# INSIDE AFRICA

18 July 2016

*Now is the time to invest in Africa*

EAGLESTONE SECURITIES

## CONTENTS


**In-Depth:**
- Mozambique: Country Outlook ..... 2
- Nigeria: Country Outlook ..... 3
- Angola: Country Outlook ..... 4

**Sovereign Ratings** ..... 6

**IMF, WORLD BANK& AFDB** ..... 7

**INVESTMENTS** ..... 11

**BANKING**

*Banks* ..... 13

*Markets* ..... 15

*Markets Indicators* ..... 17

*Selected Sovereign African Eurobond Data for June 17* ..... 19

**ENERGY** ..... 20

**INFRASTRUCTURE** ..... 22

**MINING** ..... 24

**OIL & GAS** ..... 25

**TELECOM** ..... 27

**RETAIL** ..... 28

**AGRIBUSINESS** ..... 29

**UPCOMING EVENTS** ..... 30


## BRIEFS

***Africa***
- African Bank Buys Back $325 Million of New Bonds to Reduce Costs

***Angola***
- Angola's Sonangol halts all asset sale talks
- Angolan glass company invests in increased production
- Angolan company starts exporting bananas to Europe

***Cameroon***
- Cameroon's $1 billion hydroelectric dam expected by 2020-Energy min

***Ghana***
- Accra Brewery to boost wholesale capacity

***Ivory Coast***
- Ivory Coast cocoa arrivals down 10 pct by June 30 - CCC data
- Ivory Coast aims to double oil and gas output by 2020
- Investment into Ivory Coast up 25 pct this year

***Mozambique***
- Expansion of the coal terminal in Beira, Mozambique, awarded to consortium
- Indian PM discusses buying agricultural products in Mozambique
- Gemfields raises funds to expand ruby mine in Mozambique
- Mozambique sees growth slowing, austerity measures needed - finance minister
- Mozambique's inflation rises to 19.72 percent y/y in June

***Nigeria***
- Nigeria Skye Bank shares at three-month low on central bank action
- Nigeria raises 190 bln naira in treasury bills, yields flat

***Seychelles***
- Seychelles studying bond market but in no rush - finance minister

***South Africa***
- Chinese consortium to invest $2.8 billion in South Africa industrial zone
- De Beers takes a shine to five black-owned diamond companies

***Tanzania***
- Banks reduce non-performing loans

***Zambia***
- Zambia Sugar sees potential growth

***Zimbabwe***
- Caledonia eyes dividend boon as gold production rises
- NicozDiamond GPW steady at $13mln in five months
- Zim close to $1bln Afreximbank loan after Algeria deal falters
- Govt, industry left counting losses from stayaway

**In-depth:**
**Mozambique: Country Outlook**

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

ELECTION WATCH: The next presidential and legislative elections are due in 2019. Under the continued leadership of Mr Nyusi, we expect Frelimo to secure its re-election, with a semblance of party unity likely to prevail during the electoral period.

Frelimo will also continue to benefit from a well-oiled party machine, a healthy financial position and influence over state institutions. Regional disparities in electoral politics will persist, with Frelimo dominant in southern provinces but opposition support stronger elsewhere. Boycotts by the opposition cannot be ruled out but, since it is keen to be seen to be promoting democracy, we expect the government to offer sufficient incentives to ensure its participation.

INTERNATIONAL RELATIONS: Following the revelation in April of previously undisclosed public borrowing and the subsequent withdrawal of most foreign aid, relations with traditional development partners will remain tense. It seems unlikely that the government will comply with donors' demands for an independent audit of public accounts, given the culture of secrecy in Frelimo. However, donors' pressure on the government will be tempered by the lack of a viable alternative to the existing administration and the fact that major aid-funded projects are already under way. Aid freezes will remain in place at least until an IMF-led debt reconciliation process is complete, which we tentatively expect in 2017, and direct budgetary support thereafter is likely to be partially replaced by programme-related aid. Beyond the debt saga, persistent outbreaks of political violence, allegations of human rights abuses and a lack of fiscal transparency will also continue to exacerbate tensions with donors.

POLICY TRENDS: The government's near-term priority is to restore macroeconomic stability. Balance-of-payments pressures emerged in late 2015 as a result of rapid debt accumulation in 2013-14, a sharp drop in inward investment and a slump in commodity prices, which led the government to secure a US$286m stand-by credit facility (SCF) from the IMF and to restructure an amortising US$850m Eurobond. However, the liquidity crunch is set to worsen in the near term, amid uncertainty over the scale of the public debt stock, the suspension of donors' aid and the inability of state-owned companies to service their liabilities. The IMF suspended the SCF in May, pending a full debt reconciliation process, and access to international credit and concessional financing will be severely curtailed as a result.

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

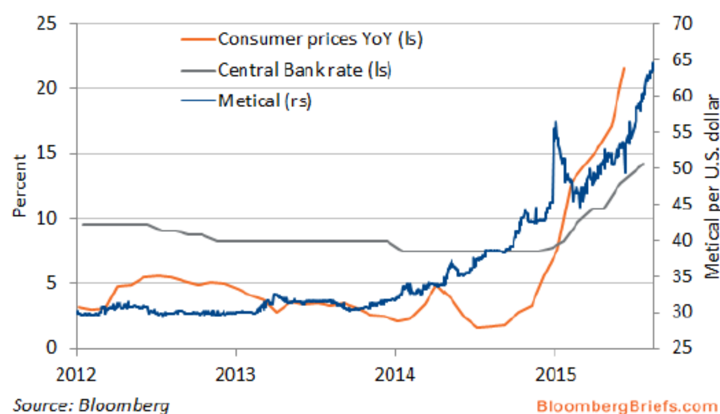
INFLATION: After accelerating to a year-on-year rate of 18.3% in May (from an average of 3.3% in 2012-15), inflation is expected to remain elevated in the near term, fuelled by the effects of rapid currency depreciation, the negative impact of drought on domestic food prices and further increases to state-regulated prices. Anticipating a seasonal drop in food prices in the coming months, we forecast that year-on-year inflation will average 16.6% in 2016, its highest level in over a decade. Inflation is forecast to fall steadily thereafter, with the effects of rising global prices for oil and food in 2017-18 offset by a normalisation of domestic food prices. Aided by a progressively smaller fiscal deficit, inflation is forecast to continue falling to an average of 5% in 2020.

EXCHANGE RATES: The metical will remain under pressure throughout 2016-20. Market uncertainty over sovereign creditworthiness has spurred high dollar demand in recent weeks, pushing the metical to an all-time low of MT63:US$1 in mid-June. Although we expect the metical to recover some lost ground as the market stabilises, downward pressure will continue to be exerted by low foreign-exchange reserves, low inflows of aid and investment, and Mozambique's sizeable twin deficits, with the metical forecast to average MT58:US$1 in 2016 (from MT40:US$1 in 2015). It will continue to depreciate thereafter, albeit at a slower pace, to MT70:US$1 in 2020. Sharp bouts of volatility will, however, remain a risk throughout the forecast period.

EXTERNAL SECTOR: Export growth will be driven by coal, but, amid low international prices and insecurity in coal-rich provinces, production will be well below capacity in 2016. Anticipating firmer prices and a more stable operating environment thereafter, coal is expected to overtake aluminium as Mozambique's main export in 2017. Tighter fiscal and monetary policies, coupled with weak domestic demand and dollar shortages, will lead to a sharp drop in imports in 2016-17, with the merchandise import bill forecast to shrink by over 20% in US dollar terms. A recovery of domestic demand will spur import growth thereafter. ***(Economist Intelligence Unit)***

### Mozambique Faces Tough 2H as Policy Tightens

Mozambique faces a worsening outlook for growth in the second half of this year, as fiscal and monetary policy are tightened further. Loss of support from foreign donors and rising debt-servicing costs have left the government with no option but to cut the budget, while a spike in inflation has forced the central bank to raise rates.




The Mozambican government said on June 30 that it will announce further austerity measures in a mid-year budget review to be presented on July 10. That comes in the wake of a suspension of budget support by major international donors following the revelation of $1.4 billion in undisclosed foreign borrowing.

Mozambique's recently restructured sovereign bond is now trading at a yield close to 20 %, compared with 12.9 % at the time of the exchange in April. The restructuring eliminated biannual principal repayments in favor of a bullet-like repayment in 2023, with higher interest to compensate investors. While this has eased the pressure on public finances and the balance of payments, external-debt servicing is still more onerous than previously estimated due to the additional borrowing.

State-owned Mozambique Asset Management missed a $178 million interest and principal payment on May 23, but it appears that bondholders have yet to call on the sovereign guarantee. Authorities could dip into $2 billion of foreign reserves to make the payment. However, reserves are already down by close to 50 % from $3.2 billion in mid-2014, and such an exercise would have to be repeated in coming years for further debt servicing, a prospect that could bring more weakness in the metical. A more appealing option for the government is restructuring both the MAM loan and another that was also previously undisclosed for state-owned Proindicus. It could switch from an amortizing to a bullet-payment structure, similar to the sovereign bond.

But the loss of foreign aid limits the government's options. The currency weakened to 64 per U.S. dollar on July 5, from 45 in January, pushing inflation above 20 % and forcing the central bank to raise the policy rate to 14.25 % as of June 13 from 8.25 % at the start of 2016 and 7.50 % a year earlier. This will undoubtedly weigh on domestic demand in the second half.

### Nigeria: Country Outlook

POLITICAL STABILITY: Slow progress in tackling the various security and societal challenges faced by Nigeria at a time of economic difficulties (amid a low oil price environment) means that The Economist Intelligence Unit expects outbreaks of instability in 2016-20. We do not forecast any widespread breakdown in security--Nigeria has negotiated many of these issues for decades--but the president, Muhammadu Buhari, will endure a tough time in office and no rapid reversal of the country's prospects is likely.

ELECTION WATCH: The next national elections are due in 2019. Maintaining unity in Mr Buhari's own party, the All Progressives Congress (APC), until then will be a test, not just because it is an amalgamation of different parties, but also because it includes some big personalities, all of whom will have strong opinions on what direction the party should be taking. The former ruling party, the People's Democratic Party (PDP), is currently suffering from internal ructions but still has strong grass-roots support and experienced campaigners. The outcome of the 2019 elections will therefore depend heavily on whether the APC is able to remain united while demonstrating to voters that it has been more effective than the previous government in improving the lives of ordinary Nigerians. Given that we expect a mixed outcome on this, the next elections are likely to be close between the APC and the PDP, with voters probably just about prepared to give Mr Buhari and the APC another term.

INTERNATIONAL RELATIONS: Ties with Asia will continue to expand. India will remain important as the largest market for Nigerian oil. Ties with China will also grow as the Nigerian administration attempts to attract greater Chinese infrastructure investment. However, weakening Chinese domestic prospects are likely to limit appetite for large-scale involvement in Nigeria's challenging business environment.

POLICY TRENDS: The general thrust of the administration's policy agenda makes sense for a country seeking to rebalance its economy amid a prolonged oil-price slump. Priority measures include boosting infrastructure investment and diversifying the economy by targeting investment at specific sectors (notably agriculture and solid minerals). However, how the administration intends to go about achieving its policy aims is less positive. Indeed, although key members of the cabinet are progressives pushing for liberalisation, Mr Buhari himself has demonstrated a more interventionist and statist bent. This will hinder much-needed moves to liberalise trade, reappraise the protection of

favoured industries, attract external investment and ease the burden of doing business. The pace of policy reform is also likely to be slow. Despite holding sway at both the federal and state tiers of government, the APC lacks ideological coherence. Policy development and implementation will also continue to suffer from a lack of co-ordination and poor relations between the various tiers of government. Meanwhile, the more challenging external financing backdrop, amid weaker global confidence in emerging-market prospects, will make it hard for Nigeria to secure the financing it needs to drive the policy agenda forward.

ECONOMIC GROWTH: We have downgraded our 2016 real GDP growth forecast again. Our previous forecast, of 1.4%, was already the lowest rate since the end of military rule in 1999, but we now expect growth of just 0.4%. Furthermore, there is a significant chance that Nigeria will suffer a recession (two consecutive quarters of negative growth) during 2016 as growth in the first quarter was -0.4%. The second quarter is likely to have recorded very low or negative growth, but the final two quarters should see a slight improvement following the end of the naira peg (which will unlock some pent-up investment) and slightly higher oil production as the government negotiates with the militants. Prospects for a strong recovery in the remainder of the forecast period are not favourable, as oil prices, although recovering in 2017-18, will remain well below their recent peaks.

INFLATION: The currency devaluation--of both the official and parallel rates--as well as efforts by the authorities to rein in the subsidy bill and boost power tariffs to cost recovery levels, will see inflation jump in 2016, to an average of 14.9%. Currency stability will improve as 2017-18 progress, but global commodity prices will pick up pace and so average inflation will ease only moderately, to 10.1% in the latter year. Pre-election spending and a further drop in the naira on the back of weaker oil prices will mean that inflationary pressures stay high in 2019, with inflation remaining close to 10%, before falling back slightly in 2020, to 9.1%, as global commodity prices ease.

EXCHANGE RATES: Although the Central Bank of Nigeria (CBN) has released most of its shackles on the naira, a completely free floating naira is not in prospect. The CBN's ban on importers of 41 categories of goods and services from accessing the regulated foreign-exchange market remains. The central bank has also stipulated that interbank funds must not be sold to bureaux de change--retailers mostly servicing small businesses and individuals. The restrictions suggest that Nigeria will continue to have a segmented foreign-exchange market. In turn, this means we expect a black-market premium to persist, with currency speculation and arbitrage continuing as a result.

EXTERNAL SECTOR: We expect the weakness of the oil price environment to leave the current account in deficit during the forecast period. However, we have revised down the forecast deficit in 2016 to 1.4% of GDP (previously 3.9% of GDP) given first-quarter data showing that imports of goods and services, as well as income debits (largely profit remittances) fell by much more than we had expected--and we were already forecasting significant falls. Although the June naira adjustment will lessen the shortage of hard currency that drove these falls, a much weaker naira coupled with the weak economy will keep import demand and profitability down for the year as a whole. Import demand will post a weak recovery from 2017 in line with subdued, though improving economic prospects, but moderate oil price increases will help the current-account deficit to fall to 0.8% of GDP by 2018 (previously 1.5% of GDP). We then expect an increase in the deficit to 2.5% of GDP in 2020 (previously 2.6% of GDP) as a slowdown in the US negatively affects oil prices and workers' remittances. *(Economist Intelligence Unit)*

## Angola: Country Outlook

POLITICAL STABILITY: There is a danger of increasing protests given the country's continued fiscal difficulties in the current environment of low oil prices. Increased sensitivity to any potential threats to stability or its hegemony is likely to prompt the ruling Movimento Popular de Libertação de Angola (MPLA), via the security services, to engage in further crackdowns on and pre-emptive arrests of activists and the imposition of heavy jail terms on high-profile critics. However, there is a strong risk that this will backfire, as the growing crackdown on dissenting voices could act as a catalyst for more sustained instability.

ELECTION WATCH: The next legislative election is scheduled to take place in 2017. The fractious nature of political opposition, coupled with its inability to provide an alternative to the current ruling establishment, means that opposition groups have thus far struggled to capitalise on growing public discontent with Angola's economic conditions. A lack of dynamism within the main opposition party, União Nacional para a Independência Total de Angola (UNITA), is one factor, but much of this is because the MPLA in effect restricts the political space and exploits its grip on power. Plans by the authorities to restrict social media could have a negative impact on opposition groupings that have made substantial use of such channels, in an attempt to circumvent MPLA domination of the traditional media. Equally, opposition parties continue to claim that the MPLA is postponing local elections--once scheduled for 2014, but now possibly deferred until 2021 or later--in order to avoid devolving power for fear that its influence and control will be weakened.

INTERNATIONAL RELATIONS: Relations with the international community will be subject to periodic tensions given concerns over the MPLA's heavy-handed efforts to maintain its hegemony. Despite this, Angola will continue to seek to consolidate relations with key strategic partners and to diversify access to international finance. It will continue to prioritise relations with the US--because of its global superpower status and the presence of US oil companies in Angola--and fellow Lusophone states, including Brazil and the former colonial power, Portugal. China will also remain

a highly important partner--to the extent that a substantial slowdown in Chinese growth represents a serious downside risk.

POLICY TRENDS: A fundamental rebalancing of the economy is needed, and will continue to be the focus of ongoing Article IV negotiations with the IMF--although the authorities appear to be moving away from attempts to secure a three-year extended fund facility (EFF) with the IMF. The Fund will continue to encourage the authorities to restore macroeconomic balances and build up reserves, reduce the non-oil fiscal deficit and foster greater exchange-rate flexibility supported by tighter monetary conditions to contain inflation. In the longer term, the authorities will be encouraged to improve the efficiency and transparency of public spending, and create a business-friendly environment that will enable the private sector to lead economic growth. As with the government's own "master plan", announced in February, these are sensible strategies, but will take time to implement, not least because the development of a dynamic private sector will also continue to be hindered by weak human capital, poor regulation, inefficient power supply, prevalent corruption and the crowding-out of private investment by the public sector.

ECONOMIC GROWTH: The government is projecting 2016 growth at 3.3%, although this is likely to prove overoptimistic. It expects non-oil growth to remain weak, although agriculture is forecast to expand by 4.6%. However, rapid agricultural expansion is unlikely given weak infrastructure and poor supply-chain management. The performance of the hydrocarbons sector will remain crucial, and official projections of a slowdown in growth in 2016 are largely explained by the authorities' expectation that local production will expand more slowly than previously forecast (although still grow by almost 5%) and that international oil prices will remain relatively weak, at US$45/b. Given that we expect oil prices to average US$40.3/b in 2016, and increases in local production to remain below even revised official expectations, we forecast that growth will slow sharply to just 1.3%, meaning that GDP per head will shrink for the third successive year. Slightly more solid government and private consumption growth as oil prices recover should see growth accelerate, to 3.5% in 2018, before a renewed dip in oil prices and more moderate local output increases lead growth to ease to 2.6% in 2020.

INFLATION: Inflation again accelerated in May, with the year-on-year rate rising to 29.2%, from 26.4% the previous month. This reflects inflationary pressures arising from the successive reductions in fuel subsidies (since September 2014) and the kwanza's continued weakness against the US dollar, which continues to push up the cost of imported goods. We expect the central bank's monetary policy committee to maintain a relatively tight policy stance, as underscored by five interest-rate rises during 2015, and a 200-basis-point increase in first-quarter 2016, while the government has announced some measures to combat inflation, including the introduction of price controls on some goods. Taken together, these factors should help to put inflation on a downward trend in 2017-20, after a sharp spike to an average rate of 25.5% in 2016. More substantial reductions are unlikely, given that inflationary pressures are likely to be sustained by high government spending in the run-up to elections in 2017 and higher international commodity prices in 2017-18.

EXCHANGE RATES: As of the third week of June the BNA was selling the kwanza at Kz166.7:US$1--the same rate as in mid-May, but down from Kz97.5:US$1 in mid-2015 (and Kz135.98:US$1 in December 2015). The formal rate of the kwanza remains at an all-time low against the dollar, but amid continued shortages of US currency the gap with the black-market rate remains substantial, with the latter running at up to Kz600:US$1. The BNA's ability to support the kwanza through market intervention in 2016 and beyond will depend on the level of foreign-exchange reserves. According to official data, international reserves increased by some US$400m between February and March, reaching US$23.67bn--equivalent to around eight months of import cover, but still well down on the end-2014 figure of US$28bn. We expect the official rate to depreciate to an average of Kz171:US$1 in 2016 from an average of Kz120.1:US$1 in 2015, and to decline further to Kz198:US$1 in 2017. The decline will continue in 2019-20, given renewed weakness in the oil market (and notwithstanding some local production increases), taking the rate to Kz242:US$1 in 2020. The gap with the parallel-market rate will remain substantial, however.

EXTERNAL SECTOR: Angola is expected to run current-account deficits throughout 2016-20. With oil prices remaining depressed by 2011-14 standards, total export earnings--dominated by oil--will shrink again in 2016; they will bounce back in line with prices in 2017-18, but remain some 30% below their 2012-13 peak. Imports will also shrink in 2016, reflecting a moderation of government-led capital investment due to the low oil price environment and the ongoing devaluation of the kwanza limiting consumer demand. However, the trade surplus as a percentage of GDP will remain low in 2016 by historical standards--at 10.3%. It will recover slightly to an annual average of some 16% in 2017-18 (as oil prices recover)--although this is only around half the 2010-14 average--and then deteriorate again in 2019-20, reflecting strong import growth and a renewed downturn in oil prices. The services deficit will rise in 2017-18, averaging 15.2% of GDP, reflecting greater activity in the oil sector, before narrowing again in 2019-20 as oil prices moderate.

Overall, the current-account deficit will rise from an estimated 7.7% of GDP in 2015 to 8.9% of GDP in 2016, because of depressed oil prices and only modest increases in oil export volumes. The deficit as a percentage of GDP will narrow in 2017-18, before widening again in 2019-20, as a slowdown in the US has a negative impact on oil prices, ending the forecast period at 6.5 %.*( Economist Intelligence Unit)*

## SOVEREIGN RATINGS

**Eurozone**

| 18-07-2016 | FOREIGN CURRENCY LONG TERM | | | FOREIGN CURRENCY SHORT TERM | | |
|---|---|---|---|---|---|---|
| | MOODYS | S&P | FITCH | MOODYS | S&P | FITCH |
| Austria | Aa1 | AA+ | AA+ | P-1 | A-1+ | F1+ |
| Belgium | Aa3 | AAu | AA | NR | A-1+u | F1+ |
| Cyprus | B1 | BB- | B+ | NP | B | B |
| Estonia | A1 | AA- | A+ | NR | A-1+ | F1 |
| Finland | Aa1 | AA+ | AA+ | NR | A-1+ | F1+ |
| France | Aa2 | AAu | AA | NR | A-1+u | F1+ |
| Germany | Aaa | AAAu | AAA | NR | A-1+u | F1+ |
| Greece | Caa3 | B- | CCC | NP | B | C |
| Ireland | A3 | A+ | A | P-2 | A-1 | F1 |
| Italy | Baa2 | BBB- u | BBB+ | P-2 | A-3u | F2 |
| Latvia | A3 | A- | A- | NR | A-2 | F1 |
| Lithuania | A3 | A- | A- | NR | A-2 | F1 |
| Luxembourg | Aaa | AAA | AAA | NR | A-1+ | F1+ |
| Malta | A3 | BBB+ | A | NR | A-2 | F1 |
| Neherlands | Aaa | AAAu | AAA | P-1 | A-1+u | F1+ |
| Portugal | Ba1 | BB+u | BB+ | NR | Bu | B |
| Slovakia | A2 | A+ | A+ | NR | A-1 | F1 |
| Slovenia | Baa3 | A | BBB+ | NR | A-1 | F2 |
| Spain | Baa2 | BBB+ | BBB + | P-2 | A-2 | F2 |
| United Kingdom | Aa1 | AAu | AA+ | NR | A-1+u | F1+ |

*Sources: Bloomberg, Eaglestone Advisory*

**North and South America - Asia**

| 18-07-2016 | FOREIGN CURRENCY LONG TERM | | | FOREIGN CURRENCY SHORT TERM | | |
|---|---|---|---|---|---|---|
| | MOODYS | S&P | FITCH | MOODYS | S&P | FITCH |
| Argentina | B3 | B- | B | NP | B | B |
| Australia | Aaa | AAAu | AAA | NR | A-1+u | F1+ |
| Brazil | Ba2 | BB | BB | NR | B | B |
| Canada | Aaa | AAA | AAA | NR | A-1+ | F1+ |
| China | Aa3 | AA- | A+ | NR | A-1+ | F1 |
| Colombia | Baa2 | BBB | BBB | NR | A-2 | F2 |
| Cuba | Caa2 | NR | NR | NR | NR | NR |
| Hong Kong | Aa1 | AAA | AA+ | NR | A-1+ | F1+ |
| India | Baa3 | BBB-u | BBB- | NR | A-3u | F3 |
| Japan | A1 | A+u | A | NR | A-1u | F1 |
| Macau | Aa3 | NR | AA- | NR | NR | F1+ |
| Mexico | A3 | BBB+ | BBB+ | WR | A-2 | F2 |
| Singapore | Aaa | AAAu | AAA | NR | A-1+u | F1+ |
| Uruguay | Baa2 | BBB | BBB- | NR | A-2 | F3 |
| Venezuela | Caa3 | CCC | CCC | NR | C | C |
| United States | Aaa | AA+u | AAA | NR | A-1+u | F1+ |

*Sources: Bloomberg, Eaglestone Advisory*

Region - Africa/Middle East

| 18-07-2016 | FOREIGN CURRENCY LONG TERM | | | FOREIGN CURRENCY SHORT TERM | | |
|---|---|---|---|---|---|---|
| | MOODYS | S&P | FITCH | MOODYS | S&P | FITCH |
| Angola | B1 | B | B+ | NR | B | B |
| Bahrain | Ba2 | BB | BB+ | NR | B | B |
| Benin | NR | NR | WD | NR | NR | WD |
| Botswana | A2 | A- | NR | NR | A-2 | NR |
| Burkina Faso | NR | B- | NR | NR | B | NR |
| Cameroon | NR | B | B | NR | B | NR |
| Cape Verde | NR | B | B | NR | B | B |
| Egypt | B3 | B- | B | NR | B | B |
| Emirate of Abu Dhabi | Aa2 | AA | AA | NR | A-1+ | F1+ |
| Ethiopia | B1 | B | B | NR | B | B |
| Gabon | B1 | NR | B+ | NR | NR | B |
| Ghana | B3 | B- | B | NR | B | B |
| Iran | NR | NR | NR | WR | NR | NR |
| Iraq | NR | B- | B- | NR | B | B |
| Israel | A1 | A+ | A | NR | A-1 | F1 |
| Ivory Coast | Ba3 | NR | B+ | NP | NR | B |
| Jordan | B1 | BB- | NR | NR | B | NR |
| Kenya | B1 | B+ | B+ | NR | B | B |
| Kuwait | Aa2 | AA | AA | NR | A-1+ | F1+ |
| Lebanon | B2 | B- | B- | NP | B | B |
| Lesotho | NR | NR | B+ | NR | NR | B |
| Libya | NR | NR | WD | NR | NR | WD |
| Mali | NR | NR | WD | NR | NR | NR |
| Mauritius | Baa1 | NR | NR | NR | NR | NR |
| Morocco | Ba1 | BBB- | BBB- | NR | A-3 | F3 |
| Mozambique | Caa3 | CCC*- | CC | NR | C*- | C |
| Namibia | Baa3 | NR | BBB- | NR | NR | F3 |
| Nigeria | B1 | B+ | B+ | NR | B | B |
| Oman | Baa1 | BBB- | NR | NR | A-3 | NR |
| Qatar | Aa2 | AA | AA | NR | A-1+ | F1+ |
| Republic of Congo | B2 | B- | B | NR | B | B |
| Republic of Zambia | B3 | B | B | NR | B | B |
| Rwanda | NR | B+ | B+ | NR | B | B |
| Saudi Arabia | A1 | A- | AA- | NR | A-2 | F1+ |
| Senegal | B1 | B+ | NR | NR | B | NR |
| Seychelles | NR | NR | BB- | NR | NR | B |
| South Africa | Baa2 | BBB- | BBB- | P-2 | A-3 | F3 |
| Tunisia | Ba3 | NR | BB- | NR | NR | B |
| Uganda | B1 | B | B+ | NR | B | B |
| United Arab Emirates | Aa2 | NR | NR | NR | NR | NR |

*Sources: Bloomberg, Eaglestone Advisory*

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

## IMF, WORLD BANK & AFRICAN DEVELOPMENT BANK

**AfDB announces the appointment of Dr. Celestin Monga as Chief Economist and Vice President, Economic Governance and Knowledge Management**

The African Development Bank (AfDB) on Sunday, 10 July 2016 announced the appointment of Dr. Celestin Monga, a Cameroonian national and currently the Managing Director at the United Nations Industrial Development Organization (UNIDO), as the Bank's Chief Economist and Vice President, Economic Governance and Knowledge Management. Monga has held various board and senior executive positions in academia, financial services and international development institutions. He graduated with a Master's degree from the University of Sorbonne in Paris, was a Mason Fellow at Harvard University's Kennedy School of Government, followed by additional graduate work at Massachusetts Institute of Technology (MIT) Sloan School of Management, and completed his PhD in France at the University of Pau, France. At UNIDO, he has served as Vice Chair of the Strategy Committee and helped reposition the Organization as an indispensable stakeholder in the implementation of the 2030 Global Agenda.

Monga joined the World Bank in 1997 where he held positions in both the operations and research departments, including as Lead Economist in Europe and Central Asia, and as Manager of the policy review team in the Development Economics Vice Presidency. He has served as Senior Economic Advisor (Director-level) to the World Bank Senior Vice President and Chief Economist. He was also the Senior Advisor (Director-level) for structural transformation in the offices of the Vice President for Africa and Senior Vice President and Chief Economist.

During his 17-year career at the World Bank, Monga pioneered several policy initiatives, including the very first debt relief operation to the executive boards of the World Bank and the International Monetary Fund in the initiative for Highly Indebted Poor Countries (HIPC) and the first Poverty Reduction Strategy Paper (PRSP) in 1997. He also led the team that designed the first Deferred Drawdown Option, a convenient financial instrument that many middle-income countries now use to hedge against macro-financial external shocks.

Monga is a world-renowned economist and acclaimed author, scholar and innovator. He was named as one of Africa's top five economists by Jeune Afrique weekly news magazine in 2012. He has published cutting-edge analytical and policy-oriented economic work with some of the world's most renowned economists, including Nobel Prize winners in economics, amongst other leading economists.

His latest book is the two-volume Oxford Handbook of Africa and Economics (2015), co-edited with Justin Yifu Lin, former Senior Vice President and Chief Economist of the World Bank. He is currently co-Director of the forthcoming Oxford University Press Handbook of Structural Transformation. Monga was the Economics editor for the five-volume New Encyclopedia of Africa (Charles Scribner's, 2007). His books, which cover various dimensions of economic and political development, have been translated into several languages and are widely used as teaching tools by academic institutions around the world.

Monga has worked effectively with African government leaders, international and other corporate entities to design and implement practical and realistic policy reforms. He has a strong record of intellectual leadership and has demonstrated the ability to provide senior management and client countries with integrated, innovative approaches to resolving complex and sensitive economic policy, strategy and development issues. His works have been featured and acclaimed in many international media outlets, including The Economist, The Wall Street Journal, the Washington Post, the New York Times, Finance and Development, Les Echos, Le Monde, The Guardian and Brasil Economico. His forthcoming book on the challenges of African modernity will be released in September 2016 by Harvard University Press. Monga said of his appointment: "I am excited to join the African Development Bank and be part of the major transformation at the Bank under the Bank's new President, Dr. Akinwumi Adesina. The high five priorities of the Bank - to light up and power Africa; feed Africa; industrialize Africa; integrate Africa; and improve the quality of life for the people of Africa - are bold, compelling and holds the best opportunities to transform Africa. This is an exciting period in Africa and I am happy to join the team to deliver on this agenda".

The President of the African Development Bank, Dr. Akinwumi Adesina, said of the appointment: "I am delighted that Dr. Monga, a globally respected economist, will be joining the Bank. He brings extensive wealth of experience and expertise in policy and economic governance which will help the Bank as we drive to accelerate support to African countries to achieve faster economic diversification and inclusive growth that will create jobs and lift millions out of poverty".

**Lighting up and Powering Africa: AfDB boosts Eskom's electricity generation capacity with a USD 1.34 billion jumbo loan**

Within the context of the New Deal on Energy for Africa, the African Development Bank (AfDB) and South Africa's power utility (Eskom) on Wednesday, Thursday, July 7, 2016 in Johannesburg, signed loan facilities for a USD 1.34 billion towards Eskom's capital expenditure program.

Eskom's 2016-2020 capital expenditure program includes investments in new generation, plant refurbishment, transmission lines, and capacity building in excess of USD 17 billion. This will help reduce load shedding and increase energy reliability in South Africa and in the southern African region. AfDB estimates this will help boost electricity generation in Africa by nearly 10%, heralding progress toward Bank's vision to achieve universal access to energy by 2025 under the New Deal for Energy in Africa.

Leveraging its AAA-rating, AfDB has arranged USD 965 million through participation arrangements with nine commercial banks, which include: Bank of China, Bank of Tokyo-Mitsubishi, CaixaBank, Citibank, HSBC, JP Morgan Chase, KfW IPEX Bank, Siemens Bank, and Standard Chartered. The operation represents the largest syndicated A/B Loan arranged to-date in Africa and an important milestone for AfDB's cross-border mobilization efforts.

By 2020, Eskom's capital expenditure program is expected to increase South Africa's electricity generation by nearly 11,000 MW and expand its transmission network by over 9,500 Km. Following the success of South Africa's Renewable Energy Independent Power Producer (REIPP) Programme, which is expected to increase electricity generation by a further 5,000 MW by 2019, AfDB's investment will be partly directed at the construction of the transmission network required to evacuate power from South Africa's IPP programs. The REIPP Programme has attracted USD 14 billion in investment, of which nearly 30% constitutes foreign direct investment, providing a significant boost to GDP growth in South Africa. "South Africa has the third most attractive renewable energy market across emerging markets (behind China and Brazil) and this program, spearheaded by the South African Department of

Energy, is an example of how to approach green growth in Africa," says Stefan Nalletamby, Acting Vice-President for Private Sector, Infrastructure, and Regional Integration at the AfDB. South Africa trades approximately 5% of its energy capacity with neighbouring countries in the Southern Africa region. While the country imports electricity from Mozambique, South Africa is a net exporter of energy to Zambia, Lesotho, Swaziland, Zimbabwe, Botswana and Namibia. Moreover, Eskom is considered to be a major "anchor" to upcoming regional energy projects, including Inga III. "By expanding electricity generation, AfDB seeks to support industrialization and job creation," says AfDB President Akinwumi Adesina, "with the principal objective of improving the quality of life for the people of South Africa and the larger region." The signing represents AfDB's second private-sector operation with Eskom, which builds on its USD 500 million non-sovereign corporate loan approved in 2008. Since 2008, AfDB has also extended three public sector loans to Eskom with funds in excess of USD 1.35 billion, including funding from its Clean Technology Fund. Coupled with its USD 142 million support on Xina Solar One in 2014, a part of the REIPP Programme, these operations help demonstrate AfDB's continued commitment to developing Africa's energy sector.

**AfDB Boosts Ethiopia’s power industry with a USD 104 million loan**

The African Development Bank has approved a USD 104 million loan to the Government of Ethiopia for a project which will sustainably extend power to industries, small businesses to enhance job creation and improve access to basic services in the country’s Tigray and Afar regions. The government of Ethiopia is working to increase its electrification rate to 90 % by 2020 to meet growing industrial, commercial and domestic demand. It intends to meet these goals through grid-based rural electrification, additional off-grid supply options, and the development of adequate transmission and distribution systems for power transfer to various parts of the country. The biggest challenge facing the government is mobilizing the necessary resources.

The Mekele-Dallol and Semera-Afdera Power Transmission Supply for Industrial Development and Access Scale-up Project (MDSAPIAP) with its associated transmission lines, substations and rural electrification components, aims to improve the socio-economic development and livelihoods in Ethiopia’s Tigray and Afar states through increased access to affordable and sustainable electricity supply and improved service delivery. The project is critical to ensure electricity generated from the power plants is transported to remotely located load centers. It will also solve the prevailing power shortages due to inability of existing diesel power plants to satisfy rapidly growing demand in the local potash and salt industries.

AfDB’s Director of Energy, Environment and Climate Change Department, Alex Rugamba stated that, “Domestic infrastructure development and regional integration, especially within the power sector, are fundamental to achieving the goals of the AfDB’s New Deal on Energy for Africa. Extending the grid will help to create electricity access, replace diesel with cleaner and more affordable reliable power for industries as well as urban and rural towns around Dallol and Afdera to stimulate economic activities that enhance job creation, improve access to basic services and limit environmental degradation.” The MDSAPIAP aims to oversee construction of 130 km of the 230 kV Mekele-Dallol transmission line; 175 km of the 230 kV Semera-Afdera transmission line; and associated new substations in Dallo and Afdera. In addition, it will expand the existing Mekele and Semera 230 kV substations; construct medium and low voltage distribution networks; and provide consultancy services and technical assistance for project supervision, management and capacity building. By its completion in 2019, the project is expected to benefit an estimated 36 rural villages through improved access to electricity and basic social services. In the Afar region alone, it is expected to help scale-up access to electricity to 75 % through its extension of reliable grid-based power supply to industries, local small business, schools, health and social centers. The government of Ethiopia is contributing over USD 18 million to the total project cost of USD 122 million.

**AfDB approves €6 million grant for water project to improve livelihoods in south Sudan**

The Board Directors of the African Development Bank Group (AfDB) at its seating on 14th July 2016 approved a grant of Euro 5.9 million from the Transition Support Facility-Trust Fund to improve water supply that would benefit 230,000 people in Juba. The project aims to improve the livelihoods of people in Juba city through the provision of improved water supply infrastructure. It will also strengthen efficient utility operations, private sector participation and women empowerment. The approval comes on the heels of recent violent conflicts between rival factions in Juba. Supporting the project, the Executive Directors indicated that the Bank needs to continue to implement its operations in fragile states which have the tendency to oscillate between conflict and peace. They however emphasized the need to make safeguards for the resources and the staff overseeing the implementation, and maintain close coordination with other development partners on the ground.

**Tunisia: a loan of €268 million from ADB to modernize the financial sector**

The Board of Directors of the African Development Bank (AfDB) approved on 13 July 2016 in Abidjan, a loan of 268 million euros to support the program to support the modernization of the financial sector (PAMSFI ). The program, which will be implemented over the period 2016-2017, aims to help create the conditions for accelerated economic growth, resilient and inclusive, through strengthening the role of the financial sector in financing the economy. The operation aims in particular to support the efforts of the Tunisian authorities to support the emergence of a new

development model for the country in which the private sector can grow and create jobs on the whole country, and where disadvantaged segments of the population to contribute to the growth and benefit.
Indeed, financial intermediation remains below what is required to support a strong and sustainable economic recovery. The financial services offering is weak, limiting the access of firms and households to finance. Financial inclusion is considered still low compared to the level of development. Moreover, half of the micro, small and medium businesses (micro-businesses) do not have access to credit. Those established in the interior regions of the country are still underserved. Finally, the capital market does not fully play its role as an alternative vehicle for mobilizing savings and their efficient allocation to economic activities.
The PAMSFI was designed to help the authorities to address challenges related to improving the financing of economic activities in the country. To this end, it comes in two complementary components. The first, to improve financial inclusion, support reforms to expand microfinance, diversify mobile financial services to vulnerable, easier access to loans to enterprises in the inland areas, women, farmers agricultural and young entrepreneurs. The second component will support turn, related reforms to strengthen financial sector resilience and development of capital markets for efficient financing of the economy. To date, the Bank's cumulative commitments in Tunisia amounted to nearly 1.53 billion for 43 operations running. This level of commitment demonstrates the quality and intensity of the partnership between Tunisia and the African Development Bank.

**Morocco: a loan of $ 157 million from ADB to support the financial sector**
The Board of Directors of the African Development Bank (ADB) approved July 13, 2016 in Abidjan, a loan of US $ 157 million, for supporting the Programme for building stability and inclusion financial (PARSIF) in Morocco. This contribution from ADB will help create the conditions necessary to further strengthen the stability and inclusiveness of the Moroccan financial sector by strengthening the financing of the economy including very small businesses (micro-businesses) while improving the quality of life Population.
The PARSIF comes to consolidate and deepen the gains of the previous three phases of the support program for financial sector development (PADESFI) implemented very satisfactorily between 2009 and 2015, incorporating new priorities, including those related to strengthening the viability of the pension sector and improvement of pensioners living conditions and strengthening access to finance of small farmers and innovative startups. Thus, this program intends to revitalize especially institutional investors, such as insurance companies and pension funds, so that they play a greater role in financing while improving inclusive economy. The PARSIF responds to the strategic directions of the government program, which supports the improvement of access to financial services as the population - especially the most vulnerable - as businesses - micro-businesses in particular - while ensuring quality governance of the financial sector to meet international norms and standards.
The principal potential beneficiaries will include: retirees and early retirees who benefit from solid pension systems capable of providing, structurally, the regular payment of their pensions, self-employed including the informal sector, which now have to a cover for retirement, women through their increased participation in boards of banks and financial institutions and also for smallholders, easier access to credit, private and BPS will rely more the resources of institutional investors (insurance companies and pension funds) more healthy and vibrant, small farmers who have to access credit regardless of the nature of their needs (operating or investment), and youth will better translate into reality their creative geniuses through better financing of innovative start-ups. This program strengthens the presence, already active, ADB in the process of financial sector reforms. To date, the Bank's cumulative commitments in Morocco amounted to nearly 2.38 billion for 35 operations running. This level of commitment demonstrates the quality and intensity of the partnership between Morocco and the African Development Bank.

**AfDB-Rwanda – Board approves USD 50 million for Skills, Entrepreneurship Development and Job Creation Programme**
The Board of Directors of the African Development Bank (AfDB) has approved an African Development Fund (ADF) loan of USD 50 million to finance the third phase of the Skills, Employability and Entrepreneurship Programme (SEEP III) and jobs creation in Rwanda. This Sector Budget Support operation will spur the government's inclusive growth and poverty reduction efforts. It will also help to create about 30,000 new off-farm jobs mainly for youth and women in 2016 and 2017. SEEP III seeks to consolidate the achievements under SEEP I and SEEP II, to firmly place Rwanda on the path to high value added production and industrialization. The programme will develop middle level technical skills required by Rwanda's key economic sectors such as manufacturing, construction, agro-processing, and energy. The programme will also strengthen micro, small and medium enterprises (MSMEs) in key economic sectors contributing to productivity and promoting rapid economic transformation thereby improving the quality of life of Rwandans in line with the Bank's High 5s priorities.
Rwanda has made remarkable achievements in socio-economic growth. Its economic performance has remained strong, averaging 6.9% of GDP growth per annum since 2012. Rwanda achieved all the MDG goals by 2015; and has committed to attain the Sustainable Development Goals (SDGs). The country has also made progress in creating off-farm jobs from 119,000 in 2011 to 146,000 by 2014. However, Rwanda's labour force remains young and low-skilled. This is affecting graduates' employability, productivity as well as the competitiveness of the private sector. The country

expects about 125,000 youth to enter the labour force annually between 2016 and 2020. Thus, there is an urgent need to enhance the quality of skills, create stable and better paying jobs commensurate to the number of job market entrants. The private sector, especially the MSMEs also need to be strengthened to become more productive, boost Rwanda's exports and create more stable and better paying jobs. SEEP III will provide the much needed resources to further consolidate previous achievements.

It will benefit youth and women who constitute about 40% and 52% of the population, respectively, mostly engaged in micro and small enterprises. Micro and small enterprises account for about 98.8% of private establishments and provide about 80% of the private sector employment especially among the youth and women. Young people own about 56% of the micro and small enterprises in Rwanda. SEEP III was developed jointly by the AfDB and the Government of Rwanda, in close consultation with the private sector and other key development partners (Germany, Sweden, USA, European Commission, Netherlands, UK, and the World Bank).

**Official launch of the Tanzania Sustainable Energy for All (SE4All) Action Agenda and Investment Prospectus**

Tanzania's Minister of Energy and Minerals, Sospeter Muhongo officially launched the Sustainable Energy for All (SE4All) Action Agenda and Investment Prospectus for Tanzania during a workshop attended by the UN Resident Coordinator for Tanzania, Alvaro Rodriguez, the EU Ambassador to Tanzania, Roeland Van De Geer, and the AfDB's Resident Representative in Tanzania, Tonia Kandiero.

Organized by the Ministry of Energy and Minerals in collaboration with UNDP, the workshop marked the official launch of the Tanzania SE4All Action Agenda and Investment Prospectus. The Action Agenda was developed in an inclusive process bringing together key stakeholders from government, development partners, private sector and civil society, setting Tanzania's 2030 targets as far as access to electricity and clean cooking solutions, the share of renewables and the rate of improvement of energy efficiency are concerned, as well as the priority actions required to be implemented to achieve these objectives. The Action Agenda is an umbrella energy sector development document and constitutes a national response to the Sustainable Development Goal (SDG) number 7 on energy adopted in September 2015 by the UN General Assembly that strives to "ensure access to affordable, reliable, sustainable and modern and energy for all". The African Development Bank supported the development process of Action Agenda and Investment Prospectus with technical assistance financed via the African Climate Technology Centre (ACTC) following a request from the Government of Tanzania.

In his key note address, Minister Muhongo underscored Tanzania's firm commitment to realizing the SE4All agenda noting that it is the people that need to be at the center of all actions. Daniel-Alexander Schroth, the SE4All Africa Hub Coordinator, presented the state of play of SE4All in Africa and highlighted the importance of moving quickly towards implementation of the priorities identified in the Action Agenda noting that energy is a key priority for the AfDB with the New Deal on Energy for Africa, which will involve the Bank's increased investments across Africa. He further announced a follow-up technical assistance support to the Ministry focused on the institutionalization of SE4All in Tanzania, notably the design and operationalization of a dedicated SE4All Secretariat, and resource mobilization. A roundtable discussion with key representatives of various Tanzanian organizations, including the Rural Energy Agency, the Tanzania Traditional Energy Development and Environment Organization, the Tanzania Renewable Energy Association, Power Africa, EU Delegation, DFID, WWF and the National Gender and Sustainable Energy Network discussed how to translate the agenda into action re-affirming their respective institution's support to this endeavor.

## INVESTMENTS

**Portuguese group builds school in Sao Tome and Principe**

Portuguese group Mota-Engil has started construction of a school on the outskirts of Sao Tome, the capital of Sao Tome and Principe, funded by Taiwan and costing an estimated US$5 million. The new school, designed for secondary and pre-university education, is located in Lobata district, 12 kilometres from the capital Sao Tome, and the ceremony to lay the first stone took place on 6th July. In addition to 25 classrooms, the new school will have a library, a gym, meeting rooms and a social room, among other facilities, and will take 18 months to be built, according to Mota-Engil's project. Construction of this new building is part of a policy to decentralise secondary education as a result of overcrowding of the National High School, located in the capital of Sao Tome and built in the colonial era. The new high school in Lobata, north of São Tomé, will join another one built seven years ago in Mé-Zóchi district also funded by Taiwan with an estimated US$6.8 million. *(Macauhub)*

**Angolan glass company invests in increased production**

Angolan glass company Vidrul – Vidreira of Angola will invest US$60 million in expanding production capacity with the installation of two new furnaces to ensure full glass supply in the country, announced the managing director. Carlos Martins said the plant currently produces 60,000 tons of glass, "and it is imperative to begin to produce more so that it can satisfy customers and have in stock about 10% of production." Vidrul is the leading glass container supplier for the Angolan beverage industry, exporting some production to several African countries, including Senegal, Madagascar, Benin, Ivory Coast, Mali, Senegal, Togo, Guinea, Gabon, Burkina Faso and Congo Brazzaville. Part of the raw

materials for Vidrul’s production, more than 70%, comes from bottles collected at rubbish dumps, an activity that occupies a significant number of people in several Angolan cities. State newspaper Jornal de Angola reported in June that about 3 tonnes of bottles are transported every month from Luena to Luanda, making the container trade a profitable activity in the province. *(Macauhub)*

**Chinese consortium to invest $2.8 billion in South Africa industrial zone**
A group of Chinese investors will pump more than 40 billion rand ($2.81 billion) into the South African economy to build an industrial park, government said. The trade ministry said a consortium of Chinese investors led by Hong Kong Mining Exchange would invest in power, pig iron and steel plants amongst other commodities in the Musina-Makhado special zone in the Limpopo province near the border with Zimbabwe. These projects would be implemented over a five year period and create around 21,000 jobs in the region, the Department of Trade and Industry said in a statement. Minerals such as chrome, manganese, coking coal and lime will be extracted and beneficiated in the park in line with the country's national industrialisation objectives, the department said. A new incentives package set up in 2014 includes a corporate tax rate of 15 % for qualifying investments, compared to the rate of 28 % for companies. ($1 = 14.2359 rand) *(Reuters)*

**Investment into Ivory Coast up 25 pct this year**
Investment in Ivory Coast is up 25 % in the first half of this year on the same period in 2015, according to the Centre for Investment Promotion, which tracks in-flows into the economy in most sectors other than mining and power. Ivory Coast, the world's top cocoa producer, is emerging from years of political turmoil and its now fast-growing economy accounts for around 40 % of the eight-nation West African CFA franc currency zone. Investments registered by the Centre amounted to 219 billion CFA francs ($370 million) between January and June, up from 174.8 billion CFA a year ago, the Centre's director, Emmanuel Essis Esmel, said. "Ivory Coast's attractiveness to investors is clear," he told reporters. Twenty-eight % of the investments are in construction and public works, 25 % in food and agriculture, 16 % in transport and storage, 12 % in plastics and 5 % in hospitality, the centre said, adding that 30 % of the investments are held by Ivorians. The Centre hopes total investments this year will amount to 810 billion CFA francs ($1.4 billion) and will target international investors to do so, Esmel said. ($1 = 591.7500 CFA francs) *(Reuters)*

**InvestSA and Business France deal**
France and SA have signed an agreement to boost trade and investment between them. Signed between Business France and InvestSA on the sidelines of President Jacob Zuma’s s tate visit to France, the declaration of intent comes days after Gauteng Premier David Makhura said the province would enter into an out-of-court settlement on more than R624m of claims and counter-claims relating to Gautrain, a project which has major French companies as shareholders. "Business France is the trade and investment agency of France and InvestSA is the newly established investment division in the Department of Trade and Industry championing the one-stop shop approach of SA," the Department of Trade and Industry said. The declaration would help develop direct contacts between business groups in both nations. Zuma had said at a business forum in Paris that SA wanted to boost localisation, job creation and skills development in big South African infrastructure contracts won by French firms. These included French company Alstom, which had been involved in contract disputes at Eskom’s new Medupi and Kusile power stations, and a major player in the R50bn contract to supply 600 locomotives and 3,600 coaches to the Passenger Rail Agency of SA. Last week Makhura extended an olive branch to parties involved in the long-running Gautrain dispute. Claimants include Murray & Roberts, which is a shareholder in both Bombela Operating Company and the Bombela Concession Company, which operate and maintain the Gautrain. The Bombela Operating Company is led by French transport group RATP Developpement, while the Bombela Concession Company includes French industrial conglomerate the Bouygues group. "There are currently 365 French companies that are operating in SA, creating local employment for 36,000 people," the head of InvestSA, Yunus Hoosen, said. The director of Business France, Philippe Yvergeniuax, said the body’s main focus was working together with South African companies in Africa, as well as attracting South African companies to set up in France. French investments in SA amounted to more than R24bn in 2015, providing more than 4,000 jobs, according to official figures. *(BDLive)*

**Ecobank identifies five hot spots for investment in Africa**
The financial strain some African economies have faced recently due to lower demand for exports, weak currencies and low commodity prices have made some commentators call into question the validity of the ‘Africa rising’ narrative. The IMF expects sub-Saharan Africa will post a 3% GDP growth rate this year – a decline from the 5–7% range recorded over the last decade. But despite the headwinds, pan-African lender Ecobank notes some countries are still growing fast on the back of increasingly diversified economies, an expanding consumer class and rising capital inflows. Below are Ecobank’s five hot spots for investment in Africa.
**Ethiopia**
Africa’s second most populous nation has, over the last decade, recorded rapid economic growth which is likely to continue in coming years. Ethiopia’s government is investing in large infrastructure projects, including a US$475m

light rail system in the capital Addis Ababa that was unveiled last year; a $5bn mega dam that will generate 6,000 MW of electricity for domestic use and export; and it has proposed a $4bn new international airport outside the capital. The horn of Africa nation has provided incentives for investors, attracting millions of dollars in agricultural production and manufacturing. A large – and mostly young – population, rising income levels and urbanisation are also influencing investor interest in Ethiopia. However, the Ethiopian economy faces risks in the form of weather-related shocks that could push up inflation, and persistent overvaluation of the currency that could impact exports.

**Côte d'Ivoire**

After almost a decade of political instability, Côte d'Ivoire has emerged from the rubble to become a formidable economy in francophone West Africa. The commercial capital Abidjan is a nest of business activity that have attracted global supermarket chain Carrefour and commercial property developers. The country also holds opportunities in agriculture. It is a leading producer of cocoa and rubber, and the government has recently sought to revive coffee and cotton production, which went down during the conflict. But Ecobank says Côte d'Ivoire's political environment could pose some future challenges. Given the recent history, there is a chance the opposition party could seek to raise tensions and disrupt the political balance.

**Senegal**

Senegal's economy will likely grow by more than 6% this year. In 2014 Senegal adopted a development strategy, Plan Sénégal Emergent, to accelerate public and private investment in 18 key projects across industries such as infrastructure, mining and agriculture. Senegal's energy sector has also been reignited with recent offshore oil and gas discoveries. Although stable politically, Ecobank says unfavourable weather could affect agricultural production. The bank recommends enhanced economic governance, including performance contracts for state-owned enterprises (SOEs) receiving financial support from the government to avoid widening of fiscal deficits.

**Ghana**

Although Ghana has faced tough times recently following the steep decline of commodity prices and a severe electricity crisis, Ecobank says its economy will likely expand by 5% this year. The growth will be driven by economic reforms the government is working on with the IMF, improved cocoa output and a possible slight rise in global commodity prices. Besides the crude oil industry, Ghana is also attractive for investment in agriculture, real estate and financial services. But overall, Ecobank warns that Ghana still faces risks due to slowing growth in China (an important trade partner), a domestic electricity crisis and the possibility of a further fall in oil and metals prices.

**Kenya**

Recently released statistics show Kenya's economy expanded by 5.9% in the first quarter of this year. This was partly due to improved security and a rebound of the important tourism sector that had been paralysed by terrorist attacks.

East Africa's largest economy has a well-established private sector base, agricultural resources and a relatively educated workforce. Ecobank notes ongoing reforms, greater private consumption, public infrastructure investment and favourable weather conditions will accelerate Kenya's growth in 2016. However, the country should watch out for heightened volatility in global markets that could further devalue the local currency and lead to rising inflation. Ecobank warns that further al-Shabaab attacks could also dent future growth. *(How we made it in Africa)*

## BANKING

*Banks*

### Barclays in an orderly retreat from Africa

Barclays Plc's retreat from Africa is not a "sudden divorce" that will leave subsidiary Barclays Africa and its operations picking up the pieces, says departing corporate and investment bank CEO Stephen van Coller. "(The two banks have) been separating slowly since 2009," he says over coffee in a trendy Johannesburg restaurant. Barclays Plc bought 55% of the shares in the then-Absa for $5.5bn in 2005, but the global financial crisis of 2008-09 led to a number of regulatory reforms, which ultimately led to its decision in 2016 to sell down the shares in its African unit to avoid having to hold capital against it.

A string of scandals, including a conspiracy to rig benchmark interest rates during former CEO Bob Diamond's tenure, resulted in hefty fines, which further drained capital reserves. After the 2013 merger of Absa's businesses with Barclays Plc's African businesses, the combined entity, Barclays Africa, became too unwieldy for its parent company, following regulatory changes and multimillion dollar fines. But Barclays Plc's decision earlier in 2016 to sell down its 62.3% stake was difficult. The Barclays Africa group as a whole delivered a 17% return on tangible equity in 2015, ahead of most of Barclays Plc's other businesses. Only Barclaycard performed better with a return of 17.7% Van Coller indicates the relationship was mutually beneficial. When Barclays Plc bought Absa, it was "a R2bn business. Now it's a R15bn

business." Institutional investors had an opportunity to buy a 12% slice of this business in an overnight bookbuild process earlier in 2016, with the Public Investment Corporation walking away with the largest block of these shares. The corporate and investment bank, which Van Coller now heads, was formally founded in 2012 after various incarnations. Van Coller joined the unit as the CEO of Absa Capital in 2009, overseeing its integration into Barclays Plc. "We built the business," he says. "It used to be nothing. At some point, we have to let it get independent." The corporate and investment bank has acted as a countercyclical buffer for the retail and business bank.
During periods of weak earnings performance or decline for the retail bank, the corporate and investment bank picked up the slack. And vice versa. Barclays Plc boss Jes Staley has used this argument to placate irate shareholders who wanted him to sell off the transatlantic investment bank instead of disposing of Barclays Africa and cutting dividends. Van Coller compares Barclays Africa to a child who has reached adulthood, and says it will use the two-to three-year timeframe Barclays Plc has set to sell down its stake to ensure it obtains independence from its parent. Analysts, however, are worried about Van Coller’s departure for telecoms company MTN during this period. 36One Asset Management analyst Nico Smuts has said the corporate and investment bank has close ties to Barclays Plc, and Van Coller’s departure would complicate the separation. "The upcoming results presentation will provide management with an opportunity to update the market on how they are preparing for life without Barclays," he says. "It would also be good to find out whether the board has made progress in its search for a new head of corporate and investment banking," Smuts says. The results presentation is expected to be held towards the end of July. Van Coller is not too worried about his successor. For now, Barclays Africa deputy CEO David Hodnett is gradually taking over his duties. "He needs to wait for Peter (Matlare) to arrive, and between them they have to work out what happens with cross-border business," he says. Matlare, the former head of Tiger Brands, will take on his new job as deputy CEO in August. He will be in charge of the rest of Africa operations, while Hodnett focuses on SA. *(BDLive)*

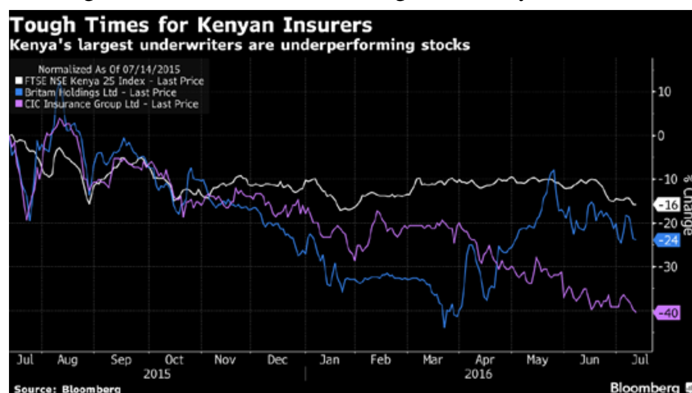
**Bob Diamond’s Atlas Mara at record low on Nigerian banking industry fears**
Atlas Mara, the company co-founded by former Barclays plc CEO Bob Diamond to buy lenders in Africa, fell to a record low as concern over the health of Nigeria’s banking industry spread. Atlas Mara, which owns at least 21% of Lagos-based Union Bank Nigeria plc, dropped for the fourth time in seven days in London trading on Wednesday. That mirrors declines among most Nigerian lenders after the central bank replaced the management of Skye Bank plc on July 4 because of liquidity concerns. Since the intervention, Skye has plummeted 30%, while Union has decreased almost 10%. Atlas Mara has lost 66% of its market value since the stock started trading in December 2013 as sliding commodity prices from oil to copper dimmed the outlook for the seven African countries in which the company owns assets. While Nigeria’s central bank moved to calm markets, saying last week that the industry remained healthy, analysts including Pabina Yinkere at Vetiva Capital Management have said there are increased concerns that other banks may be hit in the aftermath. "There’s a definite link between Atlas Mara and the Nigerian banking sector," he said. "It’s the contagion. The Nigerian banking sector is taking strain. The negativity in the share price is linked to what we’re seeing in Nigerian banks." Loss of value Atlas Mara declined as much as 3.3%, and was trading 2.2% lower by 1.10pm in London, giving the company a market value of $261m. UBN slipped 1.3%, falling for a fourth day to the lowest level since May 10.
The firm, founded by Diamond with Ugandan entrepreneur Ashish Thakkar after he resigned from Barclays, paid about $270m to increase its stake in Union by 21% in September 2014. Union was among lenders bailed out by regulators as the central bank stopped the industry from collapsing amid a debt crisis in 2009. Incorporated in the British Virgin Islands and with units in Zambia, Zimbabwe, Botswana and Rwanda, Atlas Mara in May reported a first-half loss and said full-year profit targets faced "meaningful" challenges. At the end of June the company’s acting chief financial officer Bradford Gibbs resigned. Capital risks Union had a capital adequacy ratio of 15.4% at the end of the first quarter, compared with a minimum regulatory requirement of 15%, according to a presentation on the company’s website. Nonperforming loans worsened to 6.9% compared with 6% a year earlier, while its liquidity ratio rose to 45% from 37%. Diamond said in April that he and investors including US private-equity giant Carlyle Group were working together on a possible deal to buy Barclays’s controlling stake in Barclays Africa Group, which has a market value equivalent to $8.5bn. No formal bid has yet been announced. *(BDLive)*

**Shakeout Looms for Kenyan Insurers Squeezed by Capital Rules**
A push by Kenyan regulators to clean up the East African country’s insurance industry is poised to trigger stake sales or exits by underwriters unable to meet the new capital requirements, according to an industry group. Most companies missed a June deadline to start building capital levels over the next three years, leaving many of them stuck with having to find investors to raise cash or to sell their companies completely, Association of Kenya Insurers Executive Director Tom Gichohi said. While most of the nation’s biggest insurers and foreign operators will be able to meet the requirements, the majority of underwriters are family owned, he said. After failing to convince regulators to delay by two years rules that will as much as double the capital they need to set aside by 2018, insurers are also facing other changes. The organization is now lobbying the Insurance Regulatory Authority to lower so-called capital charges, which will force companies to park 40 % of the value of their property investments and 30 % of their stock holdings with the regulator. “If you have heavily invested in property, for example land and buildings, these are not things you

can sell off tomorrow," Gichohi said in an interview in Nairobi, the capital. "We are telling them that 'some of these capital charges you have proposed are punitive.'"
Kenya has 49 insurers, five re-insurers and almost 200 brokers in a country where about 3 % of the population has cover. Premium income increased by 10 % in the first quarter to 55.3 billion shillings ($545 million), according to the Insurance Regulatory Authority. The regulator didn't respond to four e-mailed requests as well as text messages and several phone calls seeking comment.

**Done Deals**

Insurance stocks have followed the decline in Kenyan equities over the past 12 months. Britam Holdings Ltd., the nation's largest, fell 2.5 % by 12:27 p.m. in Nairobi, extending losses over the past 12 months to 21 %. CIC Insurance Group Ltd. slipped 2.2 % for a 39 % drop over the past year. There have already been deals, while Liberty Kenya Holdings Ltd., a unit of Africa's largest bank by assets, said it's considering as many as 10 targets as part of a strategy to boost its foothold in Kenya.




Old Mutual Plc, the London-listed insurer, bought control of UAP Insurance Kenya Ltd. last year, combining it with its local operations. Sanlam Ltd.'s Pan Africa Insurance earlier this year boosted its stake in Gateway Insurance to 56 % and London-based Prudential Plc bought Shield Assurance Co. in 2014, the same year Swiss Re AG took a minority stake in Apollo Investments Ltd. Amendments to the Kenya Insurance Act last year mean that short-term insurers need to hold 600 million shillings in paid-up capital by 2018, from 300 million shillings previously, while long-term insurers need to set aside 400 million shillings from a prior level of 150 million shillings.

**Risk Assessment**

The regulator can also force companies to boost capital levels to as much as 20 % of net-earned premiums from the previous year based on the authority's own assessment of risk the company is exposed to. While insurers welcome efforts from the regulator to move toward risk-based supervision and improve oversight, timelines are too tight and some steps too far, Gichohi said. Another area of concern for insurers is shorter deadlines to settle claims, which have been reduced to 30 days from 90 days, potentially eroding their capital base, Gichohi said. "It's impossible to investigate and settle claims in 30 days," said Steve Okello, a partner at PricewaterhouseCoopers LLP in Kenya. Companies struggle to get premiums from clients and the new rules will force companies to change systems as well as the way they deal with tax and accounting issues, he said. *(Bloomberg)*

**African Bank Buys Back $325 Million of New Bonds to Reduce Costs**

- African Bank repurchased $69 million of debt from U.S. holders
- Lender bought back equivalent of $49 million on open market

African Bank Ltd., the South African lender that started operations in April, said it bought back $325 million of bonds issued that month to cut interest costs and boost earnings. The lender, which originally planned to repurchase $500 million of the notes, bought back about $69 million worth of bonds from U.S. investors and 207 million Swiss francs ($212 million) of debt from holders of European notes through a public tender offer, the Johannesburg-based lender said in a statement. African Bank also bought back about $49 million of debt on the open market. "The reduction in the bank's foreign liabilities and the use of a substantial portion of our relatively unproductive holdings of foreign cash will contribute to a reduction in the bank's interest expense and improve our earnings as well as regulatory capital position," said Gavin Jones, African Bank's treasurer. "This will also begin the process of re-structuring and right-sizing" the lender's balance sheet, he said. Once part of African Bank Investments Ltd., and South Africa's biggest provider of unsecured loans to low-income earners, the lender failed in August 2014. After the central bank stepped in to rescue viable assets, the new African Bank obtained a fresh banking license and started operations on April 4. It issued new debt to pay back bondholders who had to take haircuts after the original debt instruments defaulted. African Bank has issued 24 debt instruments in three different currencies, according to data compiled by Bloomberg. The bulk of its debt obligations are in the form of rand-denominated notes. Under African Bank's $6 billion European Medium Term Note program, it issued $585.6 million and 444 million Swiss francs of notes. *(Bloomberg)*

*Markets*

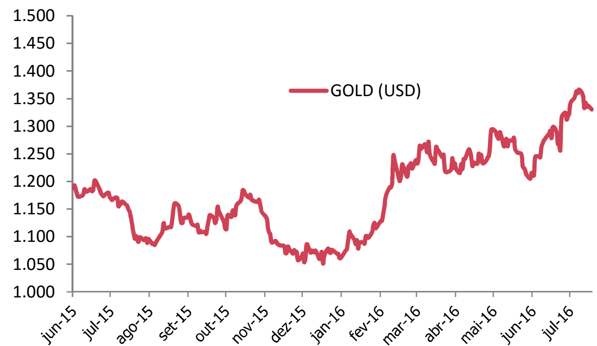
**Mozambique hires Lazard to assess offshore debt**

Mozambique has hired Lazard Ltd to help assess its external debt, the finance ministry said, after the country admitted to around $1.35 billion of undeclared borrowing that may have brought it close to default. The loans, to state-owned firms and the interior ministry, come on top of an $850 million bond issued in 2013 by state-run tuna-fishing company Ematum that had to be restructured earlier this year. The International Monetary Fund suspended aid to Mozambique in April, saying it believed Maputo had hidden borrowing from Credit Suisse and Russia's VTB Bank for its defence

**MARKET INDICATORS**
18-07-2016

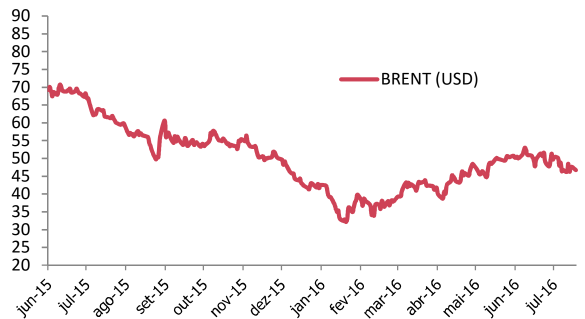
| STOCK EXCHANGES | | |
|---|---|---|
| **Index Name (Country)** | **18-07-2016** | **YTD % Change** |
| Botswana Gaborone Domestic Index (Botswana) | 9.983,38 | -5,84% |
| Bourse Régionale des Valeurs Mobilières (Ivory Coast) | 289,17 | -4,86% |
| Case 30 Index (Egypt) | 7.628,64 | 8,89% |
| FTSE NSE Kenya 15 Index (Kenya) | 170,61 | -8,59% |
| Morocco Casablanca Stock Exchange CFG 25 (Morocco) | 20.761,86 | 9,26% |
| Nigerian Stock Exchange All Share Index (Nigeria) | 28.683,03 | 0,14% |
| FTSE/JSE Africa All Shares Index (South Africa) | 52.875,33 | 4,30% |
| Tunindex (Tunisia) | 5.379,65 | 6,69% |

Source: Bloomberg and Eaglestone Securities



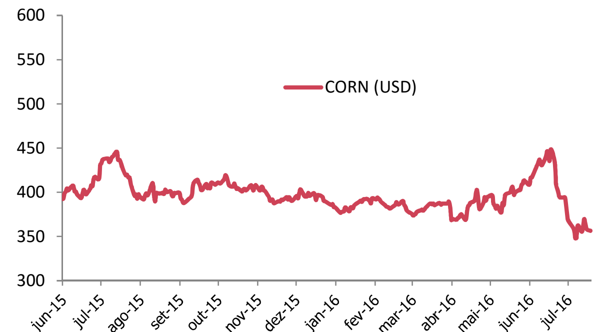

| METALS | | |
|---|---|---|
| | **Spot** | **YTD % Change** |
| Gold | 1.330 | 25,35% |
| Silver | 20 | 43,85% |
| Platinum | 1.087 | 21,67% |
| Copper $/mt | 4.918 | 4,53% |

Source: Bloomberg and Eaglestone Securities



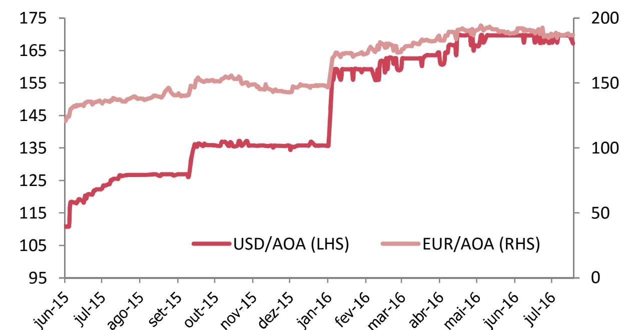

| ENERGY | | |
|---|---|---|
| | **Spot** | **YTD % Change** |
| NYMEX WTI Crude (USD/barril) | 45,1 | 21,87% |
| ICE Brent (USD/barril) | 46,7 | 25,30% |
| ICE Gasoil (USD/cents per tonne) | 403,8 | 20,79% |

Source: Bloomberg and Eaglestone Securities



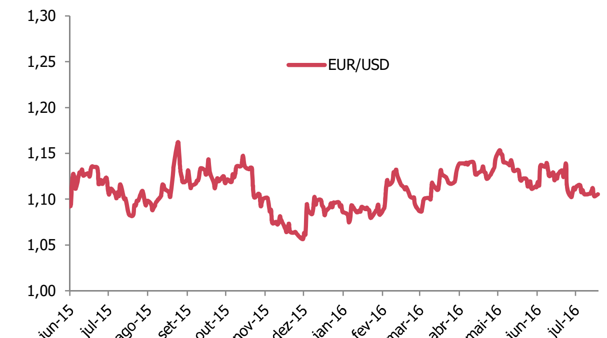

| AGRICULTURE | | |
|---|---|---|
| | **Spot** | **YTD % Change** |
| Corn cents/bu. | 356,5 | -0,63% |
| Wheat cents/bu. | 426,0 | -9,36% |
| Coffee (KC) c/lb | 147,4 | 16,30% |
| Sugar#11 c/lb | 19,3 | 26,38% |
| Cocoa $/mt | 3085,0 | -3,92% |
| Cotton cents/lb | 74,8 | 18,22% |
| Soybeans c/bsh | 1042,3 | 20,60% |

Source: Bloomberg and Eaglestone Securities




| CURRENCIES | |
|---|---|
| | **Spot** |
| **KWANZAS** | |
| USD | 166,712 |
| EUR | 187,044 |
| GBP | 223,933 |
| ZAR | 11,817 |
| BRL | 51,750 |
| **NEW MOZAMBIQUE METICAL** | |
| USD | 66,365 |
| EUR | 72,789 |
| GBP | 87,206 |
| ZAR | 4,635 |
| **SOUTH AFRICAN RAND SPOT** | |
| USD | 14,321 |
| EUR | 15,830 |
| GBP | 18,955 |
| BRL | 4,377 |
| **EUROZONE** | |
| USD | 1,11 |
| GBP | 0,84 |
| CHF | 1,09 |
| JPY | 116,56 |
| GBP / USD | 1,32 |

Source: Bloomberg and Eaglestone Securities



sector. An IMF source told Reuters in April that Proindicus, a state firm, had been loaned $504 million by Credit Suisse and $118 million by VTB. The Fund, which last year agreed to loan Mozambique $286 million to help cushion its economy following deep declines in commodity prices, said the undeclared loans had changed its assessment of Mozambique's macroeconomic outlook. The finance ministry, which also appointed White & Case LLP as a legal advisor, said in a statement on 18th July it looked forward to "engaging collaboratively in the near future with the various stakeholders of Mozambique." In May, a ministry source said Mozambique was heading towards default after the government failed to honour a sovereign guarantee behind a $535 million loan taken out by a state-run company to build shipyards that have not materialised. The repayment crisis in a country once seen as having among the most promising economies in Africa may trigger a reappraisal of commercial lending to African governments following a decade of relatively strong regional growth. *(Reuters)*

**Kenya Pipeline Considering Eurobond to Fund Growth**

Kenya Pipeline Co. is considering selling Eurobonds as part of a fund-raising exercise to finance capital-intensive projects around the country. The state-owned company, which is expanding its infrastructure to cater for potential oil production in the north of the country and the construction of the Lamu Port Southern Sudan Ethiopia Transport corridor, plans to start raising capital in the second half of next year, Chairman John Ngumi said. “There will be a need to raise finance money in either the second half of 2017 or the first half of 2018,” he said in a phone interview on July 4 from the capital, Nairobi. “There are many possible sources of money. Eurobond is just one.” Kenya, East Africa’s biggest economy, plans to start building an oil pipeline linking the northern Kenyan town of Lokichar to the proposed port at Lamu in 2018. The country plans to produce its first oil as early as June 2017 and to ship 2,000 barrels daily at the outset, according to Energy Secretary Charles Keter. The pipeline is expected to cost about $2 billion, Ngumi said. In addition to the crude conduit, Kenya Pipeline plans to extend its refined-products pipeline from the western town of Eldoret to Kampala, the capital of neighboring Uganda, as well as expand storage facilities in Nairobi and construct LPG storage and bottling facilities. The company will also be involved in the construction of a proposed oil pipeline to Ethiopia, Ngumi said. Among the other financing options being considered for the projects are loans from development finance institutions, funding arranged with a group of banks and domestic bonds, he said. KPC completed a $350-million syndicated loan last year, the proceeds of which are being used to fund the expansion of the refined-products pipeline from the port city of Mombasa to Nairobi. Kenyan Treasury Secretary Henry Rotich said in May the government plans to sell Eurobonds in the fiscal year that began July 1, though the proceeds won’t be used to finance the Lamu-Lokichar pipeline. While the amount of money to be raised by Kenya Pipeline in the following fiscal year hasn’t been decided, it won’t be “small money,” Ngumi said. “We are not going to market to raise $10 million,” he said. *(Bloomberg)*

**Angola takes on debt of US$11.46 billion since November 2015**

The government of Angola has taken on foreign debt amounting to US$11.46 billion since November 2015, said the Ministry of Finance in a statement published in Luanda.

This new debt includes a credit line from the China Development Bank (US$5 billion), export credit facilities with various Chinese financial institutions (US$1.98 billion) and credit facilities for exporters with contributions for for insuring export credit agencies (US$1.18 billion). It is also necessary to add, according to the statement, other credit facilities in the amount of US$3.3 billion, “currently in the final contracting phase” and the internal issue of debt securities amounting to 512.360 billion kwanzas (US$3.070 billion).

The official statement added that the public debt, except for state-owned enterprises amounted at the end of June to US$47.9 billion, of which US$25.5 million were foreign debt and foreign reserves totalled US$24 billion. “In the next 12 months Angola will have external debt servicing commitments amounting to US$4.4 billion, of which US$3.2 billion in amortization of capital and US$1.1 billion in interest”, said the Ministry of Finance statement. Angolan public expenditure included in the state budget for 2016 is expected to total US$24 billion by the end of the year, against an initial forecast of US$30 billion, the statement said. Revenue, meanwhile, is expected to reach about US$18 billion, of which US$8.3 billion is related to oil revenues, against an initial forecast of US$24.4 billion. The Ministry of Finance said in a statement that the budget deficit is expected to increase from an initial forecast of 5.5% to 6.0% at the end of the year, according to the latest figures. The growth rate of Angola’s economy this year, according to the ministerial document, will be 1.3%. *(Macauhub)*

**Financial Markets: The African Development Bank and the African Securities Exchanges Association join forces to deepen Africa’s capital markets**

The African Development Bank (AfDB) and the African Securities Exchanges Association (ASEA) have signed, on Monday 11 July 2016, a five-year Memorandum of Understanding (MoU) to amplify the impact of their strategically aligned joint efforts to promote resources mobilization to fund Africa's economic growth. This MoU will provide a collaborative framework for harmonizing and coordinating the efforts of AfDB, Africa's premier development finance institution, and ASEA, the apex body of African stock exchanges, towards deepening and connecting African financial markets.

The partnership will facilitate various projects of mutual interest to both the Association and the Bank targeting areas such as financial markets infrastructure development, introduction of new products in the market, improving market liquidity and market participation, information sharing and capacity building, among other programs. The Bank and ASEA have already started successfully collaborating on the African Exchanges Linkage Project, which they co-initiated to improve liquidity and foster greater investments and trading across markets.

The President of AfDB, Dr. Akinwumi A. Adesina is convinced that the deepening and integration of Africa's financial markets, to mobilize domestic resources to fund African economies is very important to deliver the Bank's High 5s priorities - Light up and Power Africa, Feed Africa, Industrialize Africa, Integrate Africa and Improve the Quality of Life of Africans - all of which embody core elements of the 2030 agenda for the attainment of the Sustainable Development Goals (SDGs).

The President commended the strides made by the Bank in financial markets development through local currency bond issuance and their listing for example in Uganda, Nigeria and South Africa, thereby contributing to the deepening of those markets. Likewise, the work undertaken by the Bank through the African Financial Markets Initiative (AFMI) to support the development of domestic bond markets in Africa through the African Financial Markets Database, and the soon to be launched African Domestic Bond Fund building on the success of the AFDB Bloomberg® African Bond Index. He acknowledged that capital market development still requires to be enhanced. Dr. Adesina welcomed the partnership with ASEA to leverage the huge pools of capital available in sovereign wealth funds, pensions and insurance for the development of Africa through appropriate intermediation through capital markets products. Additionally, he called for "increased mobilization of domestic pools of savings and support for small and medium enterprises (SMEs) as they constitute the bulk of Africa's private sector."

ASEA President, Oscar N. Onyema, says the partnership between AfDB and ASEA will complement the Association's obligation of promoting the activities of its members and of the African Capital Market through combined efforts. The MoU will pave way to various projects that will focus on the development of exchanges, deepening the stock markets and ultimately fueling African economic growth. The AfDB and ASEA are devoted to see the continent achieve its full economic potential through a continuous robust relationship. *(AFDB)*

**Ghana's central bank holds benchmark policy rate at 26.0 pct**

Ghana's central bank held its benchmark policy rate at 26.0 % because the risks to growth and the prospect of inflation are in balance, Governor Abdul-Nashiru Issahaku said. The West African state is battling to restore rapid growth and contain fiscal problems by following a three-year aid programme with the IMF that aims to reduce public debt and bring down the fiscal deficit and inflation. "Headline inflation is likely to move within the medium-term target band of 8 % plus or minus 2 % in the third quarter of 2017, against earlier projections of mid-2017," Issahaku told reporters. It is the fourth time the rate has been held since November 2015. Issahaku, who took office in April, said anticipated inflows from annual cocoa loans and a planned Eurobond in the last quarter would help boost the bank's assets in support of the local currency. "We see the exchange rate remaining stable and not deviating from the current expectations," he said of the local cedi currency, which has depreciated 3.3 % to the dollar since January compared to 26 % last year. One inflation risk is an anticipated rise in petroleum prices which could affect transport costs and utility tariffs, Issahaku said. *(Reuters)*

## Selected Sovereign African Eurobond Data for July 15

| Southern Africa | 15-07-2016 | 14-07-2016 | 13-07-2016 | 12-07-2016 | 11-07-2016 | 08-07-2016 | 07-07-2016 |
|---|---|---|---|---|---|---|---|
| **Angola** | | | | | | | |
| 9.500%; 11/12/2025 | 97,187 | 96,969 | 96,900 | 96,542 | 96,135 | 94,190 | 94,147 |
| Yld | 10,034% | 10,080% | 10,075% | 10,148% | 10,224% | 10,555% | 10,571% |
| Moody's rating | B1 | | | | | | |
| S&P rating | B+ | | | | | | |
| **Mozambique** | | | | | | | |
| 10.500%; 01/18/2023 | 71,159 | 71,291 | 71,611 | 71,247 | 71,269 | 71,911 | 71,820 |
| Yld | 18,417% | 18,350% | 18,403% | 18,503% | 18,446% | 18,118% | 18,546% |
| Moody's rating | Caa3u | | | | | | |
| **Namibia** | | | | | | | |
| 5.500%; 11/03/2021 | 108,417 | 108,312 | 107,958 | 107,698 | 107,103 | 106,779 | 106,386 |
| Yld | 3,822% | 3,752% | 3,901% | 3,967% | 4,089% | 4,136% | 4,195% |
| Moody's rating | Baa3 | | | | | | |
| Fitch rating | BBB- | | | | | | |
| **Republic of Congo** | | | | | | | |
| 4.000%; 06/30/2029 | 73,270 | 73,372 | 73,185 | 73,185 | 72,885 | 72,935 | 72,576 |
| Yld | 9,507% | 9,471% | 9,530% | 9,529% | 9,524% | 9,610% | 9,589% |
| Fitch rating | B | | | | | | |
| **South Africa** | | | | | | | |
| 5.875%; 09/16/2025 | 114,652 | 115,660 | 115,769 | 115,875 | 116,670 | 114,940 | 113,442 |
| Yld | 3,991% | 3,879% | 3,865% | 3,850% | 3,752% | 3,965% | 4,153% |
| Moody's rating | Baa2 | | | | | | |
| S&P rating | BBB- | | | | | | |
| Fitch rating | BBB - | | | | | | |
| **Zambia** | | | | | | | |
| 8.500%; 04/14/2024 | 92,682 | 92,500 | 91,690 | 91,500 | 91,752 | 90,375 | 89,689 |
| Yld | 9,955% | 9,980% | 10,126% | 10,203% | 10,151% | 10,431% | 10,584% |
| Fitch rating | B | | | | | | |
| S&P rating | B | | | | | | |
| **East Africa** | **15-07-2016** | **14-07-2016** | **13-07-2016** | **12-07-2016** | **11-07-2016** | **08-07-2016** | **07-07-2016** |
| **Ethiopia** | | | | | | | |
| 6.625%; 12/11/2024 | 97,568 | 97,707 | 95,917 | 95,734 | 95,136 | 94,494 | 94,000 |
| Yld | 7,104% | 7,063% | 7,364% | 7,383% | 7,506% | 7,596% | 7,686% |
| Moody's rating | B1 | | | | | | |
| S&P rating | B | | | | | | |
| Fitch rating | B | | | | | | |
| **Kenya** | | | | | | | |
| 6.875%; 06/24/2024 | 97,594 | 97,345 | 97,125 | 96,373 | 95,906 | 94,875 | 94,458 |
| Yld | 7,348% | 7,383% | 7,423% | 7,547% | 7,662% | 7,815% | 7,904% |
| Fitch rating | B+ | | | | | | |
| S&P rating | B+ | | | | | | |
| **Rwanda** | | | | | | | |
| 6.625%; 05/02/2023 | 100,021 | 99,975 | 99,462 | 99,340 | 99,083 | 98,355 | 97,844 |
| Yld | 6,684% | 6,699% | 6,800% | 6,859% | 6,862% | 7,016% | 7,104% |
| Fitch rating | B+ | | | | | | |
| S&P rating | B+ | | | | | | |
| **Seychelles** | | | | | | | |
| 7.000%; 01/01/2026 | 98,522 | 99,820 | 99,820 | 99,819 | 99,819 | n/a | n/a |
| Yld | 8,552 | 8,142 | 8,141 | 8,141 | 8,140% | n/a | n/a |
| Fitch rating | BB- | | | | | | |
| **West Africa** | **15-07-2016** | **14-07-2016** | **13-07-2016** | **12-07-2016** | **11-07-2016** | **08-07-2016** | **07-07-2016** |
| **Gabon** | | | | | | | |
| 6.375%; 12/12/2024 | 91,896 | 90,505 | 90,380 | 89,294 | 88,167 | 87,625 | 86,495 |
| Yld | 7,770% | 8,010% | 8,047% | 8,220% | 8,436% | 8,550% | 8,753% |
| Fitch rating | B+ | | | | | | |
| **Ghana** | | | | | | | |
| 7.875%; 08/07/2023 | 91,125 | 90,706 | 90,134 | 89,979 | 89,855 | 88,498 | 88,375 |
| Yld | 9,715% | 9,833% | 9,926% | 9,944% | 10,005% | 10,312% | 10,303% |
| Moody's rating | B3 | | | | | | |
| S&P rating | B | | | | | | |
| Fitch rating | B- | | | | | | |
| **Ivory Coast** | | | | | | | |
| 6.375%; 03/03/2028 | 101,869 | 101,536 | 101,276 | 100,669 | 99,917 | 99,156 | 98,761 |
| Yld | 6,199% | 6,248% | 6,270% | 6,355% | 6,446% | 6,533% | 6,580% |
| Moody's rating | Ba3 | | | | | | |
| Fitch rating | B+ | | | | | | |
| **Nigeria** | | | | | | | |
| 6.375%; 07/12/2023 | 99,853 | 99,551 | 99,167 | 98,081 | 98,294 | 97,501 | 97,262 |
| Yld | 6,473% | 6,514% | 6,601% | 6,849% | 6,755% | 6,953% | 6,962% |
| Fitch rating | B+ | | | | | | |
| S&P rating | B+ | | | | | | |
| **Senegal** | | | | | | | |
| 6.250%; 07/30/2024 | 99,344 | 99,213 | 98,752 | 98,292 | 97,354 | 96,169 | 96,37 |
| Yld | 6,421% | 6,464% | 6,505% | 6,573% | 6,738% | 6,979% | 6,921% |
| Moody's rating | B1 | | | | | | |
| S&P rating | B+ | | | | | | |

*Pricing source is the Composite Bloomberg Bond Trader (CBBT)*

## ENERGY

**Indian consortium announces construction of thermal power plant in Mozambique**

Indian consortium International Coal Ventures Limited (ICVL) intends to build a coal-fired thermal power plant in Mozambique, where it acquired coal assets from the Rio Tinto group, Indian newspaper the Economic Times reported.
The boards of National Thermal Power Corporation Limited (NTPC) and Coal India Ltd, the companies that originally were part of the consortium and later left it, are being asked to return in order to ensure the success of the thermal power plant proposal, the newspaper said. These two state companies requested permission to withdraw from the consortium claiming their coal needs were very different from those of steel companies, such as SAIL and RINL. The main members of ICVL include Steel Authority of India Ltd (SAIL), Rashtriya Ispat Nigam Ltd (RINL), also known as Vizag Steel and National Mineral Development Corporation (NMDC), all state enterprises. The newspaper also quoted a government official as saying that the power plant will have an initial capacity of 200 megawatts, which may later be increased to 2,000 megawatts. The Prime Minister of India, Narendra Modi will make an official visit to Mozambique, during which he will hold talks with the Mozambican authority on agricultural projects, oil and gas, maritime security, trade and investment. *(Macauhub)*

**80 MW Noupoort wind farm enters commercial operation**

The 80 MW Noupoort wind farm, in the Northern Cape, entered commercial operation on July 11, with all 35 turbines at the R1.9-billion facility commissioned and connected to the Eskom grid. Country programme manager Savva Antoniadis reports that Noupoort is also the first wind farm selected during the third bid window of the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) to have reached the milestone, following 17 months of construction Preferred bidders for the third bid window were named in late 2013 and the projects reached financial close in December 2014, with construction of the Noupoort project having started in May 2015. Situated in the Umsobomvu municipal area, the wind farm has been developed by a consortium that includes Lekela Power (a 60:40 joint venture between Actis and Mainstream Renewable Power), the Noupoort Renewable Energy Trust, Thebe Investment Corporation, Old Mutual's IDEAS Managed Fund, Futuregrowth Asset Management and Genesis Eco-Energy in partnership with Lereko Metier Sustainable Capital. The 99-m-high turbines are spread across a 7 500 ha site and, once at full capacity, the wind farm is expected to produce 304 800 MWh a year. The project brings to 15 the number of large wind farms currently in operation across South Africa, with most of the other plants situated in the Eastern Cape and Western Cape provinces. To date, 6 377 MW of renewable energy capacity has been procured under the REIPPPP, with bids for a further 1 800 MW currently under evaluation under the so-called expedited bid window. The identities of the next round of preferred bidders should be made known within weeks. *(Engineering News)*

**SAA, Mango fly first flights using biofuels in Africa**

Aircraft manufacturer Boeing, along with South African Airways (SAA) and its low-cost carrier Mango celebrated Africa's first commercial passenger flights using sustainable aviation biofuel. The flights used sustainable biojetfuel produced from research and development company Sunchem's nicotine-free tobacco plant Solaris, in Marble Hall, Limpopo, which was refined by fuel refiner AltAir Fuels and supplied by sustainable jetfuel manufacturer SkyNRG. Project Solaris was launched in 2014, and was an effort from SkyNRG, Sunchem SA, SAA and Boeing to develop sustainable biojetfuel from the Solaris crop.
The SAA and Mango flights carried 300 passengers from Johannesburg to Cape Town on Boeing 737-800's powered by a fuel blend made up of 30% aviation biofuel and 70% fossil fuel. Speaking to Engineering News Online, Boeing director of environmental strategy Darren Morgan said that seven years ago, fuel costs were ten times what the price of fuel was today, and pointed out that in the US and other countries, biofuel was selling at cost parity. "What Boeing is trying to do is to increase the supply and technology investment to drive the supply chain further for the development of more types of biofuel," he said. He added that South Africa used to have a very large tobacco industry and pointed out that that industry had largely collapsed. "The idea behind this particular feedstock is to bring back tobacco farming and the employment that comes with it," he explained. Morgan said South Africa had a long-standing policy of supporting renewable fuel development and that Boeing, SAA and the South African government had been working closely over the past three years, since the inception of the collaboration, to help develop further technologies and supply chains. "This is the first step in a very long journey."
SkyNRG marketing manager Merel Laroy, meanwhile, told Engineering News Online that, although biofuel was more sustainable than fossil fuels, flying with biofuel was more expensive, "but in the long run we don't know how prices are going to move." "We do know that the price of oil [is very volatile] and airlines are very dependent on the oil price, which is quite low at the moment. In the long run, fossil fuels will run out, and with biofuel it is possible to actually set up your own fuel supply without being dependent on other countries or sources," she said. Biofuels ensured energy security, which was good for South Africa.
Meanwhile, the Southern Africa Sustainable Fuel Initiative launched which entailed a stakeholder and sustainability plan to ensure a long-term domestic fuel supply for SAA and other regional fuel users. The goal of the initiative was to scale up over the next several years to gain additional biofuel capacity. If successful, farmers would be able to tap into local and global demand for certified feedstock without adverse impact on food supplies, fresh water or land use. "SAA

is committed to a sustainable future and this flight highlights the bold steps we are taking to protect and preserve our environment while creating opportunities for the economic development of our people," said SAA acting CEO Musa Zwane. He added that the airline was pleased to join the ranks of other global airlines, which had made a commitment to a better and cleaner way of flying. Mango CEO Nico Bezuidenhout stated that the low-cost airline had always been a great supporter of environmental initiatives and had, over the past decade, engaged in several sustainable and environmentally beneficial social development programmes. "In addition, we have taken several measures to reduce fuel consumption and, as a positive consequence, reduced emissions, such as through the installation of lighter seating and removal of excess aircraft weight, besides others," he said. Boeing and SAA launched their sustainable aviation fuels collaboration in 2013, followed a year later by Project Solaris being announced as the first focus project to convert oil from the Solaris tobacco plant seed into biojetfuel. In 2015, farms in Limpopo achieved certification from the Roundtable on Sustainable Biomaterials (RSB), one of the strongest sustainability standards in the world. RSB certification provided a model for expansion of Project Solaris to larger-scale production. SAA aimed to have half its fleet using biofuel by 2022. *(Engineering News)*

**Energy plan stalls on cost of nuclear**

The Integrated Resource Plan (IRP), the government's long-term plan for electricity generation, is again stuck in the works, despite being six years out of date, with modellers and government officials wrestling over an appropriate price estimate for nuclear energy. Should the cost of nuclear energy come in too high compared to other technologies, then the nuclear build programme, which is championed by President Jacob Zuma, could be blown out of the water.

The IRP is a 20-year plan that estimates demand, plans for supply, and makes policy decisions on the energy mix based on a range of factors, including energy security and affordability. Regular updates to the IRP — every two years — are crucial to ensure energy security and prevent overbuilding capacity.

In the latest draft, being drawn up by technical experts based at Eskom on behalf of the Department of Energy, the overnight cost for nuclear energy is said to have been estimated at $6,000/kW. The number comes from several industry sources, who are privy to the information, but was not confirmed by the government. Overnight costs include construction costs, but exclude interest. The Department of Energy said it could not comment, as it had not seen the source documents for the estimates. A year ago government officials said they expected the entire build to cost $40bn, which at 2015 prices was $4166/kW. The costs of nuclear, as well as other technologies, are based on estimates by the US-based research group the Electric Power Research Institute (Epri). Epri estimates are typically used by modellers drawing up the IRP, as the institute has the largest and most authoritative database on the costs of different technologies.

In previous drafts of the IRP, overnight costs for nuclear were estimated at $5028/kW in 2010, and $5800/kW in 2013. The 2013 IRP, which cautioned against nuclear energy due to lower than expected demand and the high risk involved, has never been adopted by the Cabinet.

At the time, it was speculated that the Department of Energy held it back, as it was not nuclear-friendly enough. Instead, the government has continued to use the 2010 IRP, despite its outdated assumptions and modelling, and a wide acknowledgement in the energy industry that its credibility is shot. The IRP process under way right now is a new attempt to update the plan, which is six years out of date.

But since the modelling team submitted its draft to the department earlier in 2016, the process appears to have stalled. Energy Minister Tina Joemat-Pettersson said in September that the new IRP would be completed by March. But the draft is far from finished, and public consultations — which should take place under the policy framework — are still far from a reality. The Department of Energy said that the new deadline to complete the IRP was now "not later than December 2016". It said that there would be a public consultation process once the IRP had been drafted. In the interim, the departmentwould continue to make determinations for new generation capacity on the basis of the old IRP. Researchers at the University of Cape Town's Energy Research Centre, said that to continue to operate on the basis of the old plan posed several problems, as its assumptions were out of date. "The electricity sector requires a long-term perspective to inform near-term investment decisions. Factors that change include electricity demand, relative prices of technologies, prices of fuels and exchange rates, to mention a few. Given suppressed demand in recent years, working on the IRP 2010 risks overinvesting in capacity," they said. As well as these concerns, there are other pressures to finalise the IRP. A legal challenge is under way that attempts to block the nuclear procurement on the basis of an outdated IRP. *(BDLive)*

**Nuclear sector in crisis as SA weighs options**

The world nuclear industry status report for 2016 may give SA pause for thought about its ambitions to build nuclear power capacity. The report says the global nuclear industry is in crisis, and renewable energy is taking over. It states globally no nuclear reactor construction projects were started in the first half. It also says the number of units under construction declined for the third year in a row — from 67 reactors at the end of 2013, to 58 by mid-2016, of which 21 are in China. "Globally, wind power output grew by 17%, solar by 33%, nuclear by 1.3%," the report says. Brazil, China, India, Japan and the Netherlands now all generate more electricity from wind turbines than from nuclear power.

Of the 10 reactors that came on line in 2015 — more than in any year since the 1990s —. eight were in China. But construction on all of them began before the Fukushima reactor meltdown in Japan in 2011. This has subsequently had a major negatively effect on the global nuclear power industry. "There were also eight nuclear reactor construction starts in the world in 2015. China contributed six of these. (This was) down from 15 in 2010, of which 10 were in China," the report says. SA's government is adamant that nuclear will be part of the energy mix, and of the country's commitments to cutting carbon emissions. Existing solar and wind energy technologies cannot cater for base-load electricity demand to run modern industries, it says. Safety and the funding of huge initial financial costs for nuclear reactors remain critical factors, despite the promise of lower carbon emissions, and ultimately, much lower electricity retail costs. Costs of up to R1-trillion have been estimated for SA's proposed 9,600MW of nuclear power. Knox Msebenzi, MD of the Nuclear Industry Association of SA, said it was difficult to obtain an authoritative figure. The association, whose members included potential nuclear bidders, had not made an independent estimation of what such a project would cost. "There are a lot of variables, which if not defined, could push the price up or down," he said.
Project cost estimations could use typical industry accepted valuations. But despite including plenty of local content such as concrete and steel, costs were also subject to possible litigation over projects and exchange rate volatility for imported technologies. Silas Zimu, the special energy adviser to President Jacob Zuma, said earlier in July that SA would have to build nuclear power plants on a piecemeal basis, according to what it could afford. It would also need to purchase the best technology, amid huge delays in the global nuclear industry. The latest industry status report says nuclear power generation in the world rose 1.3% last year, entirely due to a 31% increase in output in China. *(BDLive)*

## INFRASTRUCTURE

**China Railway Rolling Stock Corporation wants to increase business in Mozambique**

The China Railway Rolling Stock Corporation (CRRC) plans to increase business in Mozambique, said the director for the company's international business speaking to Mozambican daily newspaper Notícias. The company, which repairs and supplies cars to Mozambican state port and railway company CFM recently signed a contract with Brazilian group Vale to supply more than 1,000 cars for transporting coal. The President of Mozambique, Filipe Nyusi in May visited the CRRC in the city of Jinan, capital of Shandong Province, during his state visit to China. On this visit, Nyusi said, according to Chen Dayong, that Mozambique plans to continue working with the company, "a fact that may lead to investment in equipment and building infrastructure." The CRRC currently exports equipment to 102 countries on six continents, including Mozambique, employs 175,700 people and has a share capital of 27,290 million yuan (about US$4.4 billion). *(Macauhub)*

**Sena railway, Mozambique, ready to receive more cargo**

The Mozambican Ministry of Transport and Communications has given assurances work to expand the Sena railway from a capacity of 6 million to 20 million tons has been executed with good quality, Mozambican daily newspaper Notícias reported. The newspaper, citing a ministry source said the contractor followed the technical requirements included in the relevant specifications, on a 575-kilometre railway linking the port of Beira, in Sofala province, to the coal town of Moatize, in Tete province, central Mozambique. Launched in June 2013, the contract was executed by Portuguese consortium Mota-Engil & Edivisa (the Visabeira Group), including work to extend lines at all 31 stations, from 750 to 1500 metres in order to allow the movement of standard trains with 100 cars pulled by six locomotives each. Currently, the trains have a maximum of 42 cars hauled by two locomotives. The works also includes laying ballast, recovery of more than 300 bridges, culverts and aqueducts, especially in the Lower Zambezi, notably repairing the famous Dona Ana Bridge, connecting the banks of the Zambezi between Sena, in Caia, and Mutarara, over a total distance of approximately 5 kilometres. Built in 1914 by the then British company Trans-Zambezi Railways (TZR), the Sena line was at a complete standstill for 20 years during the civil war ended in 1992. After that it was subjected to heavy traffic, with the daily movement from 21 to 25 coal trains, cargo of Mozambique Ports and Railways (CFM) and passengers, the latter twice a week. *(Macauhub)*

**Angola spends over US$1 billion on road repairs**

The government of Angola will spend US$1,043 million of a credit line from China to repair hundreds of kilometres along 17 national, secondary and tertiary roads, according to an official document. The 17 projects will be awarded to Chinese companies and already implemented from this year, under a presidential decision authorising the Ministry of Planning and Territorial Development to include them in the 2016 Public Investment Programme (PIP). Portuguese news agency Lusa added that most of this package will focus on the repair of National Highway 321, which is one of the routes out of Luanda into the country's interior, in the section between Maria Teresa and Dondo, which will cost over 16 billion kwanzas (US$96 billion). The credit line from the China Development Bank in the amount of US$5 billion will finance 155 public works projects, including road repairs over a distance of over 2,200 kilometres costing about US$1.64 billion. *(Macauhub)*

**Angolan agency signs two new investment contracts**
Angola's Technical Unit to Support Private Investment (UTAIP) of Angola has signed two contracts in the construction sector, worth US$9.68 million, both projects for the Angolan capital, local media reported. The contracts, the first this year for the sector, were signed with Griner Engenharia, for a national investment of US$9.18 million for construction of a concrete and bitumen plant and with Civep Contraven Angola, for an investment of US$500,000 to set up a unit to provide general technical building services. The second phase of the Griner Engenharia includes a factory for aluminium frame assembly and carpentry. Angola's Construction Minister, Waldemar Alexander, who witnessed the signing ceremony, said in his speech the creation of new jobs and the training component were a step towards reducing the number of skilled foreign workers in the country. At the time, the head of UTAIP at the Ministry of Construction, Cláudio Rodrigues, said that five more projects are being processed relating to investments from Portugal, China and Angola. *(Macauhub)*

**Infrastructure projects to proceed in African country**
Fibre-optic sensors manufacturer and supplier Augusta Industries announced that the Trans Africa Pipeline (TAP) group entered into a memorandum of understanding with the government of the Islamic Republic of Mauritania last month. Augusta, through its wholly owned subsidiaries industrial supply contractor service Marcon International and project management company Fox-Tek, intends to submit a proposal to TAP based on the specifications provided by the contractor and will collaborate with the project design company with respect to the monitoring of the pipeline. TAP and the Mauritania government have agreed to work together to construct a freshwater pipeline, associated solar power plants and seawater desalination facilities to move potable water from the coast of Mauritania into the Sahel region for distribution to communities and for use in agricultural projects.
In continuance of the project, TAP has appointed a contractor which will be issuing requests for proposals (RFP), including a RFP for the monitoring of the freshwater pipeline. Fox-Tek Canada will be providing TAP with nonintrusive sensing equipment which will verify the integrity of the pipeline composite at key locations. In addition to the nonintrusive sensing equipment, the company will provide a number of optical-based sensing technologies which would allow TAP to monitor the right of way zones from possible third-party intrusions. "Fox-Tek is very excited that the project is moving forward and a memorandum of understanding has been entered into with the Mauritania government. Fox-Tek is honoured to have been invited to submit a proposal to provide a solution for TAP's first phase of the project. The corporation is looking forward to partnering with TAP and being able to provide it with the technologies and solutions that will enable it to succeed with the project," says Augusta president Allen Lone. TAP is a Canada-based nonprofit organisation dedicated to the long-term eradication of drought in the Sahel region of sub-Saharan Africa. This will be achieved through the construction of a continuous fresh-water pipeline to run across the entire continent, supplied by concentrated solar-powered desalination plants located on each coast.
In addition to distributing clean water to communities across the Sahel in perpetuity, TAP will also provide vital energy resources, reduce desertification and the impact of climate change, spur significant local employment and engender the emergence of a substantial, self-sustaining agricultural base throughout the region. Positioned as the largest humanitarian civil engineering project ever conceived, TAP was founded by University of Toronto professor emeritus and aerospace engineer Dr Roderick C Tennyson and TAP director of communications and journalist Daphne Lavers, who, together lead an international team of project partners, analysts and advisers. Marcon and Fox-Tek provide a variety of services and products to a number of clients. Marcon is servicing the energy sector and a number of US government entities. Marcon's principal business is the sale and distribution of industrial parts and equipment such as electrical, mechanical and instrumentation.
In addition to departments and agencies of the US government, Marcon's major clients include manufacturing company Saudi Arabia-Sabic Services, gas company Bahrain National Gas Co, petroleum company Bahrain Petroleum, petroleum company Qatar Petroleum, gas company Qatar Gas, petroleum products company Qatar Petrochemical, petroleum company Gulf of Suez Petroleum, petroleum company Agiba Petroleum and gas company Burullus. Fox-Tek develops nonintrusive asset health monitoring sensor systems for the oil and gas market to help operators track the thinning of pipelines and refinery vessels owing to corrosion/erosion, strain as a result of bending/buckling and process pressure and temperature. Augusta's FT fibre-optic sensor and corrosion monitoring systems allow cost-effective, 24/7 remote monitoring capabilities to improve scheduled maintenance operations, avoid unnecessary shutdowns, and prevent accidents and leaks. *(Engineering News)*

**Gabon rail network to get €52.5m boost from IFC**
The International Finance Corporation (IFC) is providing €52.5-million of debt financing to boost the capacity and improve the efficiency of Gabon's rail network and improve the Central African country's trade and transport links.
The financing was awarded to Société d¹Exploitation du Transgabonais (Setrag), which had been the concessionaire of the 650 km Transgabonais rail line between Franceville and Libreville, since 2005. The Transgabonais served Gabon's main central economic corridor and helped connect the country¹s landlocked iron-ore and manganese mines to international markets. Setrag would use the funds to increase the railway's transport capacity while also improving its reliability. "We are pleased to have provided both advisory services and financing for the rehabilitation of the

Transgabonais. This project will support efficient transport solutions by private sector operators for mining companies and general freight shippers, thus facilitating industrial investment and economic growth in Gabon, IFC West and Central regional director Vera Songwe said.
Setrag MD Patrick Claes said the organisation was very appreciative of the support provided by IFC during the advisory and financing phases of this transaction. “IFC’s unparalleled expertise in transport in sub-Saharan Africa and IFC’s ability to play an honest broker role during negotiations of the amended concession contract with Gabon government have been of great added value for Setrag.”
The IFC-arranged financing includes a €35-million loan for IFC’s account, €17.5-million from IFC’s managed co-lending portfolio programme, and a €32.5-million parallel loan from Proparco, the private sector financing arm of the French Development Agency. *(Mining Weekly)*

## MINING

### Mining companies find diamonds in Mozambique

Mining companies have discovered diamonds in Mozambique, specifically in Massagena district, Gaza province, the National Director of Mines, Elias Daúde, told Mozambican daily newspaper Notícias. Daúde also told the newspaper that eight of the 11 Mozambican provinces have evidence of the existence of diamonds, especially in the Save Valley and added “Mozambique is a country rich in almost all types of mineral resources, including diamonds.” The National Director of Mines did not say how many companies were involved in diamond research in Mozambique, but Noticias cited 2011 data showing that at the time there were 40 licenses issued to 27 holders of mining rights, including 21 companies and six individuals. Daúde said that a committee of the Kimberley Process, an international certification body of the origin of diamonds to prevent the sale of so-called “blood diamonds”, is due to visit Mozambique in September to assess the country’s compliance with requirements for admission to the organisation. In order to join the Kimberley Process, an issue to which the Government of Mozambique is committed, according to Daúde a set of legal instruments has been approved that will enter into force on 20 November. *(Macauhub)*

### Diamonds mined in Angola sell at high prices

The price per carat of diamonds sold by the Lucapa Diamond Company increased by 483% between the first quarter of 2015 and the same period of 2016 rising from US$976 to US$5,686, the Australian company said in a statement. The report for the second quarter shows the company sold 4,601 carats of diamonds mined in Angola and invoiced US$26.16 million against 2,989 carats sold in the same period of 2015 and a cash inflow of US$2.9 million. These sales, like the previous ones, were made in Luanda by diamond trading company Sodiam, a subsidiary of state diamond company Endiama. The company also said that, with the exception of a 404 carat stone, the largest diamond ever found in Angola and the 27th in the world, the price per carat rose to US$2,421. The Lucapa Diamond Company’s partners in the Lulo diamond concession are Endiama and private group Rosas & Petalas. The concession area is 150 kilometres from the Catoca diamond mine, which has the largest kimberlite in Angola and the fourth largest in the world, with both located in the same geological area. *(Macauhub)*

### Zimbabwe applies for court order to force an Zimplats to sell mining lease

Zimbabwe has applied for a court order to force an Impala Platinum unit to sell almost 28,000ha of its mining lease to the state, land the government says will benefit the economy. The land, held under a lease by Zimplats but owned by the state, has not been developed as the company planned and as such was "excess" to requirements, the government argued in affidavits filed to the country’s administrative court. "Compulsory acquisition of the land is necessary for economic growth," Zimbabwean Mines Minister Walter Chidakwa said in the affidavit. In 2009, Zimplats said it planned to spend $6.7bn over the next 20 years to produce about 1-million ounces of platinum a year, according to a document accompanying the government’s case. In 2015, Zimplats produced just 190,000oz of the metal, which is mainly used to curb emissions from vehicles and as jewelry. The government wants to use to the land to build a 600MW power plant, which it said would earn the state $3bn a year. There would also be "numerous" other benefits to the economy, it said. The economy has halved in size since 2000.Zimplats, which is 87% owned by Impala, has opposed the government’s request, saying the land is not surplus to requirements. The company handed over about a third of its mineral rights to the state a decade ago in exchange for cash and credits toward Zimbabwe’s indigenisation rules, which require foreign-owned companies to be part owned by local black investors. "We’ve been talking to the government about this issue for some time and those talks are continuing," said Impala spokesman Johan Theron. "There’s a little piece of land between where we’re mining and what’s been released. They have an interest in acquiring more of that land." President Robert Mugabe’s administration has faced mounting public unrest as a cash shortage has undermined the government’s ability to pay its workers and consumers’ access to funds to pay their bills. The country implemented a multi-currency system in 2009 after its economy collapsed in the wake of a campaign to seize white-owned commercial farms and hand them over to black subsistence farmers, slashing export income. Zimplats lodged an objection to the proposed purchase as far back as March 2013. *(BDLive)*

**Expansion of the coal terminal in Beira, Mozambique, awarded to consortium**

The government of Mozambique has awarded the project to expand the coal terminal at the port of Beira as a concession to the New Beira Coal Terminal Company (NCTB), said Ambrósio Sitoe, spokesman for the Ministry of Transport and Communications. The spokesman said the expansion of the terminal is intended to increase transport capacity of the Sena railway from 6.5 million to 20 million tons per year. The railway links Moatize, in Tete province, to the port of Beira, in Sofala province. Sitoe, cited by Mozambican newspaper Notícias, recalled that the Mozambican government in 2014 approved an investment project in which the Vale group was the majority shareholder to increase the transport capacity of the Sena railway. “The works are well advanced and should be completed in December, but the coal terminal at the port of Beira still has a coal handling capacity of about 6 million tons per year, and therefore we need to speed up the harmonisation of the two facilities,” he said. Sitoe, who is also spokesman for the 34th Coordinating Council of the MTC, taking place in the city of Matola, also said the government is committed to increase the handling capacity of the port of Beira. The spokesman said that the council discussed priority projects linked to the development of the port of Beira, such as the Machipanda line, whose feasibility study has been completed, as well as the recovery of pier 1, which will ensure containerised freight logistics. New Coal Terminal Beira (NCTB) is a partnership between Mozambican state port and rail manager CFM, with 30% and Indian group Essar Ports Ltd, with the remaining 70%. *(Macauhub)*

**Congo agrees to mining companies' demands to resume VAT repayments**

Democratic Republic of Congo will resume value-added tax reimbursements owed to mining companies and suspend VAT on their imports, the finance minister said, aiming to help the sector weather the commodities slump. The government of Africa's largest copper producer suspended the reimbursements in April, seeking to shore up the Congolese franc amid the slowdown in the mining and oil sectors. Mining companies in Congo, which include Glencore, Ivanhoe Mines and Randgold Resources, had lobbied the government to restart the reimbursements, but some were skeptical about whether the government would resume them soon. They have cut production in Congo and laid off thousands of workers over the past year as global commodities prices plunged. Finance Minister Henri Yav Mulang told Reuters the government would repay $700 million owed to mining companies and said the government also agreed at a cabinet meeting to suspend future VAT on imports for the companies, pending the prime minister's approval. "I already instructed the central bank to begin to pay (the reimbursements) in successive tranches," he said.

However, he did not say exactly when the payments would begin, and said the pace of reimbursement will depend on the levels of government reserves and exchange rate pressures. After years of stability, the Congolese franc has depreciated 6.7 % on the official market this year and 9.4 % on the parallel market, reflecting the slowdown in the country's main industries. Mining companies said previous government promises to resume the VAT reimbursements had been unfulfilled. Eric Monga, president of the Congolese Federation of Businesses in the copper-mining southeast, said investors welcomed the decision but were awaiting detail on implementation. Cephas Forichi, an analyst at NKC African Economics in South Africa, said the policies would help struggling mining companies but could increase exchange rate pressures. "That measure can end up increasing imports by mining companies, which might then counter the (government's) move of trying to increase the value of the franc," he said.Congo's economy depends on the mining sector and the commodity price slump led the government to slash its 2016 budget by 22 % and its 2016 economic growth forecast to 5.3 % from an initial 9 %. *(Reuters)*

## OIL & GAS

**Black & Veatch eyeing South Africa’s gas-to-power opportunity**

Despite falling electricity demand in South Africa, global engineering, procurement and construction (EPC) group Black & Veatch remains optimistic about prospects for the country’s power market, as well as energy prospects across Africa, where increased attention is being given to addressing the prevailing electricity constraint.

Sub-Saharan Africa business development director Webb Meko tells Engineering News Online that the $3-billion, employee-owned group has consolidated its presence in the region through the creation of Black & Veatch South Africa, a level four broad-based black economic-empowerment-rated company. Its Johannesburg office, which was formally established in 2015 and includes 50 of Black & Veatch’s roughly 135 regionally-based professionals, has also been identified as the initial base from which the company will pursue power market prospects in Southern, East and West Africa. Black & Veatch’s largest activity on the continent remains its EPC and owner’s engineer role at Eskom’s R161-billion, 4 800 MW Kusile coal-fired power station project, in Mpumalanga.

Representing one of the most complex power infrastructure projects in the southern hemisphere, Meko says the project is currently on a more stable footing, with synchronisation of the first 800 MW unit scheduled for late-2016. Eskom states that plant will only enter commercial operation in the second half of 2018, with the other five units to be introduced in stages between then and 2022.

However, he stresses that its client base has continued to broaden to include renewable-energy and conventional power-station developers, mining interests and the oil and gas sector, as well as construction management and EPC services.

Meko acknowledges there could be a slowing in the pace of new project activity. However, he believes there is still a strong business case for continued investment, in light of the country's aging coal fleet and related environmental pressure to reduce emissions. He adds that the opening of the independent power producer (IPP) market to private firms has increased the number of projects, with activity on the rise. Black & Veatch is particularly interested in South Africa's plan to deploy 3 700 MW of gas-to-power projects through IPPs and public-private partnerships, as well as in the creation of the gas-importation infrastructure at either the ports of Saldanha Bay, Richards Bay, or Ngqura.
Meko notes that the firm has its own proprietary liquefied natural gas technologies and is, therefore, working to participate directly in the infrastructure and power generation components of these complex gas–to-power projects. It is also directly participating in South Africa's coal baseload IPP programme and positioning for other coal and gas IPP projects in locations such as Botswana, Mozambique, and elsewhere. South Africa's evolving oil and gas projects and future nuclear expansion have also captured the company's attention.
Black & Veatch is a strong supporter of US President Barack Obama's Power Africa initiative, with its global CFO, Karen Daniel, serving as vice-chair of a panel appointed to advise Obama on how US firms can facilitate infrastructure and business development in Africa. "We believe that sub-Saharan Africa is a region of tremendous near term potential and will be one of the key contributors to the next growth phase of Black & Veatch," Meko asserts. *(Engineering News)*

**Angola consolidates its position as Africa's biggest oil producer**
Angola overtook Nigeria in the second quarter of 2016 as the leading oil producer in Africa, according to data on oil production released by the Organization of Petroleum Exporting Countries (OPEC).The data released by OPEC in its latest monthly report on the oil market, based on secondary sources, shows Angola in the second quarter produced 1.776 million barrels per day, against Nigerian production of 1.539 million barrels per day. The picture presented by OPEC shows that it was precisely in the second quarter of 2016 that Angola overtook Nigeria as the leading oil producer in Africa, based on secondary sources. Data on oil production of OPEC members based on direct communication only indicates that in the second quarter Angola produced 1.730 million barrels per day, with no figures provided by Nigeria.
However, the picture drawn by OPEC shows that in 2015 Angola was already producing more than Nigeria (1.767 million barrels per day compared to 1.748 million), a difference that became more pronounced in the first quarter of 2016, with Angola producing 1.773 million barrels a day and Nigeria 1.667 million. In June, Angola produced 1.773 million barrels per day and Nigeria 1.523 million, according to secondary sources and 1.752 million barrels per day according to direct communication. Nigeria did not provide OPEC with direct figures. *(Macauhub)*

**Djibouti signs $75 mln financing deal for fuel imports**
Djibouti has approved a $75 million financing agreement with a unit of Saudi Arabia-based Islamic Development Bank to help the Horn of Africa nation to buy refined petroleum products, its energy minister said. Energy Minister Yacin Houssein Bouh said the deal with International Islamic Trade Finance Corporation (IFTC) would allow Djibouti to gradually reduce fuel prices and ensure a regular supply of petroleum products - for vehicles, power plants and fuel to households for cooking. "This project funding is to stabilise and steady prices of refined petroleum products in the event of sharp fluctuations in oil prices on international markets," he told Reuters. "The adoption of this project will enable the International Society of Hydrocarbons of Djibouti to accomplish its import mission of oil and oil products at the best prices." *(Reuters)*

**Private equity investors to increase investment in oil and gas sector**
Private equity (PE) firms are readying to deploy more capital into the global oil and gas sector, with 25% planning acquisitions before the end of the year and 43% by the first half of 2017, a global survey of 100 PE firms active in the sector released by advisory firm Ernst & Young (EY) shows. With $971.4-billion of PE dry powder from June 2016 still to be deployed, EY's survey, 'Capitalising on opportunities: Private equity investment in oil and gas', revealed that PE firms were preparing to increase investment in the sector. "Access to financing is arguably the biggest challenge facing oil and gas companies. While many expected PE funds to swoop in with capital during the oil price downturn over the last 18 months, investment has fallen short," said EY Africa energy lead Claire Lawrie. She added that greater consensus over future oil prices and more favourable asset valuations were, however, improving the conditions for PE and an uptick in deals was expected before the end of the year. Owing to the debt burden of many PE-backed oil and gas companies, creative capital structures were on the rise according to the report. Of the 71% of survey respondents exploring new capital structures, 62% cited joint ventures (JVs) and drillcos and 59% cited contingent pricing as the most popular options. As oil and gas companies tried to raise capital and reduce debt amid the lower-for-longer price outlook, exploring new capital structures and strategies had become almost mandatory for investors. PE-backed companies were looking to JVs to help them cut costs, while others hoped contingent pricing would offer much-needed price stability.
When it comes to where capital was being deployed, the EY survey findings revealed increased attention to rising energy demand in emerging economies. "There is an anticipation that dealmaking will grow in Africa, with 80% of survey respondents believing activity will increase. "Investors are being drawn by the promise of new infrastructure

initiatives across the continent, opening up new trade routes and enhancing regional integration, such as rail and port developments in Mozambique and Angola, as well as stronger regulatory systems in many countries such as Kenya and Ethiopia," Lawrie said. The report also pointed out that PE firms were set to become more involved in the midstream and upstream segments in the next two years. An equal share of respondents saw these two sectors as their best opportunity for a return on investment. In today's low oil price environment, PE firms were well-positioned to provide short-term and long-term financial solutions across the oil and gas sector, with 63% saying they would provide value to corporates through growth capital. "PE firms have an important role to play in today's transforming oil and gas sector. Opportunities will continue to emerge over the course of the year as more companies succumb to the new normal oil price environment. Funds looking to invest will need flexibility, patience and clear strategic plans to take advantage of a buyer's market," Lawrie said. *(Engineering News)*

## TELECOM

**Helios Towers DRC secures $105m funding facility**

Independent tower company Helios Towers Africa (HTA) on Wednesday said its Democratic Republic of Congo (DRC) subsidiary Helios Towers DRC (HTD) had successfully completed a $105-million upsizing of its syndicated term-loan facility to partly finance acquisitions and fund portfolio expansion and growth. The financing package, secured through initial mandated lead arranger Standard Bank of South Africa and German development finance institution Deutsche Investitions- und Entwicklungsgesellschaft, or DEG, would fund the acquisition of Bharti Airtel's tower portfolio and expand tower-sharing solutions. HTD has been commercialising ex-Tigo towers and building out further towers and would now add 950 towers to its portfolio of some 1 800 as a result of the Bharti Airtel tower transaction. "This is a significant step for HTA as it allows us to expand our DRC footprint and strengthen our network coverage for all of our customers," said HTA CEO Kash Pandya, adding that the funds would also be used to invest in power technologies to reduce reliance on diesel fuel. "Standard Bank is delighted to continue to support the HTA vision, following the closing of the $95-million equivalent financing for Helios Towers Tanzania earlier this year, this time with a new debt facility for HTD," concluded Standard Bank global head of telecoms and media Nina Triantis. *(Engineering News)*

**South Africa opens tender for wireless broadband licenses**

South Africa's telecoms regulator opened a tender to bid for high-speed wireless broadband licenses as it seeks to increase access to the Internet and bring down costs for consumers. The high-speed broadband, known as spectrum, has been packaged into four lots with varying frequencies. The reserve price for the lots starts at three billion rand ($209 million) for a 15-year license, the Independent Communications Authority of South Africa (ICASA) said in a statement. Bids for licenses are due by Oct. 3 and the auction results will be announced in January next year, ICASA said. South Africa has pledged to roll out free Wifi services across the country at a cost of around 67 billion rand ($4.4 billion), but access for operators to more bandwidth has been delayed for years. Government will be able to offset some of the cost through the license auction windfall and an annual fee paid by mobile operators. "The main aim is to ensure nationwide broadband access for all citizens by 2020," ICASA said. There are five main firms in South Africa's wireless broadband market, including MTN, Vodacom and partially state-owned operator Telkom. MTN and Vodacom together control more than 70 % of the market, a concentration that has led South Africans to pay amongst the highest data costs on the continent. South Africans pay around $14.10 for one gigabyte of data, the fourth highest out of 17 African countries and compared to lowest-rated Cameroon, where the same bundle cost around $2.10, the World Bank says. ($1 = 14.37 rand) *(Reuters)*

**Vodacom and MTN welcome spectrum move**

The decision by the Independent Communications Authority of SA (Icasa) to issue spectrum licences has been hailed as "a major progressive step for the economy" because it will accelerate the roll-out of 4G wireless network. Icasa has invited interested companies to apply for spectrum within the 700MHz, 800MHz and 2,600MHz bands. The spectrum will be auctioned, with the minimum bidding price set at R3bn, which Icasa spokesman Paseka Maleka says is in line with international benchmarks.

SA has an insatiable appetite for high-speed wireless connections that enable faster downloads, and video and music streaming, among other things. But the shortage of spectrum has hampered faster roll-out of infrastructure. Shameel Joosub, Vodacom Group CEO, described Icasa's move as a "major progressive step for the economy", the telecommunications industry and the country as a whole. "There is no doubt that greater access to spectrum will give South Africans faster speeds, wider access to LTE coverage and, inevitably, lower data pricing," said the Vodacom executive. MTN SA CEO Mteto Nyati said adequate frequency spectrum was often considered the lifeblood of a mobile communications company, and, equally, the availability of frequency spectrum was a very important factor in rolling out a national mobile network. "The licensing of frequency spectrum will benefit consumers who are demanding better quality and higher speeds, as it will allow operators to roll out advanced broadband services more rapidly and stimulate broadband connectivity in SA," he said. Nyati said auctioning spectrum was the "most optimal approach". The use of auctions in licensing high-demand spectrum had been utilised globally. "In a very competitive market, spectrum

auctions are a viable mechanism to ensure that spectrum is used as effectively and efficiently as possible. Benefits of auctions are that regulators are seen to act in a transparent manner," Nyati said. Maleka said that mobile telecommunications technologies were a critical component in achieving the goal of "broadband for all citizens" in SA.
Icasa has placed conditions on new licensees, which are required to make the spectrum available to three mobile virtual operators. The regulator has also set minimum speeds that licensees should provide to users. Joosub said that, at first sight, the invitation to apply for spectrum licences included "some tough asks in terms of speeds" that needed to be attained across SA by 2020. "Having said that, it is clear that the smart intent on this front is to drive continuous investment into infrastructure," he said.
In the absence of the spectrum, mobile network operators have been refarming their spectrum from existing users to ensure coverage for others. Refarming is the process of redeploying spectrum from existing customers and relocating it to other users. However, Nyati said this exercise had limitations. "Refarming of existing frequency spectrum holdings also needs to be done carefully, so as not to degrade existing services," Nyati said. *(BDLive)*

**Kuwait's Zain approaches Egypt telecom regulator on 4G licence**
Kuwait's Zain has communicated to Egypt's telecommunications regulator its preliminary interest in obtaining a fourth-generation (4G) licence, the operator said in a bourse filing on 18th July. Zain "is studying a number of investment opportunities available in the region, one of which is the Egyptian telecommunications market as a strategic market in the Middle East and Africa", the company said, adding that it had made the approach through one of its subsidiaries. A senior Egyptian telecommunications ministry official told Reuters that Zain had expressed interest in applying for a 4G licence. Sales of such licences are part of the country's long-awaited plan to reform its telecommunications sector. *(Reuters)*

## RETAIL

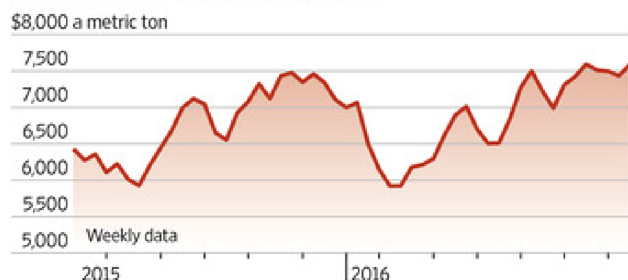
**Brewer to increase output**
**Dondo (Cuanza Norte) - Beer production in northern Cuanza Norte province's Dondo city-based brewer (EKA) might go from the current yearly 13,000 hectolitres (1.3 million litres) up to 18,000 (1.8 million litres) this month.**
This was announced recently by EKA director, Marc Mayer. According to Marc Mayer, the rise in output will be attained thanks to the engagement of local and foreign manpower who challenge the difficulties associated with acquisition of foreign currencies, and seek alternatives to keep the project going, through creativity and devotion for one common good. After putting back in motion the second filling line that went idle in May this year due to the lack of raw material and cut down on work shifts from three to one, the French Marc Mayer is now a relieved man with his plant producing 15,000 to 20,000 pints an hour. Gradually, EKA is recovering the position it lost, but it is still far from returning the smile of its more than 200 workers who were laid off as a result of the financial crisis facing the country.
As a result of some improvement to the acquisition of foreign currency and raw material, the company re-admitted six former technicians this month to make up a new team and rise the shifts from one to two and from 12 to 16 working hours. Currently, he explained, EKA's production is secured by its second filling line with a capacity for 35,000 bottles per hour. "The market and the financial situation are improving and the more it improves, the more we will seek to hike the production. We will seek to increase the shifts, by gradually recruiting back the former workers of the plant," said Marc Mayer. The source added that "the general situation improved from January to March this year. In April it was even better and we hope thinks will go that way." Considered one of the largest and oldest plants in Dondo, the brewer operates on a 107 local workers and two foreigners. It supplies the markets of provinces of Cuanza Norte, Luanda and central Huambo, expecting to reach northeastern Lunda Norte and Lunda Sul. It was established in 1969, having launched its first production line on January 29, 1972. *(Angop)*

## AGRIBUSINESS

**Higher Costs Bite Chocolate Makers**
**The cost of chocolate's two key ingredients, cocoa butter and sugar, has risen sharply this year**
Hershey Co.'s rebuff of a $23 billion bid by Mondelez International Inc. this month comes as rising commodity prices are making it more expensive to produce a chocolate bar. The cost of two crucial ingredients in chocolate, cocoa butter and sugar, has risen sharply this year. It is an unwelcome development for chocolate makers, who already had raised prices on candy bars and other chocolate products following previous spikes in commodities. Increasing competition from snack bars and healthier treats also is crimping chocolate makers' ability to raise prices further.
Chocolate still drives the bulk of sales at Hershey, said Erin Lash, senior equity analyst at Morningstar in Chicago. The company is by far the biggest player in U.S. chocolate, with 45% of the market, and about 88% of its net sales are in North America. The company doesn't break out chocolate as a percentage of sales, but Nielsen data indicate chocolate represents about 80% of the company's U.S. sales. For Mondelez, 27% of its business is tied to chocolate, or about $8 billion out of $30 billion in annual sales. Mondelez makes Oreo cookies and, outside the U.S., Cadbury chocolate bars.
Cocoa-butter prices are at multiyear highs as cocoa-bean processors struggle with unusually small cocoa beans in West Africa, where about 70% of the world's cocoa is grown.

The key ingredients of chocolate are getting more expensive this year.

**Cocoa butter, African style, spot price**



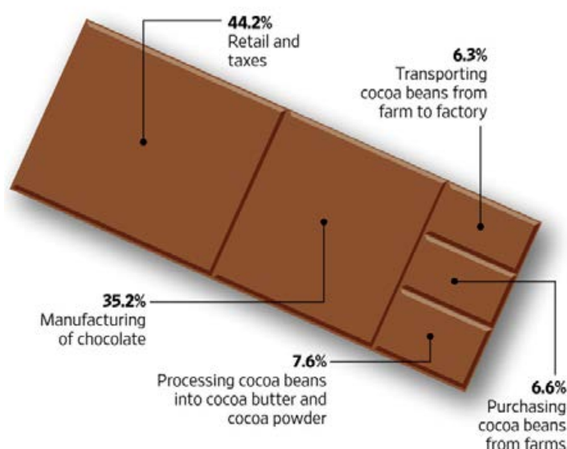

**Raw sugar prices**

Sources: Thomson Reuters (cocoa butter); FactSet (sugar) THE WALL STREET JOURNAL.

At the same time, a sharp drop in sugar production after years of glut has pushed world sugar futures up 38% year to date, driving up costs for a commodity that makes up about 50% of the weight of most chocolate bars, according to chocolate makers and commodity-trading houses. Today, cocoa butter, the most crucial ingredient in a chocolate bar, costs 21% more to procure than a year ago. "It's been a tough time for the chocolate guys," said Ken Lorenze, vice president at Connecticut-based brokerage JSG Commodities. Cocoa processors take the beans, remove the shells, cook and grind up the "nib" on the inside to turn it into a thick paste called cocoa liquor. The paste is then pressed to separate the fat (cocoa butter) from residual solids (a cake that is used to make cocoa powder). "You really can't make chocolate without cocoa butter, and it's getting more and more expensive," Mr. Lorenze said.

**Bean Counter**

How the costs of producing and selling a bar of chocolate break down




Note: Numbers don't add up to 100 due to rounding
Source: Cocoa Barometer THE WALL STREET JOURNAL.

Still, the bulk of the costs of making chocolate are in transportation and marketing costs. According to Cocoa Barometer, a consortium of nonprofit groups focused on sustainability in the cocoa sector, purchasing cocoa beans from farms makes up about 6.6% of the total costs of creating chocolate. Sustainability advocates long have argued for price increases to farmers, most of whom live below poverty levels. The recent rise in the price of a candy bar isn't helping consumption, he added. Last year, Mars Inc., Hershey, Nestle SA, Lindt & Sprüngli AG and Mondelez increased prices as much as 8%.

The cocoa crop in Ghana, the world's second-largest producer, experienced an unusually high drop in 2015, after farmers there applied key pesticides late in the crop's development. Hershey said in its last earnings call that the price increases had hurt demand and were in part to blame for a 3.6% drop in sales volume in the second quarter.

Most multinational chocolate companies weren't anticipating further price spikes for cocoa butter and instead expected a recovery this year, said Jeff Rasinski, director of commodities and corporate procurement at Blommer Chocolate Co. Merchants have been shedding short positions in the cocoa market since May, when the dollar-denominated contract had 78,810 net bearish bets, according to data from the U.S. Commodity Futures Trading Commission. The contract had 61,208 net bearish bets as merchants abandon those positions. "The industry has been scrambling," Mr. Rasinski said.Retail prices are expected to rise 2.2% this year in the U.S., according to Euromonitor International, the lowest year-over-year percentage increase in a decade. That modest price increase is because chocolate makers feel they have to absorb rising costs because they can't pass them on to consumers, analysts say. Currency markets also have added to the confusion around the pricing of cocoa, one of the few commodities that is still widely traded in pounds sterling. While cocoa-futures prices recently rose in terms of pounds, prices fell in terms of euros and U.S. dollars.

Chocolate makers are also dealing with a continuing slowdown in demand in their biggest markets. Chocolate confections account for an estimated $67 billion in sales in North America and Europe this year, compared with $8.9 billion for snack-bar sales, according to Euromonitor International. But those so-called healthier treats have been outpacing growth of the confectionary category for at least a decade. *(Wall Street Journal)*

**Angola has an agricultural population of 2.4 million people**

The number people in Angola working in the agricultural sector currently stands at 2.4 million, said the minister of Agriculture, Afonso Pedro Kanga, at a meeting held in Luanda, according to state newspaper Jornal de Angola. The minister, during a press conference of the Office for Revitalisation of Communication and Institutional Marketing Management (Grecima), said the agricultural sector has had positive growth and over the last six years has created 240,000 new jobs. Saying that the difficult time the country is experiencing should not affect food security and the

purposes of diversification of the economy, Kanga said it was necessary "to produce to reduce hunger and poverty but also for export, and strategic cooperation with China and institutional and business cooperation with Italy and Portugal are central for Angola's challenges." "The government has always considered agriculture a sector that can quickly provide positive results to reduce imports and increase the supply of goods, mainly food but also create jobs," he said. Kanga called for encouragement of private agricultural projects and for help to small producers to shift production to the market, as agriculture has the beneficial effect of creating social stability. *(Macauhub)*

**World Bank supports small farmers in three Angolan provinces**

The World Bank approved a loan of US$70 million to Angola to "increase production, productivity and agricultural marketing" of small producers in the provinces of Bié, Malanje and Huambo, the World Bank said. The loan will be granted by the International Bank for Reconstruction and Development, part of the World Bank Group and in general will fund the strengthening of the technical, institutional, management and marketing capacity of 150,000 farmers. "Angola has great agricultural potential, with about 35 million hectares of arable land, of which less than 4 million hectares are currently under cultivation," said Clara de Sousa, resident representative of the World Bank for Angola and Sao Tome and Principe, in the statement. Clara de Sousa said the project that has now received funding "is very important to improve the livelihoods of many small-scale poor farmers in the central highlands of Angola, increasing agricultural productivity and coordination with the markets." In January of this year the Angolan government launched a programme to promote national production and diversification beyond oil production to curb imports and increase exports, generating other sources of foreign exchange, with agriculture as the main focus. *(Macauhub)*

**Angolan company starts exporting bananas to Europe**

Angolan company Novagrolider is due in October to start exporting 200 tonnes of bananas a week to Portugal, Spain and France, the company's chief executive João Macedo said in Luanda. The announcement was made after a visit by the Minister of Trade, Fiel Constantino, to the fruit and vegetable company and to the facilities of glass factory Vidrul – Vidreira of Angola, at the invitation of the Community of Exporting and Internationalised Companies of Angola (CEEIA). Novagrolider produces 150,000 tons of various products annually and on a monthly basis exports about 70 tonnes of bananas to the Democratic Republic of Congo (DRC) about 70 tonnes of banana. According to the CEO these amounts are below the company's potential. With an investment of about US$200 million, Novagrolider has production areas in the provinces of Kwanza Sul, Bengo and Luanda and will expand its structure to the provinces of Huíla and Cunene, with the production of fruit and vegetables. Minister Constantino said that Angola has started to replace imports of some products and is now starting to export others and promised government support in creating a supply chain to enable economic agents to expand their business and improve agricultural yields. Vidrul is the country's main supplier of glass containers for the beverage industry, exporting some of its production to several African countries. *(Macauhub)*

## UPCOMING EVENTS

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

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

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

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

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

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

**Disclaimer**

This document has been prepared by Eaglestone Advisory Limited which is authorised and regulated by the Financial Conduct Authority of the United Kingdom and its affiliates ("Eaglestone"), and is provided for information purposes only.

The information and opinions in this document are published for the assistance of the recipients, are for information purposes only, and have been compiled by Eaglestone in good faith using sources of public information considered reliable. Although all reasonable care has been taken to ensure that the information contained herein is not untrue or misleading we make no representation regarding its accuracy or completeness, it should not be relied upon as authoritative or definitive, and should not be taken into account in the exercise of judgments by any recipient. Accordingly, with the exception of information about Eaglestone, Eaglestone makes no representation as to the accuracy or completeness of such information.

This document does not have regard to specific investment objectives, financial situation and the particular needs of any specific recipient. Recipients should seek financial advice regarding the appropriateness of investment strategies discussed or recommended in this document and should understand that the statements regarding future prospects may not be realised. Unless otherwise stated, all views (including estimates, forecasts, assumptions or perspectives) herein contained are solely expression Eaglestone's research department.

This document must not be considered as an offer to sell or a solicitation to buy any investment instrument and distribution of this document does not oblige Eaglestone to enter into any transaction. Nothing in this document constitutes investment, legal, tax or accounting advice. The opinions expressed herein reflect Eaglestone's point of view as of the date of its publication and may be subject to change without prior notice

This document is intended for is made to and directed at (i) existing clients of Eaglestone and/or (ii) persons who would be classified as a professional client or eligible counterparty under the FCA Handbook of Rules and Guidance if taken on as clients by Eaglestone and/or (iii) persons who would come within Article 19 (investment professionals) or Article 49 (high net worth companies, trusts and associations) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2001 and/or (iv) persons to whom this communication could otherwise be lawfully made in the United Kingdom or by respective home jurisdictions regulators for non UK countries. None of the investments or investment services mentioned or described herein are available to "private customers" as defined by the rules of the Financial Conduct Authority ("FCA"). It should not be disclosed to retail clients (or equivalent) and should not be distributed to others or replicated without the consent of Eaglestone. Eaglestone name and the eagle logo are registered trademarks.

Additional information is available upon request.

AMSTERDAM - Herengracht 450-454 1017 CA - T: +31 20 240 31 60

CAPE TOWN - 22 Kildare Road Newlands 7700 - T: +27 21 674 0304

JOHANNESBURG -Unit 4, Upper Ground, Katherine & West 114 West Street, Sandton – T: +27 11 326 6644

LISBON - Av. da Liberdade, 105, 3rd Esq. - T: +351 21 121 44 00

LONDON - 48 Dover Street - T: +44 20 7038 6200

LUANDA - Rua Marechal Brós Tito n° 35/37 - 13th Floor A - Kinaxixi, Ingombotas - T: +244 222 441 362

MAPUTO – Avenida Vladimir Lenine – Edifício Millennium Park, Torre A, nº 174, 4º andar S - T: +258 21 342 811

**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.

**EAGLESTONE SECURITIES**

**Business Intelligence**
**Caroline Fernandes Ferreira**
(+351) 211 214 430
caroline.ferreira@eaglestone.eu

**Research**
**Tiago Bossa Dionísio**
(+351) 211 214 431
tiago.dionisio@eaglestone.eu

**Guido Varatojo dos Santos**
(+351) 211 214 468
guido.santos@eaglestone.eu