeting at the Gupta home. "There have been an extraordinary number of allegations around the Gupta family in recent weeks, several of which have involved the finance ministry," a family spokesman says. "To be absolutely clear: there was no meeting at all."

The Treasury and Mr Jonas declined to comment, neither denying nor confirming the existence of the meeting. The family first met the president, who has been a guest at their Johannesburg home, in the early 2000s. One of his daughters was a director at Sahara Computers, and one of his wives worked at the Guptas' JIC Mining Services. "You are on the same level [you get on] and it [the friendship] definitely goes a little bit better than you expected," Mr Gupta says of his relations with Mr Zuma. "This has nothing to do with his post . . . He is one of the most regarded persons in the family." Other senior officials appear less enamoured of the family than Mr Zuma.

Last month, Mr Gordhan, the finance minister, chose not to take part in a breakfast with business leaders under the banner of the Guptas' New Age media group. His decision was interpreted as a pointed message that he did not want to be associated with the family's interests. When the meeting did finally go ahead, without the New Age involvement, Mr Gordhan warned: "There are many parts of transacting between government and business which have gone seriously wrong and if we don't stop it, we're going to become a kleptocracy."

While the focus has been on the Guptas, commentators say that should not deflect from the depth of the cronyism and corruption blighting South Africa. Kgalema Motlanthe, who served as Mr Zuma's deputy from 2009 to 2014, says the ANC should put its foot down. But the omens are not good. "Once you start on that path there's no turning back, it's a rot that can only be rooted out the Fifa way," he says, referring to the investigations into corruption at football's governing body. "If it [the ANC] is itself in a bad shape, or weak, then there are no checks and balances. That's how one thing just leads to another and before you know it there's a total culture of patronage and corruption," Mr Motlanthe says. "Depending on where you stand and how you view the . . . gravity of the situation, then I would say we are drifting in that direction, pretty rapidly."

Deep corporate ties

The Gupta family's two main investment vehicles are Oakbay Investments and Sahara Holdings. Oakbay Investments' holdings include: Mining A 60 per cent stake in JIC Mining Services and smaller shareholdings in Thembekile Mining, Kebrastyle, Extriforce and Leswene Mining and Exploration. Shiva Uranium is owned by Oakbay Resources & Energy, a company listed on the Johannesburg Stock Exchange and controlled by the Guptas. Engineering Scipio Technologies, which makes armoured personnel carriers; VR Laser Services, a steel manufacturer that also produces armoured vehicles and trains. Media Oakbay has a two-thirds stake in TNA Media, the publisher of The New Age newspaper, and is the majority shareholder in Infinity Media, which operates the ANN7 News Channel.

Real estate and leisure It has a stake in Clifftop Lodge in Welgevonden, a conservation area in Limpopo; and a "number of prime real estate holdings" in Durban, Cape Town and other locations. Sahara Holdings' main interests include Sahara Computers, its IT group, which sponsors Durban's Kingsmead cricket ground. Duduzane Zuma, President Jacob Zuma's son, has direct or indirect holdings in several Gupta-controlled entities. These include Infinity Media, the holding company for ANN7 (9.8 per cent), Sahara Holdings (5 per cent) and Westdawn Investments (10 per cent), another Oakbay investment vehicle which owns a stake in VR Laser. Tegeta Exploration & Resources, a mining firm, is 34.5 per cent owned by the Guptas' Oakbay Investments and 28.5 per cent owned by Duduzane's Mabengela Investments. Mabengela is 45 per cent owned by Duduzane and 25 per cent owned by Rajesh Gupta. Duduzane and Rajesh Gupta are listed as directors of Islandsite 255, which has a 26 per cent stake in Shiva Uranium. *(Financial Times)*

ENERGY

Solar company bringing the 'modern lifestyle' to rural Rwanda and Tanzania

Berlin-based solar company Mobisol has sold 40,000 home solar systems to mostly low-income earners in off-grid locations in Tanzania and Rwanda – and is now looking to expand to Kenya. The German company uses a 'rent-to-own' model, giving customers home solar systems of either 80W, 120W or 200W as they make small daily payments via mobile money for up to three years. For example, to acquire the 80W system, which comes with a flat-screen TV, users in Rwanda and Tanzania pay a US$25 deposit, and continue to make daily payments of $0.50.

In addition to the solar systems, buyers can also acquire other solar-powered appliances such as haircutters and straighteners, music systems and DC-powered cooking stoves. "We sell high-quality electrification solutions to people who can't just go to a shop and buy an $800 solar system," says Klaus Maier, corporate development manager at Mobisol, who is in charge of expansion within Africa. "We want to electrify households. We don't think two lights and

phone charging is electrification. It is a nice way of improving lives, but we believe in powering entire households and businesses with all kinds of appliances people need. We want to bring the 'modern lifestyle' to rural areas."

Determining credit-worthiness

Mobisol sells between 120 and 150 solar systems per day, through a team of over 300 direct sales agents in Rwanda and Tanzania. These agents are equipped with tablets that have an app used to collect and analyse data. A potential customer's credit-worthiness is determined based on a set of questions, as well as information from other sources, such as credit bureaus. "We don't ask how much they make per month because some people don't know how much they make. But they do know how many cows they have, how many litres of milk one cow gives, and how much milk they sell every day. We can just check the market price for milk and get some numbers on the person's likely income. "Instead of asking how much they spend, for instance, we ask how many children they have, are they all in school, and what kind of school do they go to? We can then check the tuition fees at the school, and get reliable data on the ratio between income and expenses," Maier explains. The process takes about 30 minutes, after which the customer receives an SMS instructing them to go to a Mobisol satellite store to collect their solar system.

If customers fall behind on making payments, they receive reminders via SMS, and if they still don't pay, the system ceases to function. Mobisol has recorded an average default rate of less than 5%, with higher defaults in Rwanda than in Tanzania. "But defaults don't necessarily have to do with the people, it could be the sales approach. I believe people stop paying because they are not satisfied with the service, or we did a bad credit check. Maybe we allowed somebody to get a 120W system when they could only afford an 80W system. Our default rate is good, but we can improve it," says Maier

TV sets the big selling point

Maier says the TVs are the biggest attraction for most of Mobisol's clients. "People love the TV. They also love the lights, but they have other options for lighting from candles to kerosene. Even though they may not like those lighting options, they have worked for generations to generations. But you can't power the TV with kerosene," adds Maier. "The TV is a selling point in itself. It is aspirational. They may live in rural areas but they understand what is going on in the world. They too are aiming big. They want a modern lifestyle." *(How we made it in Africa)*

Build a good energy programme and the investors will come

In his 2016 budget speech, Finance Minister Pravin Gordhan stressed the need for more private sector involvement in infrastructure projects. He also cited SA's renewable energy programme as an example to be followed as government seeks to accelerate infrastructure investment.

There are certainly valuable lessons to be learnt, for both the public and private sectors, from the success of the renewable energy programme. In less than five years, 6,200MW of electricity has been allocated to preferred bidders across technologies — more than the projected output of the Medupi coal-fired power station. About 2,000MW is already connected to the national grid with many more renewable energy projects currently under construction.

More is to come, through additions to the programme, including the fifth round of bids, which is likely to be announced later this year or early next year. According to the government's current energy roadmap (the Integrated Resources Plan), the aim is to have 17,800MW of renewable energy by 2030.

All of this is being financed by the private sector. While Eskom is involved in coal, wind, solar and hydroelectric projects, the private sector has ploughed R192bn into renewable energy projects approved in the first four rounds of the renewable energy programme in SA, with most projects having an international developer contributing foreign investment to the country.

This shows that despite difficult times for the South African and global economies, investors have a keen interest in well-structured infrastructure projects in this country.

The conditions need to be right, and this is what Minister Gordhan is looking at as he seeks to broaden the range and scope of co-funding partnerships with private sector investors. He wants the public and private sectors to study the lessons learnt in funding renewable energy projects and, in so doing, promote the funding of broadband telecommunications, among others.

The renewable energy programme has not only attracted billions in private sector investment, it has resulted in independent power producers (IPPs) contracting to sell electricity at ever lower tariffs as the bidding rounds have progressed. This is a benefit to Eskom, which buys the electricity, and to the end consumers in the country, who ultimately pay for it.

The highest tariffs guaranteed to developers were in the first bidding round. In subsequent rounds the contracted tariffs dropped markedly due to, among other things, the falling cost of technology on wind turbines and solar modules and to increased competition as international utilities or utility-scale developers became more prolific in the South African market.

Although one would expect competition to remain intense, with the weakened rand it is questionable how much further the tariffs can fall (if at all) in the next round. It is for this reason that equipment suppliers are looking to set up local assembly and manufacturing facilities to keep costs down, and also to comply with increasing local content requirements.

The Department of Energy will also be seeking bids to build coal-fired power stations. While the government's energy plan is focused on gradually diversifying its power generation energy mix away from coal, it does include an additional 2,500MW of coal-fired power to be procured under the Coal Baseload IPP Procurement Programme. A total of 900MW across two projects were bid in November 2015; preferred bidders have yet to be announced. There will be further bidding rounds under the coal IPP programme, with the next round expected towards the end of 2016.

Gas-to-power and hydroelectric power projects are also part of the government's planned energy mix. While power generation from wind and solar is intermittent, coal, gas and hydro power provide baseload power — ie they can generate electricity at far higher "capacity factors". The government is looking for 3,126MW of new gas-fired power generation. The Gas Utilisation Master Plan (Gump) is expected later this year, which will be our roadmap for the gas sector development.

The first gas projects are likely to be fuelled by imported liquefied natural gas (LNG) to supply gas-fired power stations, which could be built within two to three years. In the medium term, SA could be looking at importing more gas from Mozambique and possibly beyond. (SA currently imports some gas through the Republic of Mozambique Pipeline Investments Company (Rompco) pipeline from Mozambique).

All of this can be achieved with private sector funding.

The gas-to-power programme is likely to be along similar competitive lines to the renewable energy and coal IPP programmes. These programmes hold valuable lessons not only for gas, but for other infrastructure projects the government wishes to implement.

As the Treasury is constrained by lower revenues and multiple spending priorities, including education, social grants and drought relief, an opportunity has emerged for the private sector. What the renewable energy programme has shown is how much can be achieved without government money. A well-structured programme will attract local and international investors, and commercial banks and development finance institutions will fund these projects.

Notwithstanding tough economic conditions, funding remains available for the right project, which is properly structured with the proper risk allocation, be it debt or equity.

More private sector involvement, and particularly more private sector financing, will deliver critical South African infrastructure projects while freeing up funds that the finance minister can allocate to other development priorities. There are opportunities here that the private and public sectors should find very attractive.

• *Vallabhjee is a director at Barclays Africa and heads the power, utilities and infrastructure unit.* *(BDLive)*

French keen to include energy-intensive South African firms as nuclear equity partners

The French nuclear industry, led by electricity utility EDF, is gearing up in earnest to respond to South Africa's request for proposals (RFP), which could be released before the end of March. The French President's special envoy for the France-South Africa Nuclear Partnership, Pascal Colombani, said at the weekend that it was premature to offer precise details of the offer, which itself would be shaped by the contents of the RFP. The document could seek responses from vendors not only for a power plant or plants, but also a new research reactor and possibly even fuel-cycle and fuel-processing components.

However, speaking in Paris, Colombani confirmed that the French team of EDF and Areva would propose a model premised on domestic "ownership and control", coupled to a package of measures designed to respond to the South African government's desire for technology and skills transfer. "Our offer will be based on a partnership that emphasises domestic ownership and empowerment," Foreign Affairs and International Development Ministry permanent secretary Christian Masset said during a briefing, held at 37 Quai d'Orsay, which houses the Ministry of Foreign Affairs.

Masset added that there was no intention to simply deliver the keys to a "black box", but rather to enhance the long-term nuclear partnership that had already been developed following South Africa's investment in the Koeberg power plant in the 1980s. The associated funding plan would, therefore, comprise both debt and equity components, with South Africa's State-owned power utility Eskom joined by other local and even foreign equity participants. There was scope, Colombani argued, to include energy-intensive South African firms as equity partners, with such companies receiving long-term tariff and supply certainty in return for their upfront investment. "With the equity portion we will be looking at a number of solutions that will most likely include the South African utility, electricity-intensive industries and, most likely, other financial partners," he outlined, stressing that the French were still at the early stages of identifying potential participants. The bid could also be flexible enough to include foreign funders, such as the Chinese – China General Nuclear Power had taken a 33.5% stake in 3 200 MW Hinkley Point C project being pursued by EDF in the UK. It was also possible the EDF itself might be willing to invest in the South African project. Colombani did not elaborate on the expected cost of the project, nor on the breakdown between debt and equity, but South Africa had indicated that, while it would seek to build up to 9 600 MW of new nuclear capacity, the pace and scale of such a programme would be determined by its affordability. The debt portion of the project finance, meanwhile, would probably rely heavily on export-credit facilities. Technologically, the French offer would be based on the EPR design, Areva and EDF's latest-generation pressurised water reactor (PWR), which can produce 1 650 MW, a marked upscaling on the 900 MW PWRs deployed at Koeberg. The third-generation reactor would incorporate quadruple redundancy, a double-think reactor building shell capable of absorbing an aircraft collision, a digital control room and a

core catcher, designed to contain and cool any 'core melt' that could arise in the event of a reactor meltdown. Both EDF and Areva admit that the EPR had undergone a "painful" learning curve both at Flamanville, in northwestern France and at Olkiluoto, in Finland. This was due to cost overruns and schedule slippages. However, it points to significant progress since then in China, with the Taishan 1 project having overtaken the Flamanville 3 project with regards construction milestones, despite having started two years later in 2009. Localisation, skills development and the development of domestic operating capacity would also be built into the French bid, which itself would be backed by the country's well-established educational, scientific, engineering, manufacturing and safety systems. Besides the appointment of Colomboni, EDF has appointed Olivier Bard, who previously worked on the Taishan project, as its project director for the South African effort, while Thomas Mieusset had recently been appointed nuclear counselor at the South African embassy in Pretoria. Areva's efforts, meanwhile, would continue to be led by its South Africa MD, Dr Yves Guenon. *Terence Creamer visited France as a guest of the French government. *(Engineering News)*

INFRASTRUCTURE

Ethiopia plans new 2 000 MW dam – PM

Ethiopia, which plans to become a top regional electricity exporter, will soon launch a new 2 000 MW hydropower dam, Prime Minister Hailemariam Desalegn said. Under a new 2015-2020 development plan, Addis Ababa wants to raise output to 17 346 MW from a current capacity of just over 2 200 from hydropower, wind and geothermal sources. "The launch of this new dam will be commenced soon," Hailemariam told parliament, without giving further details. Ethiopia's bid to tap several rivers for power generation is part of plans to boost manufacturing and industrialise its agrarian economy. It already has an array of projects under construction, including the $4.1-billion Grand Renaissance Dam that will churn out 6 000 MW upon completion within the next five years, as well as a 1 800-MW Gilgel Gibe 3 Dam in its southern region.

But the country's power ambitions have caused disputes in the past. Egypt - solely dependent on the Nile - has expressed concern that the Renaissance Dam will reduce the river's flow. Both countries are currently locked in discussions over the project's technical details. And rights groups in Kenya say that the Gibe 3 Dam, and a related irrigation scheme, could dramatically reduce the volume of water in its Lake Turkana. Experts put Ethiopia's hydropower potential at about 45 000 MW and geothermal at 5 000, while its wind power potential is believed to be Africa's third-largest behind Egypt and Morocco. Hailemariam said Ethiopia, which signed a $4 billion-deal with a US-Icelandic firm in 2013 to a build a 1 000 MW geothermal plant which will be the country's first privately-run utility, was also in negotiations with international companies to build more power generating projects. Once Ethiopia's grand plans are complete, it wants to export power to countries in North and southern Africa and beyond. But poor rainy seasons that have left 10.2-million people requiring food aid in the country of 90-million have also had an adverse impact on existing dams, Hailemariam said. Four hydropower plants generating a total of 675 MW were either producing "as low as 10% or nothing at all" owing to low water levels, he said. *(Engineering News)*

First phase of Nzeto/Soyo highway in Angola due to be completed in July 2017

The first phase of construction of the Nzeto/Soyo highway, in the province of Zaire, will be completed in July 2017, said an official of the provincial delegation of the Angola Institute of Roads (INEA). The highway in question is, according to the project, 150 kilometres long and in the first phase will have four lanes, two in each direction, which will be increased to four lanes in each direction in the second phase. Manuel Diangani, director of the studies division of the provincial delegation, said that the project includes nine bridges with separate parallel lanes, the first of which, built by the Portuguese company Conduril, is almost complete. The remaining eight bridges are being built by Angolan company Carmon Reestrutora and are 85 % complete, Diangani said according to Angolan news agency Angop. The route of the highway was split into three sections of 45, 96 and 8.1 kilometres, which were awarded respectively to CMC, China's Sinohydro and EMCICA – Sociedade Construção Imobiliária de Cabinda, Lda. *(Macauhub)*

Northern Development Corridor in Mozambique leases 100 railway waggons

The Northern Development Corridor (CDN) company in Mozambique has signed a five-year lease contract with South Africa's GPR Leasing Africa under which it will receive 100 grain hopper waggons, GPR said. The CDN is a project that encompasses the northern region of Mozambique, Malawi and Zambia, and is focused on recovery and commercial exploration of the port of Nacala, the railway system in northern Mozambique and in Malawi. In the statement released, GPR Leasing Africa said the lease followed an agreement between CDN and Bakhresa Malawi Limited, a company from Malawi that is a subsidiary of the Bakhresa Milling Group, which has a grain terminal in Nacala and milling and packing facilities in Malawi. The waggons will be manufactured and purchased from South African company Galison Manufacturing, which has built and refurbished railway trucks and other rolling stock for the last 20 years. The contract with the CDN was signed in mid-October 2015 and the first boxcars will be delivered this month. The complete order of 100 grain hopper waggons is due to be delivered to the Mozambican company by the end of the year. GPR Leasing Africa is a partnership between Grindrod Freight Services, of the Grindrod group and the Pembani Remgro Infrastructure Fund, created to finance the railway companies of the African continent. *(Macauhub)*

MINING

Gold mine in Mozambique with expected revenue of US$245 million

Xtract Resources, a company listed in London that has acquired a gold mine in Manica, Mozambique, from Australia's Auroch Minerals, said the project could provide an EBITDA income of US$245 million over 12 years. The company, issuing an update on the Manica project, also reported that the mine over 12 years of useful life should provide a profit of US$70 million, 20 million more than in the previous evaluation. These figures consider a price per ounce of gold of US$1250 and commercial exploration of the Manica mine is expected to begin in the fourth quarter of 2017. The company warned shareholders that these values, among others, are based on internal estimates and had not been verified by any independent entity, and may be subject to alteration as the definitive feasibility study is being performed. Xtract Resources paid about US$11 million to Auroch Minerals for the mine, both in shares and in cash, assumed the payment of capital gains tax to the Mozambican Tax Authority in the amount of US$700,000 and committed to paying a 6 % tax on revenues to the Mozambican treasury. The acquisition of 100 % of the Manica gold mine was formally approved by the government of Mozambique some days ago, according to a statement released by Xtract Resources on 1 March. *(Macauhub)*

Triton Minerals accelerates development of mining project in Mozambique

Australia's Triton Minerals, which owns mining concessions in Mozambique, will accelerate the development of the Ancuabe project at the expense of Balama, the company said in a statement issued in Perth. The announcement is based on the fact that the Ancuabe concession is located less than 50 kilometres from the deep water port of the city of Pemba, which has a container terminal in operation, good infrastructure and reduced costs for a mining operation. The decision follows on from an evaluation that the company has been conducting on graphite and vanadium exploration projects as well as on the new focus decided by the new chief executive and managing director, Garth HIggo, to focus on the Ancuabe project. The company also said that the good results of the assessment to date from just 10 % of existing deposits in Ancuabe as well as metallurgical analysis mean that a work schedule will be drawn up before carrying out a definitive feasibility study. *(Macauhub)*

IDC releases $7m for Congolese tin project, feasibility study results imminent

TSX-V-listed mineral exploration company Alphamin Resources has received the first two tranches from South African State-owned development finance institution the Industrial Development Corporation's (IDC's) $10-million exploration and development funding for its Bisie tin project, in the Democratic Republic of Congo (DRC). Alphamin has received $4-million and $3-million from the IDC to date, while the final $3-million will be released subject to an independent peer review sign-off of a definitive feasibility study (DFS), which the company expects to receive in the second quarter of 2016.

The company has, since December 2013, also received $24-million in financing from Tremont Master Holdings, which owns a 44% stake in Alphamin. Tremont is a Mauritius-domiciled investment holding company funded by global private-equity firm Denham Capital. Bisie consists of the Mpama North and Mpama South properties, in the Walikale district, about 180 km west-north-west of the regional centre of Goma, in the North Kivu province. Alphamin CEO Boris Kamstra tells Mining Weekly that the company expects to issue a DFS for the project by the end of the first quarter 2016. He notes that, since drilling started at the project site in July 2012, the company has drilled 207 holes for 36 820 m at Mpama North and 19 holes for 3 364 m at Mpama South. The initial focus was at Mpama North, with an indicated mineral resource of 3.9-million tons at 3.94% tin for 155 300 t of contained tin at a cutoff grade of 0.5%, and an inferred mineral resource of 0.8-million tons at 4.6% tin for 38 900 t of contained tin at a cutoff grade of 0.5%. The indicated mineral resource represents a 30% increase in the estimate for that category first announced by Alphamin in March 2015. The company will start the development of Bisie at Mpama North, with further exploration to be undertaken on Mpama South. "Subject to the successful completion of our DFS, we aim to start construction of Bisie in early 2017, once we have completed fundraising for the project during 2016. Alphamin will then aim to have Bisie in operation by late 2018," states Kamstra. It is planned to be an underground operation with a gravity separation plant that will process the cassiterite material extracted from the mine to a tin concentrate. The development and eventual operation of Bisie is expected to create about 500 job opportunities for Walikale locals. Alphamin is constructing a 30-km-long road to link Bisie to the main transport roads to provide improved access to and from the site, with the site currently employing about 200 locals, he explains. The first 5 km has been completed. Kamstra acknowledges that operating in the DRC is not without challenges, particularly owing to the political, cultural and social climate that can prove "unpredictable and uncertain", particularly when compounded by commodity price fluctuations. However, he says the development and operation of Bisie have the potential to be a "catalytic economic event" for the North Kivu province, as it will show other companies that it is possible to develop a functional large-scale operation in the region and contribute to its stability and development. "We have an experienced team heading up the Bisie projects, who also have experience in working in the DRC, including, but not limited to, chairperson Charles Needham, COO Trevor Faber, CFO Eoin O'Driscoll, Alphamin DRC MD Richard Robinson and myself," Kamstra states. He adds that the project has received an "overwhelmingly positive" response from local communities, local business and regional and political leaders, as well as foreign diplomats, who have recognised the importance of Bisie succeeding. Kamstra highlights that, since 2006 and the introduction of legislation worldwide banning the use of lead in solder, particularly

in water and electronic applications, tin has been the primary substitute. This has resulted in a significant global uptick in demand, with the tin price increasing from about $10 000/t in 2004 to a high of $33000/t in April 2011. As of February 3, 2016, it sold for about $15 000/t. *(Engineering News)*

Rwanda mulling credit guarantee fund to encourage lending to mining sector
Rwanda is mulling over the establishment of a credit guarantee fund to encourage commercial banks to increase lending to the mining sector. Minister of State for Mining Evode Imena says the development of mining projects has been hampered by commercial banks' reluctance to extend credit facilities to the sector, owing to its high inherent risk.
The envisaged guarantee fund will cushion banks against this risk, thus encourage funding to the sector. "Growth of the mining sector is being held back by access to finance challenges. We believe a credit guarantee fund is likely to see banks increase lending to the sector," says Imena.
He adds that the concept of a guarantee fund has already been developed and is being reviewed by the Ministry of Finance and Economic Planning. The credit guarantee fund, which will be established with the help of the World Bank, will have an initial capital base of $40-million. The fund's objective is to stimulate lending to the mining sector by reassuring lenders that, in the event of default, the fund will provide compensation for part of the loss incurred. The fund is deemed necessary, owing to the high rate of loan applications from mining project developers rejected by commercial banks. Mining is a capital-intensive sector and it can take many years for returns on investments to be recouped. According to the National Bank of Rwanda's 2015 Monetary Policy and Financial Stability Statement, commercial banks rejected 96% of loan applications received from the mining sector that year, up from 68% in 2014. Notably, one bank extended over 70% of all loans to the mining sector. Besides the sector's inherent risk, commercial banks are also reluctant to extend loans to mine project developers, owing to a lack of high- quality feasibility studies that give a clear picture of the quality of mineral projects to inform the profitability of a mining venture. *(Engineering News)*

OIL & GAS

Companies from Mozambique, China and South Africa build pipeline in Mozambique
Public and private companies from Mozambique, South Africa and China signed a cooperation agreement that focuses on building a large diameter pipeline with a length of 2,600 kilometres costing US$6 billion, reported the South Africa's SacOil.
The signatories of the agreement were the Mozambican state oil company ENH, Profin Consulting, a Mozambican private consortium, South African company SacOil Holdings Limited (SACOIL) and China Petroleum Pipeline Bureau, a subsidiary of the China National Petroleum Corporation (CNPC) specialized in building oil and gas pipelines. This cooperation agreement, which aims to take advantage of the natural gas extracted in the Rovuma basin in northern Mozambique, includes construction of a pipeline between the producing region, Areas 1 and 4 of the Rovuma basin, and Gauteng, South Africa . This pipeline will help South Africa to meet the growing demand for natural gas for electricity generation and will also supply regions of Mozambique along the route. The countries of the Southern African Development Community (SADC) that would benefit from construction of this pipeline include Malawi, Zambia, Zimbabwe, Botswana, Lesotho and Swaziland. *(Macauhub)*

Sasol sees another R8bn half-year capex going into Southern Africa
After spending half-year capital of R8.6-billion in Southern Africa in the six months to December 31, integrated chemicals and energy group Sasol expects to invest a similar capital amount in the region in the current half-year. Speaking to Creamer Media's Engineering News Online after the company reported a 63% plunge in shareholder earnings to December 31, Sasol executive VP Southern African Operations Bernard Klingenberg outlined the company's significant ongoing commitment to the region, with a combined R16-billion-plus for its financial year going into both growth and sustenance. (Also watch attached Creamer Media video).
Klingenberg said the half-year capital expenditure (capex) of R8.6-billion was "the kind of investment number that you'll see going forward". While the company continued to look for growth projects, a large portion of the expenditure was related to sustenance of the value chain across its assets in Secunda and Sasolburg and its capital commitment in neighbouring Mozambique.
On the sustenance front, the company was engaged on the Train 17 oxygen renewal project as well as turbine replacement. On the growth front, the company had just completed the first phase of the Fischer-Tropsch wax expansion project (FTWEP), with the second phase of that project scheduled to be commissioned in the first part of the 2017 calendar year. Mozambican authorities had approved the company's field development plan and a final investment decision would be taken on the R2.7-billion Loop Line 2 natural gas pipeline project. "There are some very exciting opportunities in the Mozambican gas environment," said Klingenberg, who emphasised the importance of Sasol working well with its Mozambique partners to beneficiate gas in Mozambique. The company was also hoping that a lot of that gas would find its way into South Africa to enable Sasol to augment its own gas supply as well as supply the gas to local industry as a whole. Sasol had been piping gas into South Africa from Mozambique and using the gas in Mozambique itself for more than ten years. The new gas that the company was hoping to find as part of the latest field

development programme would augment that, with most of the gas currently used to produce transport fuels, chemicals and electricity. Sasol was investigating various gas-to-electricity options with government and many participants in the independent power producer industry. "We believe gas-to-power is a meaningful alternative in the energy mix for South Africa. It's an environment that lends itself to partnerships and we're busy with that process," Klingenberg added to Creamer Media's Engineering News Online. The company's first-half earnings plunged to R7.3-billion in the six months to December 31, from R19.5-billion in the prior period. Headline earnings a share fell 24% to R24.28 and earnings a share to R11.97. The board declared an 18.6%-lower interim dividend of R5.70 a share. Profit from operations halved to R14.9-billion on average Brent crude oil prices of $47/bl, compared to $89/bl in the prior period. The price of Sasol's basket of commodity chemicals declined 23%, with the impact of lower oil and commodity chemical prices was partly offset by a 24% weaker rand/dollar exchange rate of R13.62 to the dollar compared with R10.99 in the prior period. The average margin for Sasol's speciality chemicals remained resilient. Sasol upped production volumes and contained cost increases below inflation. Its Secunda Synfuels Operations (SSOs) production volumes rose by 3% to one-million barrels. Total liquid fuels production by the company's energy business increased by 4% to 1.1-million barrels on a higher portion of SSO's volumes being used by the energy business. The Oryx gas-to-liquids facility in Qatar delivered another solid performance with an average 90% utilisation rate. Secunda Chemicals and Sasolburg Operations' production volumes remained in line, with the increase in volumes from FTWEP offset by lower polypropylene (C3) volumes. The sales volumes of the base chemicals business decreased 13% on lower available C3 output and softer demand for certain commodity chemical products. Sales volumes from the performance chemicals business were consistent after conditions were normalised for the planned shutdown at the company's ethylene plant in North America. *(Engineering News)*

Sasol's $1.4bn Mozambique expansion set to enter operation in 2021
South African energy firm Sasol plans to spend $1.4 billion on the first phase of its oil and gas project in Inhassoro which should enter operation in 2021 if the company can finalise sales agreements which it says are currently in progress. The Mozambique government gave Sasol approval in January this year to build an integrated oil, liquefied petroleum gas (LPG) and gas project adjacent to its existing gas-producing projects in Inhambane province. Phase one will also see the company develop a fifth train at the existing gas processing facility, to process the additional gas from the new development. Timelines for the project "are dependent on successful negotiations of various off-take agreements that are currently in progress," Sasol said.
The Mozambique development is a bright spot in the company's international exploration and production development which registered a loss of ZAR 6.7 billion (US$436m) in the second half of 2015, according to its latest financial results, released 7 March. The main reason for the loss was a heavy write-down of the value of a Canadian shale gas project, thanks to the falling gas price in North America. Sasol's Mozambican operation made a profit of ZAR 437 million over the six months to 31 December 2015. Production volumes increased by 8%, thanks in part to selling an extra 4 billion cubic feet of gas to the 175 MW Central Térmica de Ressano Garcia power station. The station, which lies on the Mozambican side of the border with South Africa, is a joint venture between Sasol (49%) and Mozambique's electricity utility EDM (51%).
Sasol is also investing ZAR 2.7 billion in expanding its pipeline to take Mozambican gas to Sasol's processing plant at Secunda, South Africa. The pipeline expansion known as Loop Line 2 will enter operation in the second half of this year, and will expand gas transport capacity from 169.4 billion standard cubic feet (bscf) to 191 bscf per year. *(Zitamar News)*

TELECOM

Africa's mobile subscriptions grow fastest globally
Africa experienced the largest growth in mobile subscriptions of any world region in 2014, according to Analyse Africa's analysis of data from the International Telecommunications Union (ITU).
The continent has been the fastest growing since 2009 with an average growth of more than 14 % per year, reaching a total 884m mobile subscriptions in 2014. In the same period, Africa's share of world subscriptions has increased from approximately 9.7 % to 12.7.
Africa's growth in mobile subscriptions was 7.4 % higher than East Asia and the Pacific region (5.7 %), which ranked second. Three of the most significant growth markets within Africa were Mozambique (+48 %), Democratic Republic of the Congo (DRC) (+31.4 %) and Ethiopia (+18.9 %).
Improvements in mobile infrastructure is the key factor for the strong growth seen in these countries. These developments have allowed mobile telecommunications to reach rural communities that were previously cut off.

Mozambique, for example, has seen significant investment in its mobile networks from Movitel, a telecoms operator. Since 2011, the company has built out 2,800 2G/3G base stations, helping to increase the coverage to around 85 % of the country's population. Until recently, Ethiopia's mobile networks lagged behind much of Africa due mainly to the fact that state owned EthioTelecom maintains a monopoly on the industry. That hold has since diminished somewhat, with regulators now allowing some outside investment in secondary services such as data and network expansion. Investments from Chinese telecoms companies Huawei and ZTE have increased access and lowered charges.

In DRC, UK-based operator Orange acquired Millicom's national operation for $160m in February. Despite the notable increases in connectivity, Orange cites the DRC's relatively low mobile penetration rate – currently 31.6 mobile subscriptions per 100 people – as one of the main factors for this investment and their desire to strengthen their position.

Location	Mobile Subscription Growth 2013/2014 (%)	Mobile Subscriptions per 100 people
Mozambique	48.7	69.7
Democratic Republic of the Congo	31.4	53.5
Liberia	26.4	73.4
Burundi	25.9	30.5
Gambia	23.5	119.6
Cabo Verde	22.8	121.8
Lesotho	19.4	101.9
Mali	19.0	149.0
Sierra Leone	18.9	76.7
Ethiopia	18.9	31.6

Accessed via Analyse Africa

Despite these increases, further progress can still be made to connect populations in Mozambique, Ethiopia and the DRC. Mobile subscription rates of the countries currently stand at 69.7, 53.5 and 31.6 per 100 people respectively – all well below the African average of 77.8.

By comparison, rates in markets such as Gabon (210.7), Botswana (167.3), and Seychelles (162.2), all outdo the top three fast growing nations despite their much smaller populations.

Strong GDP growth projections through 2016 in the three fast growing markets bode well for increasing access to telecoms at 8.2 % for Mozambique, 8.1 % for Ethiopia, and 7.3 % for DRC. They rank as three of the top four fastest growing economies in Africa, according to the IMF.

Increasing mobile money access

The high growth of mobile markets across Africa open up growth potential for linked markets, such as mobile money, which can help businesses to enter new markets and improve productivity.

Kenya, is one of the market leaders globally when it comes to mobile money through its M-PESA system, with a penetration rate of 985 registered mobile money accounts per 1,000 people, according to the IMF. Mozambique and the DRC have penetration rates of 224 and 264 respectively, ranking 11 and 12 out of the 21 African countries with available data. In the DRC there has been significant growth in the market. The Central Bank set up new regulatory framework for electronic money in 2011. This has helped mobile money penetration increase by more than five times since 2012 – albeit from a low baseline.

Data in this article was accessed from Analyse Africa, a leading online macroeconomic database for African countries. Analyse Africa contains over 4000 indicators for 54 African countries. Data dates from 2000 to the present. For more information go to www.analyseafrica.com or contact analyseafrica@ft.com. *(This is Africa)*

Brazil restates support for undersea cable of Angola Cables

Brazil's government has restated its support for the project by the Angola Cables company to connect Angola to Brazil by undersea cable and consequently to South America, during a meeting in Brasilia, Angolan news agency Angop reported. Upon receiving the ambassador of Angola in Brazil, Nelson Cosme, the Brazilian Minister of State and of Communications, André Figueiredo, once again gave assurances that Brazil supported Angola Cables' projects in Brazil, which are focused on management of the 6,600-kilometre undersea cable that will link Luanda to Fortaleza.

This project will connect Africa to South America initially and later on plans to link Africa to North America once the Monet System starts operating, via the link with Fortaleza, through Santos and a connection to Miami in the United States. This part of the project is an initiative of a consortium that includes Angola Cables, Algar Telecom Brazil, Google and Antel Uruguay. The Angola Cables data centre in Fortaleza, is a project that is located in the Technology Park of the state of Ceará and is due to be completed by the end of the year. *(Macauhub)*

RETAIL

Nakumatt taps into health trend with sports equipment store

East African retailer Nakumatt Holdings has launched a dedicated sports gear store in Nairobi's Westgate shopping centre. The Sports Planet outlet stocks equipment and apparel for popular sports such as football, rugby, swimming, tennis and golf.

Until now, Nakumatt has been selling a limited range of sports equipment at selected larger-sized supermarkets. Nakumatt business development head, Neel Shah, says the sports section at its supermarkets has been "doing very well" and influenced the decision to open the stand-alone store.

"People are actually buying," says Shah. "They are looking at a healthy lifestyle [and] they want to exercise – but they don't want to go to the gym. We are mostly going to get individual customers buying equipment to use at home. We have a gym instructor that will advise customers on what exercise to do and how to use the equipment."
Traffic congestion in Nairobi, particularly in the mornings and evenings, is an impediment for people who want to go to the gym, and is prompting wealthy individuals to buy their own gym equipment.
The most expensive equipment at the Sports Planet store is a Ksh.500,000 (about US$5,000) treadmill that Shah says could be ideal for a small gym. There are also less pricey treadmills starting at Ksh.30,000 (about $300) to use at home.
For golfers, the store stocks a golf kit that goes for Ksh.140,000 (about $1,400). Sports Planet also has a golf simulator machine, to be manned by a local golf pro, that will assist customers to select the right clubs and related accessories. Shah says consumers have been buying golfing equipment abroad only to find they did not get the right clubs once back in Kenya. In recent years the country has seen the development of numerous golf estates.

Strong sports culture

Kenya has a strong games and sports culture that often starts with kids playing with balls made out of paper bags. Right from primary school, children are encouraged to take part in sport.
The country often posts stellar performances in athletics internationally, while the rugby sevens team also performs well, and is currently ranked eighth in the HSBC World Rugby Sevens Series.
But ordinary people are also getting active, whether it is just jogging in their neighbourhood, hiking on the weekends or running short marathons.
Last weekend, more than 45,000 people took part in the annual First Lady's Half Marathon. At the YMCA facilities in State House Rd, Nairobi, dozens of children and adults throng the swimming pool on a daily basis. And on e-commerce platform Rupu, independent companies offer packages for hiking trips, water rafting, quad biking and rock climbing, as well as classes on horse riding, golf, skating and dancing. More gyms are also opening up in the country's major cities.
For some young people, there is a 'cool' factor to being able to swim or ride a horse, or simply post selfies on a hike.
"Kenya is such a sports-mad nation… but the availability of products has been a challenge," says Shah. "We are expanding the product offering, stocking more brands and equipment than what we were doing within the supermarkets and what other retailers have. We plan to roll out Sports Planet stores in other locations across the country." *(How we made it in Africa)*

Tanzanian businessman on the opportunity to process and distribute fresh produce

Tanzanian entrepreneur Elia Timotheo's company, EA Fruits Farm & Co, is a processor and distributor of fruits and vegetables grown by smallholder farmers. Timotheo speaks to How we made it in Africa about his business.

What was the motivation for starting EA Fruits Farm & Co?

More than a third of all crops harvested in Africa goes to waste between the harvest fields and the market. Our idea is to bring food to the market with zero waste and increase income for smallholder farmers. We aggregate fruits and vegetables from smallholder farmers in remote areas of Tanzania – mostly in the northern and southern highlands.
We do processing by cleaning, packaging and distributing to local markets. We use the most advanced technologies, including solar-powered cold storage facilities to store the fruits and vegetables to increase the shelf-life, and refrigerated trucks to distribute to customers. The most traded produce on our portfolio includes pineapples, mangoes, tomatoes, cucumbers, melons and onions.
We are offering farmers support with greenhouses and irrigation systems so they can grow high-value produce – like cherry tomatoes and red and yellow peppers – that are in high demand. We have a rapidly-growing number of customers that includes hotels, restaurants and supermarkets in Dar es Salaam. And we also pay middlemen a commission to sell our produce.

Most people would like to remove middlemen from the supply chain. Why do you work with them?

We too would like to completely remove middlemen from the supply chain, but we don't have enough storage capacity. We can't keep all the produce we get from farmers, and if we don't sell it in good time, it can rot and go to waste. Our current storage facility can hold 30 tonnes, which is very small and puts pressure on us to sell to avoid losses from spoilage.
Working with middlemen has a significant impact on our margins. Middlemen take produce at very low prices, which leaves us with very thin gross profit margins. But if we do all the distribution ourselves we'd still have to spend more on trucks, increasing our operating expenses. Last year we made a loss of about US$20,000 – and that's because we are distributing almost 50% of our produce through middlemen and spending money on renting both trucks and storage facilities.
But we are constructing a 1,000m2 storage facility in Dar es Salaam that can hold up to 400 tonnes of produce. We also want to have our own distribution trucks, motorcycles and bicycles to be able to serve a larger number of customers and slowly remove middlemen from our supply chain. We have been doing business in the most challenging environment in the last two-and-a-half years.

By when do you plan on being profitable?

It is normal for a start-up company to make losses in the early years. We see a huge opportunity ahead. We want to be the AmazonFresh of Africa. (AmazonFresh is a subsidiary of the American online retailer Amazon, involved in grocery

delivery). We will grow slowly using a lean model. In a few years every pineapple or mango you eat at a restaurant or buy at a supermarket in major cities in the region will be distributed by EA Fruits Farm & Co.
We serve a real need in the market – we save our customers time and the hassle of finding quality produce and we help them get a consistent supply of fresh produce. My mother operates a chain of four restaurants in northern Tanzania, just under Mount Kilimanjaro, and growing up I saw her constantly struggle to access produce during the off-season. So there are many businesses and individuals who need our service. We reduce food wastage, we pay farmers better, and it is only a matter of time before we also become profitable.

What challenges does the business face?

We need a lot of funding, especially for cold storage facilities. We have a couple of investors on board helping us with the expansion. We have received about $200,000 in funding and some investors have committed about $500,000 that they could inject in the business in the future. We also need technical expertise in terms of putting in place systems we can use to monitor the incoming and outgoing volumes. Finally, we need experienced staff at a reasonable cost, especially as we expand.

Tanzania's retail sector is still very informal. Are shoppers starting to adapt to formal retail?

Traditionally, people would go to a local market, perhaps on the weekend, to buy fruits and vegetables and they basically walk around and try to select what looks good and ripe. The disadvantages with local markets is they are often dirty and there is shortage of some produce in certain seasons. But with the entry of large retailers – like Nakumatt and Uchumi, and the expansion of local brands like TSN Supermarket – people are adapting to the idea of buying everything they need from the supermarket.
But this is still the growing middle class and affluent people – they don't want to go to the local market. By the end of the year we will start doing home deliveries to serve this market because we can see demand for that. There is no dedicated fresh produce formal retailer – a shop that sells just fresh produce – in all Tanzania. We plan to launch such a store in September. *(How we made it in Africa)*

AGRIBUSINESS

Angonabeiro expands export markets of Angolan coffee

Angonabeiro has started exporting Angolan Ginga branded coffee to Senegal after being launching exports to the Cape Verdean market, the company said. The company said that in February it exported about 12 tons of "Café Ginga" to Senegal, after exporting 4 tons of coffee the previous month to Cabo Verde (Cape Verde) at the "beginning of the international expansion of Angolan coffee." "Café Ginga", along with Delta and Delta Cafes Q, are the three brands of coffee owned by Angonabeiro, a subsidiary of Portuguese group Nabeiro, a leader in the coffee market in Portugal, Angola and Mozambique. In 2015 the Portuguese group invested about US$1 million in the acquisition of the entire capital of Angolan public company Liangol, which it had managed for 14 years, after having recovered and modernised it. Liangol, which was decommissioned in 1984, occupies an area of 4 hectares, with areas for storage, roasting and packaging. These facilities are where the Nabeiro group produces and sells 250 tons of coffee (2014) of its own brand Ginga, which is the clear market leader in Angola. Angola was once the world's fourth largest coffee producer, producing 200,000 tons per year before 1975. Production now stands at less than 5 % of that amount due to plantations being abandoned as a result of the civil war that followed Angola's independence from Portugal. *(Macauhub)*

Hong Kong company pays first installment of timber business in Mozambique

Global Timber Investment Limited, a company based in Hong Kong, made the initial payment of US$600,000 on an investment of US$900,000 to be paid by 1 June 2016, said Obtala Resources Limited. This investment will give the Hong Kong company a minority stake of 15 % in Meradell (1) Limited, one of three special purpose companies established by Obtala Resources, a company based in Guernsey, as well aseconomic rights over an area of 20,000 hectares of forest concessions in Mozambique. Last February, Obtala Resources announced it had established separate agreements with three international investors to secure capital of US$3 million to be invested in forestry projects in Mozambique. These agreements gave the investing companies minority stakes of 15 % in one of three special purpose companies – Meradell (1), Meradell (2) and Meradell (3) – and economic rights on a specific area of forest concessions in Mozambique. The control of these concessions, which cover an area of 314,965 hectares, remains in the hands of Obtala Resources through its subsidiaries. The forestry business in Mozambique is currently held by Argento Continental Corporation, a subsidiary 100 % controlled by the Montara Continental Corporation (Seychelles), a subsidiary owned 75 % by Obtala Resources. In addition to Global Timber Management, George Miller, a private investor based in the United States will invest 1.61 million Canadian dollars and Basic Materials, a company with offices in Hong Kong and Russia, will invest US$900,000. *(Macauhub)*

Angola starts exporting fertilisers after being net importer

The start of exploration of phosphate deposits in Zaire province turn Angola from a n importer of fertilisers for agriculture to an exporter, said the provincial director of Geology and Mines. Adão Sofia told Angolan news agency Angop that exploration of phosphate rock will initially produce 500,000 tons of fertilisers per year, 300,000 tons for the

domestic market and 200,000 for export. In a second phase another 800,000 tons will be added to the initial 500,000 early, with the existing reserves in the municipality Tomboco estimated at 215 million tons, 123 million tons of proven phosphate rock and 92 million tons inferred. António Mota, managing director of Vale Fertil, the Angolan subsidiary of Israeli group LR, said in 2015 that the company would invest US$130 million in this initial stage. He added that the company expects to transform the rocks into phosphates for fertiliser and export the raw rock to South America and Israel. This Vale Fertil project will be located in the same place where the old factory was operating. The old equipment and facilities of the company that began exploring phosphates in 1979 and stopped in 1983 due to civil war are still visible. *(Macauhub)*

Coffee entrepreneur ready to take on the export market

Kenyan entrepreneur Vava Angwenyi ventured into the coffee business six years ago, motivated by the inequalities in the coffee trade. Big international coffee chains were making lots of money, while farmers in Kenya barely had enough to sustain their families. Angwenyi's company, Vava Coffee, produces eight different brands, including Nairobi Roast, Swahili AA and Sotik Expresso. It sources the beans from over 30,000 smallholder farmers in Kenya.Angwenyi says her coffee is targeted at socially-conscious consumers who are sensitive about the ethical issues surrounding food production. "We are not necessarily focused on the regular day-to-day coffee drinker. We target consumers who are curious about coffee, about the production process [and] the story behind the product," she explains.

About 20% of Vava's revenues come from corporate consumers, while the rest is sold at select retail outlets in Nairobi. About 80% of individual consumers are expatriates. "But we are slowly being noticed by a lot of young Kenyan trendsetters who want to be associated with something cool and something that is Kenyan. I know it will take a bit of time for some of them to grow their spending power – but many of them aspire to consume Vava Coffee."

Despite many other coffee processors in the Kenyan market, Angwenyi says being a smaller company has its advantages. "Our coffee tastes great but it also has a great purpose behind it. Vava is sourced in small batches, we roast every week so you are assured of a fresh product. And most importantly, our business works with smallholder farmers…"

Demand in the US and Europe

This year Vava Coffee is focused on expanding to international markets. For a long time, Angwenyi says, she has received requests from consumers and distributors abroad, but was not ready for expansion.

"Right now most of the demand is coming from outside Kenya. We are going to do craft fairs in Seattle and New York in July. We are in talks with Whole Foods Chicago and another buyer in the Vermont region," says Angwenyi. "We have also signed a contract with buyers in Poland and South Africa and are finalising talks with a buyer in Norway. Our focus this year is on the export market."

Challenges dealing with retailers

In Kenya, Angwenyi has been selective with the retail brands and locations where her products are available.

"In a space such as this where you are at the mercy of [large retailers], you have to be very careful as to how much stock you tie down – especially if you don't have free financing. We've gone into serious debt situations because 70% of our stock was tied down with one retailer," she says.

The poor terms of payment offered by retailers is one of the biggest challenges for Vava Coffee.

"We are still a growing business. If my delivery to one retailer is US$10,000 at any given time, I have to go to the bank to borrow money on a monthly basis because payments will be delayed, which is unsustainable – especially with the high interest rates," Angwenyi explains. "We have burnt our fingers having product everywhere and not being able to collect money. "There is a disrespect to suppliers in Kenya. When you supply an outlet, people assume they're doing you a favour. Yet, if they didn't have products on display on their shelves, they'd be out of business. There are retailers who pay you 100, even 200, days after supplying products."

To counter this Vava is rebuilding its website to promote direct sales. However, when Carrefour opens in Nairobi in a couple of weeks, she will supply the French retail giant. "We have managed to negotiate really good terms with them."

"We also want to direct traffic to our website because cash is king. When you are moving your own product and money comes to you directly, you can escape the 60-day or 100-day payment arrangements retailers have." *(How we made it in Africa)*

UPCOMING EVENTS

Workshop AfDB, the UN and African stakeholders to discuss the implementation of the SDG-16 and the High 5s in fragile situations in Africa, March 16, 2016, Abidjan, Côte d'Ivoire, CCIA Building, Room 7i .

Participants: Senior Management and professionals from the African Development Bank, the United Nations and the African Union, members of the Diplomatic corps in Abidjan, African stakeholders (practitioners, civil society actors and policy makers)

http://www.afdb.org/en/news-and-events/article/the-afdb-the-un-and-african-stakeholders-to-discuss-the-implementation-of-the-sdg-16-and-the-high-5s-in-fragile-situations-in-africa-15468/

First meeting of the 14th Replenishment of the African Development Fund (ADF-14), March 17 and 18, 2016 in Abidjan, Côte d'Ivoire

https://frmb.afdb.org/?page=adf&subpage=adf-14-rep

Bonds & Loans Africa 14-15 March 2016 Westin Cape Town

Bonds, Loans & Sukuk Africa is the continent's only Pan-Africa debt event, bringing together African issuers and borrowers looking to raise capital with nanciers and investors. *registrations@GFCconferences.com*
www.bondsloansafrica.com

The Africa CEO Forum: 21–22 March 2016, Abidjan – Côte d'Ivoire (Ivory Coast) Hotel Sofitel Ivoire

www.theafricaceoforum.com

World Economic Forum on Africa 2016 Kigali, Rwanda 11 - 13 May 2016

http://www.weforum.org/events/world-economic-forum-africa-2016

2016 AfDB Annual Meetings to focus on energy and climate change will take place from Monday, May 23 to Friday, May 27, 2016 at the Mulungushi International Conference Centre in Lusaka, Zambia.

Full details on registration will be announced shortly, and a dedicated website will follow.

FT Oil & Gas Transformation Strategies - Beyond Fossil Fuels? Surviving and Thriving in a New Energy Order London 01 June 2016

https://live.ft.com/Events/FT-Oil-Gas-Transformation-Strategies

18th annual Africa Energy Forum (AEF) 21-24 June 2016 2016 - The Intercontinental 02 London

http://africa-energy-forum.com/

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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

Eaglestone is committed to operating and behaving according to the highest standards of corporate governance. Its subsidiary in the United Kingdom is authorized and regulated by the Financial Conduct Authority.

Eaglestone operates with a clear vision and mission to act on behalf of and in the best interests of all its stakeholders, whether they are investors, employees or users of its services.

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