22 June 2015

# INSIDE AFRICA

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## In-depth:
## Sub-Saharan Africa economy: The challenge of low productivity in Africa

The WEF's three-day Africa summit, ending in Cape Town on June 5th, highlighted the continent's brisk growth and the rise in business opportunities, while also acknowledging the challenges. In particular, the WEF's latest Africa Competitiveness Report for 2015 warns that the region's competitive position has stagnated, largely because of persistent weaknesses in the basic growth drivers of institutions, infrastructure and social services (health and education), which translate into low productivity. The summit focused on the remedies, including investment in infrastructure and service provision, the embrace of new technology, and trade liberalisation and regulatory reform within the context of closer regional integration. The formal launch on June 10th of a Tripartite Free-Trade Area-encompassing Comesa, the EAC and SADC-will help to advance this agenda.

The stagnation in Africa's relative standing is evident from the Global Competitiveness Report from the World Economic Forum (WEF) for 2014/15. This shows that the average score for Sub-Saharan African countries has changed little over the past three years, rising by just two basis points to 3.44 in 2014/15 from 3.42 in 2011/12, on a scale where 7.0 denotes maximum competitiveness and 1.0 the minimum. The average figure obviously masks considerable variation but the slow pace of improvement underlines the challenges. The most rapid improvers over the past three years were Lesotho, Côte d'Ivoire, Swaziland and Mauritius, while the biggest fallers were Malawi, The Gambia, Mauritania and Ethiopia, although the majority of countries showed little movement in their competitiveness score during the period. In terms of the highest-ranked countries in 2014/15, the top four-Mauritius, South Africa, Rwanda and Botswana-were unchanged from a year earlier. Namibia edged up to fifth and Kenya to sixth as Seychelles slipped back to seventh and Zambia to eighth. At the other end of the table, Guinea, Chad, Mauritania, Angola and Burundi were the least competitive.

### The blight of low productivity

Low productivity is particularly acute in agriculture-the dominant economic activity in many countries-held back by a range of constraints such as small farm sizes, weak infrastructure, inconsistent policies and a dearth of credit. Less obviously, productivity in the services sector, which has outpaced a broadly stagnant manufacturing sector, is also low, marked by a large number of low-skilled jobs, especially in the public sector. The solution lies in a combination of targeted investments in transport networks and energy supplies, renewed efforts to boost health and education outcomes, pro-market reforms to enhance the role of the private sector, closer regional co-operation and a move towards more transparent and accountable governance. The necessary reforms are being undertaken, to a greater or lesser degree, in a range of countries, but Africa will continue to lag behind in the competitiveness stakes into the medium term.

### High unemployment is a key risk

The WEF's latest Global Risks report, released earlier this year, suggests that the main threat to future prosperity and stability in Sub-Saharan Africa comes from the persistence of high levels of unemployment, which will impede growth and the fight against poverty, and pose the danger of alienation and disorder.

Labour-intensive activities, coupled with productivity improvements, are therefore the key to Africa's growth and development, in order to reap the demographic dividend of a growing labour force. This does not mean that Africa should neglect the valuable extractive sector or other industries (which tend to be less labour-intensive than agriculture or services), but it does imply a shift towards greater local value-addition.

This long-term objective will remain difficult to realise but will be facilitated by closer African integration. The other major risks, according to the WEF's regional panel, are food shortages, epidemics, and wars and terrorism, although all are potentially manageable.

### The launch of a new free-trade area

The launch, in Egypt, of a Tripartite Free-Trade Area (TFTA) marks the latest-and potentially biggest-step towards closer regional integration: the Common Market for Eastern and Southern Africa (Comesa), the East African Community (EAC) and the Southern African Development Community (SADC) together represent a market of 625m people with a GDP exceeding US$1.5trn. However, the inauguration of the TFTA, after four years of talks, is the first stage in what is likely to be a protracted process lasting several years. Highlighting the difficulties, all three blocs are still struggling to implement their internal free-trade agreements because of divergences between members. Even the EAC, which has integrated the most rapidly, has still to take major steps to give effect to the common market protocol adopted in 2010: trade in goods has been significantly liberalised but several barriers to the free movement of services, labour and capital still remain. Achieving a harmonious environment throughout the TFTA will be a far more difficult process.

Nonetheless, there is a growing acceptance that integration (on paper) is futile without major investment in infrastructure. A predictable policy environment, the development of local capital markets and action against corruption will be required to facilitate fund-raising for projects. Despite the challenges, the TFTA's launch is a positive step that will potentially boost intra-African trade and investment in the longer term.

The WEF's next Africa summit, taking place in Kigali, Rwanda, in 2016, will provide a good opportunity to assess the state of regional integration, both within the EAC and the TFTA. As the recent WEF summit noted, the massive infrastructure investment needed in Africa can be justified only in the context of regional groupings, given the small

size of many African economies (such as Rwanda). Integration, coupled with investment in infrastructure, stronger institutions and better governance, is the key to potentially unlocking Africa's productivity conundrum and driving sustained labour-intensive growth. *(Economist Intelligence Unit)*

## Angola: Country Outlook

POLITICAL STABILITY: Angolans remain wary of the military and police reaction to protest, and a more deep-seated stoicism, bred by decades of war, would also appear to militate against a popular uprising.

Nonetheless, there is a danger of increasing protests given the country's rising fiscal difficulties. These have already prompted the authorities to raise fuel prices three times in seven months, and introduce a freeze on public-sector hiring; such moves could reinforce perceptions that--notwithstanding official proclamations about improved transparency--only a small political elite has benefited from Angola's oil wealth. The government is likely to continue to crack down strongly on anything that it perceives as a threat to stability or its hegemony, whether via criminal trial--as in the case of a high-profile anti-corruption campaigner, Rafael Marques de Morais--or by heavy-handed shutdowns of protests by the security services. This intolerance extends to some religious groupings, which the government perceives as alternative power bases to the ruling party, the Movimento Popular de Libertação de Angola (MPLA). However, crackdowns could backfire, as the cumulative effect of the growing catalogue of allegations of police cruelty is to provoke new tensions that could, if left unchecked, lead to more sustained instability.

ELECTION WATCH: The next legislative elections are scheduled to take place in 2017. At the polls, the MPLA is likely to take advantage of its solid funding base, strong business connections and domination of the media to win another majority and retain its hegemonic grip on all aspects of power. This includes the presidency: under the terms of the constitution the president is no longer elected by popular vote but instead is the head of the party with the most seats in parliament. Should the president, José Eduardo dos Santos, decide to relinquish power (or become incapacitated) before the poll, the constitution dictates that the vice-president (currently Manuel Vicente) would complete the term of office "with full powers". This term of office would run until the next election, which only the acting head of state would have the power to call. Although Mr Vicente is currently the constitutionally mandated successor, there is continued speculation that José Filomeno dos Santos, the president's eldest son, is also a contender.

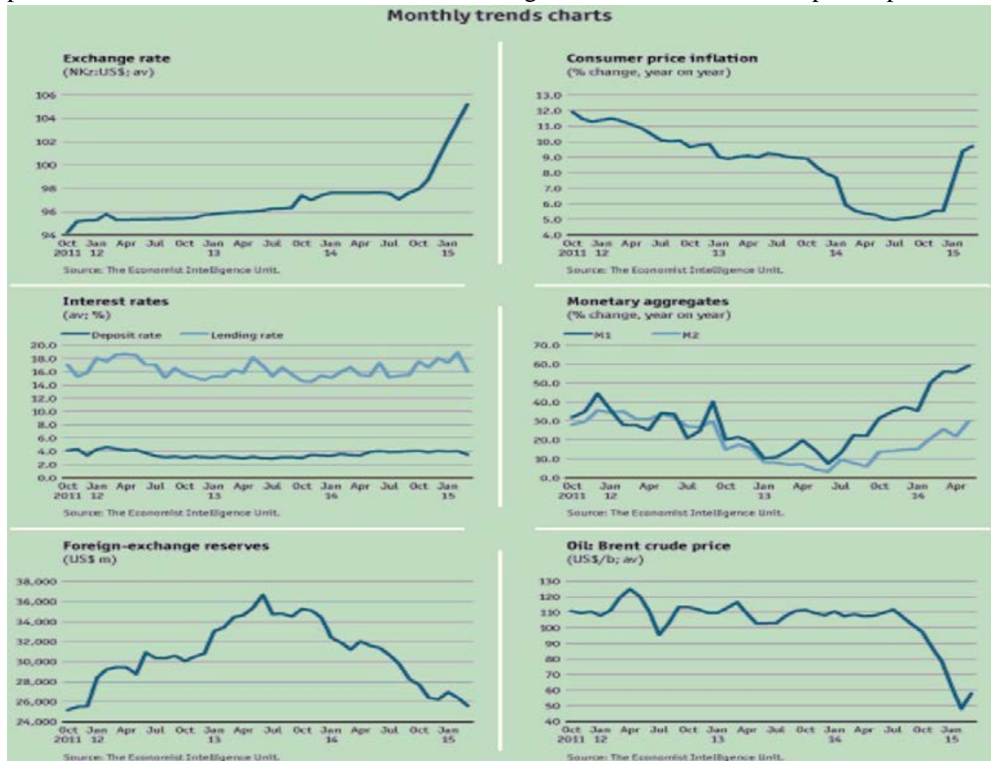
INTERNATIONAL RELATIONS: Angola's main foreign policy aims will be to consolidate relations with key strategic partners--in particular China, Portugal and the US--and to diversify access to international finance. The importance of the relationship with China is underscored by the release of official data showing that during 2014 China purchased more than 116m barrels of Angolan crude, nearly four times as much as the second-highest consumer, India. The US, which was previously one of the main consumers of Angolan crude, bought just 7m barrels, barely 3% of the total exports. Nonetheless, Angola will continue to prioritise relations with the US, because of the latter's global superpower status and the presence of US oil companies in Angola. Relations with Portugal will also remain important, although Portuguese firms (of which some 10,000 work in--or export to--Angola) will continue to struggle to repatriate profits as the Banco Nacional de Angola (BNA, the central bank) seeks to stem the kwanza's decline.

POLICY TRENDS: With oil prices remaining well below 2010-14 levels, the government passed a revised--and austerity--2015 budget in February. This is based on a benchmark oil price of US$40/barrel instead of the US$81/b included in the original 2015 measure, and outlines a series of steps designed to reduce expenditure in the low oil price environment. This is consistent with previous warnings by the administration that the fall in oil prices will necessitate an "exercise in austerity" and a reprioritisation of public expenditure. In pursuit of this, it has repeatedly reduced fuel subsidies--following the latest adjustment, at end-April, petrol is in effect unsubsidised--and further cuts in subsidies are planned. It has also introduced a freeze on public-sector hiring. At the same time, however, it is likely to remain wary of implementing policies that could lead to sustained public unrest, and it has thus pledged that social programmes such as health and education will be protected, while promising measures such as a US$5bn social housing programme.

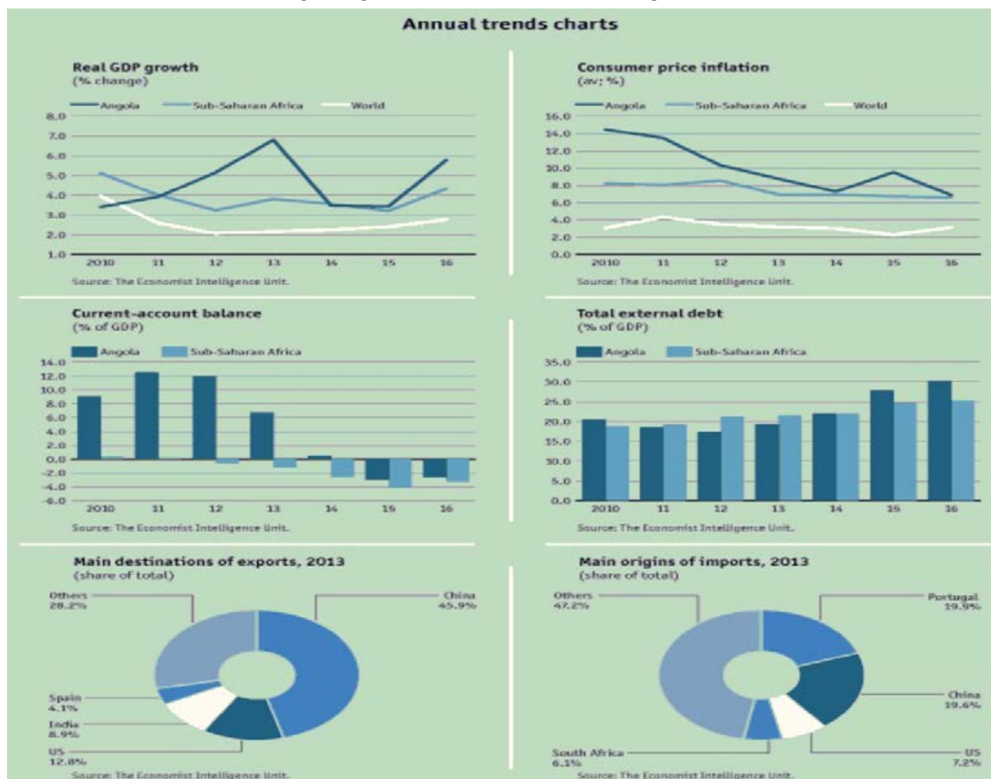
There is also a clear risk that introducing knee-jerk austerity measures--especially in the area of capital spending--could create longer-term problems for the economy and slow down much-needed attempts at diversification. The government is seeking to negotiate loans with a number of financial institutions, including Goldman Sachs and Société Générale, for use in public investment projects. However, Angola may resort to IMF support if oil prices remain depressed for a prolonged period.

ECONOMIC GROWTH: The government is projecting real GDP growth of 9.7% in 2015. This would be the country's highest growth rate since 2007 and, given the current domestic and global climate, is highly unlikely to be achieved. Given the continued weak oil price environment we instead forecast 2015 growth at 3.4%, reflecting weaker expected government consumption on the back of a projected further decline in oil prices (of some 39%) this year and slower than previously expected increases in oil output--we forecast that production will rise to 1.82m barrels/day (b/d) in 2015, from 1.66m b/d in 2014. A bounceback in oil prices and slightly more rapid production growth will boost the growth rate to 5.8% in 2016. Growth will accelerate slightly thereafter, to an annual average of 6.3% in 2017-19, driven by solid government and private consumption.

INFLATION: The authorities have had considerable success in reducing inflation from double- and even treble-digit levels in the past, but will struggle to achieve further substantial slowdowns. The government has cut fuel subsidies three times since September 2014--petrol is now in effect free from subsidy--and this will exert upward pressure on prices, while the kwanza's continued decline against the US dollar will push up the cost of imported goods. These factors are likely to push annual inflation up to 9.5% in 2015, from 7.3% in 2014. Meanwhile, after four successive years of decline, the international price of industrial raw materials is expected to rise by an annual average of 4.8% in 2016-19. Some inflationary pressures are already evident--consumer price inflation increased from 7.43% to 8.24% between January and April. As underscored by the 25-basis-point rise in the benchmark rate in March, we expect the central bank's monetary policy committee to continue adopt a relatively cautious policy stance to avoid a return to double-digit levels of inflation, although the downside risk of a more expansionary stance remains. Thus although inflationary pressures could be fuelled further by government spending (particularly in the run-up to elections in 2017) or higher non-oil commodity prices in 2016-19, we expect the annual rate to remain in single digits in 2016-19, at an average of 7.3%.




EXCHANGE RATES: The BNA's ability to support the kwanza through market intervention will depend on the level of foreign-exchange reserves. Reserves remain substantial, and are expected to average 5.8 months of import cover in 2015-19. Nonetheless, falling oil prices will place an increasing strain on the fiscal account and the balance of payments, in 2015 particularly. In May the central bank governor stated that the government "will ration US dollars until export revenue is back on track". A number of local commercial banks had already imposed limits on dollar transactions--citing a shortage of foreign-exchange sales by the central bank--and the governor's



comments will reinforce concerns about depreciation of the currency. We expect that the BNA will have to stage a managed devaluation of the currency around mid-year, meaning the official rate of the kwanza will depreciate from an estimated average of Kz98.3:US$1 in 2014 to Kz112.9:US$1 in 2015, and Kz124.8:US$1 in 2019. However, the gap with the parallel-market rate will remain substantial, and if the sharp decline in oil prices is sustained (or local production problems increase), the depreciation of the official rate could be much deeper.

EXTERNAL SECTOR: Angola will face a sharp deterioration in its terms of trade in 2015, reflecting a forecast 39.1% decline in oil prices. Although domestic consumption of oil is likely to remain static, total export earnings are set to drop by almost 30%, again underscoring the failure to diversify the economy away from hydrocarbons. Imports will also shrink, reflecting a moderation of government-led capital investment because of the unfavourable oil price environment. Nonetheless, the trade surplus will narrow by almost 40%, to 16.5% of GDP. The services deficit will moderate to 11% of GDP in 2015, reflecting the subdued hydrocarbons sector, but will pick up thereafter to an annual average of 12.7% of GDP in 2016-19, as the oil sector picks up. The income deficit will average 7.9% of GDP over the forecast period, while the current transfers balance will remain broadly stable, at 1.1% of GDP a year. We expect the current account to plunge into deficit in 2015 for the first time since the global recession of 2009, and although oil prices will recover in 2016-19, the bounceback will not be as substantial as after the 2009 price crash, meaning that the current account will not return to surplus as rapidly. Nonetheless, an improved oil price performance in 2016-19 will see the current-account deficit moderate from an estimated 3% of GDP this year to 1.1% in 2019. *(Economist Intelligence Unit)*

## Angola economy: President seeks Chinese financial support

Angola's president, José Eduardo dos Santos, used a five-day state visit to China to deepen ties with Beijing and seek financial support for the Angolan economy, which has been hard hit by low oil prices. Mr dos Santos made a direct and very public appeal to his counterpart, Xi Jinping, for a two-year "moratorium" on existing debt repayments, and sought additional credit. Meanwhile, a number of bilateral accords were signed amid pledges from China help to diversify Angola's oil-dependent economy and increase private-sector investment there.

Behind the pomp and ceremony and public speeches about a "win-win" fraternal relationship, the purpose of Mr dos Santos's June visit was explicit: the Angolan president needs China's financial muscle to help his country get through the oil price dip, which has already led to a substantial fall in government revenue and a sharp devaluation of the currency. Speaking during public remarks ahead of a private meeting with Mr Xi, Mr dos Santos referred with uncharacteristic candour to the "serious problems" facing Angola's economy, and made a direct appeal for at least a two-year break from debt repayments to China, as well as new financing support.

It is not known whether the Chinese authorities will agree to the terms of Mr dos Santos's appeal, but according to Angola's state-owned daily newspaper, the Jornal de Angola, Lin Songtian, the Africa director of China's Ministry of Foreign Affairs, said that Mr Xi would help Angola overcome its economic difficulties "as soon as possible". She did not give any more details, however, and said she could not confirm figures about other possible credit deals.

According to Reuters, one new credit line could involve a US$4.5bn hydropower scheme, for which a construction firm, China Gezhouba, had said it had already won the contract. Meanwhile, the Jornal de Angola reported that two new loan deals were signed, one for a railway technology training centre (at an unspecified location) and another for a combined-cycle power plant in Soyo; no further details about the loans were provided, however.

**Fostering private-sector investment**

Mr dos Santos was accompanied by a large delegation of ministers, many of whom were in Beijing in May attending the Fifth Angola/China Co-operation Joint Commission. The message from that meeting-that Angola wanted to diversify its relationship with China and attract more private-sector investment, and more technology and scientific know-how-was repeated during the president's June visit.

Two Memoranda of Understanding were signed, one on civil aviation, and a second on credit facilitation. In addition, a Steering Committee for Economic and Commercial Co-operation was formed, to replace the existing Joint Commission for Bilateral Co-operation. China is already Angola's largest economic partner and its biggest oil-export market. Angola is China's second-largest African trading partner by volume after South Africa.

**Opacity of Chinese loans criticised**

Over the past decade, China-through its various development banks-has extended loans totalling a reported US$20bn to Angola.

Many of these have been linked to specific infrastructure projects, such as the renovation of the railways or new roads and power plants. Few details of the repayment terms have been revealed, but a number of the loans are oil-backed, with Angola sending crude oil to Beijing in place of cash.

The Chinese authorities stepped in at a time when Western countries were reluctant to commit to post-war reconstruction funding-something that Mr dos Santos referred to during his visit, at times gushingly. However, although there is no dispute that Chinese money has helped bring about a remarkable peacetime transformation in Angola-owing to the rebuilding of infrastructure such as roads, railways and power networks-there are some who question both the opacity of the loans as well as their modality. The loans do not bring money directly into Angola but rather pay for Chinese companies, materials and labour to carry out work there. The failure of Chinese construction projects to create jobs for Angolan workers has been a major source of criticism, and there have been reservations too about the quality

and oversight of Chinese projects, a number of which have been done separately from the main government budget through complicated semi-private subsidiaries and specially formed government departments.

**Quality concerns**

One very contentious project is the General Hospital of Luanda, which after a fanfare opening in 2006 was shut down in 2010 when cracks revealed major structural issues. The US$8m hospital, built by the China Overseas Engineering Group, a subsidiary of the state-owned China Railway Engineering Corporation, remained shut for nearly six years before reopening in February this year. Angola's health minister, José Vieira Dias Van-Dúnem, formally inaugurated it in mid-June, in a ceremony planned to coincide with Mr dos Santos's trip to China.

Another controversial development is the Nova Cidade de Kilamaba. This giant high-rise and futuristic housing estate on the outskirts of Luanda apes megacity projects in China, but has jarred with Angolans. It took several years for the properties to be occupied because of a bungled rental scheme and high sales prices, and even now, there are many issues owing to limited water and power supplies and poor road access.

Back in Angola, reaction to Mr dos Santos' visit was mixed. Those who are struggling to pay suppliers and repatriate funds owing to foreign-exchange shortages will welcome any cash injection for the government. But there are also growing concerns about the level of Angola's indebtedness to China and whether the credit-line model followed to date has been as beneficial as both governments like to suggest.

The frankness with which Mr dos Santos asked for money on this visit reveals the seriousness of Angola's economic situation. In recent years some Angolan officials have tried to play down a perceived dependence on China and suggested that the country wanted to move away from the credit-line model and into a more balanced partnership. Although this visit did include discussion about private-sector investment, the focus on seeking new loans underscores that Angola may still need China more than it wants to admit. With plunging revenue, a rapidly devaluing currency, creeping inflation and shrinking investor confidence, Angola needs external help, but it is essential it does not take on too much debt that will in years to come become an unmanageable burden and limit its future ability to balance its budget. *(Economist Intelligence Unit)*

## SOVEREIGN RATINGS

**North and South America - Asia**

| | FOREIGN CURRENCY LONG TERM | | | FOREIGN CURRENCY SHORT TERM | | |
|---|---|---|---|---|---|---|
| *22-06-2015* | MOODYS | S&P | FITCH | MOODYS | S&P | FITCH |
| **Argentina** | Ca | Sdu | RD | NR | Sdu | RD |
| **Australia** | Aaa | AAAu | AAA | NR | A-1+u | F1+ |
| **Brazil** | Baa2 | BBB- | BBB | NR | A-3 | F2 |
| **Canada** | Aaa | AAA | AAA | NR | A-1+ | F1+ |
| **China** | Aa3 | AA- | A+ | NR | A-1+ | F1 |
| **Colombia** | Baa2 | BBB | BBB | NR | A-2 | F2 |
| **Hong Kong** | Aa1 | AAA | AA+ | NR | A-1+ | F1 |
| **India** | Baa3 | BBB-u | BBB- | NR | A-3u | F3 |
| **Japan** | A1 | AA-u | A | NR | A-1+u | F1 |
| **Macau** | Aa2 | 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

| 22-06-2015 | FOREIGN CURRENCY LONG TERM | | | FOREIGN CURRENCY SHORT TERM | | |
|---|---|---|---|---|---|---|
| | MOODYS | S&P | FITCH | MOODYS | S&P | FITCH |
| Angola | Ba2 | B+ | BB- | NR | B | B |
| Bahrain | Baa3 | BBB- | BBB- | NR | A-3 | F3 |
| Benin | NR | NR | WD | NR | NR | WD |
| Botswana | A2 | A- | NR | NR | A-2 | NR |
| Burkina Faso | NR | B- | NR | NR | B | NR |
| Cameroon | NR | B | B | NR | B | NR |
| Cape Verde | NR | B | B | NR | B | B |
| Egypt | B3 | B- | B | NR | B | B |
| Emirate of Abu Dhabi | Aa2 | AA | AA | NR | A-1+ | F1+ |
| Ethiopia | B1 | B | B | NR | B | B |
| Gabon | Ba3 | B+ | B+ | NR | B | B |
| Ghana | B3 | B- | B | NR | B | B |
| Iran | NR | NR | NR | WR | NR | NR |
| Israel | A1 | A+ | A | NR | A-1 | F1 |
| Ivory Coast | B1 | 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 | BB- | 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 | B1 | B | B+ | NR | B | B |
| Namibia | Baa3 | NR | BBB- | NR | NR | F3 |
| Nigeria | Ba3 | B+ | BB- | NR | B | B |
| Oman | A1 | A- | NR | NR | A-2 | NR |
| Qatar | Aa2 | AA | AA | NR | A-1+ | F1+ |
| Republic of Congo | Ba3 | B | B+ | NR | B | B |
| Republic of Zambia | B1 | B+ | B | NR | B | B |
| Rwanda | NR | B+ | B+ | NR | B | B |
| Saudi Arabia | Aa3 | AA- | AA | NR | A-1+ | F1+ |
| Senegal | B1 | B+ | NR | NR | B | NR |
| Seychelles | NR | NR | B+ | 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".*

Eurozone

| 22-06-2015 | FOREIGN CURRENCY LONG TERM | | | FOREIGN CURRENCY SHORT TERM | | |
|---|---|---|---|---|---|---|
| | MOODYS | S&P | FITCH | MOODYS | S&P | FITCH |
| Austria | Aaa | AA+ | AA+ | P-1 | A-1+ | F1+ |
| Belgium | Aa3 | AAu | AA | NR | A-1+u | F1+ |
| Cyprus | B3 | B+ | B- | NP | B | B |
| Estonia | A1 | AA- | A+ | NR | A-1+ | F1 |
| Finland | Aaa | AA+ | AAA | NR | A-1+ | F1+ |
| France | Aa1 | AAu | AA | NR | A-1+u | F1+ |
| Germany | Aaa | AAAu | AAA | NR | A-1+u | F1+ |
| Greece | Caa2 | CCC+ | CCC | NP | C | C |
| Ireland | Baa1 | 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 | AA+u | AAA | P-1 | A-1+u | F1+ |
| Portugal | Ba1 | BBu | BB+ | NR | Bu | B |
| Slovakia | A2 | A | A+ | NR | A-1 | F1 |
| Slovenia | Baa3 | A- | BBB+ | NR | A-2 | F2 |
| Spain | Baa2 | BBB | BBB + | P-2 | A-2 | F2 |
| United Kingdom | Aa1 | AAAu | AA+ | NR | A-1+u | F1+ |

*Sources: Bloomberg, Eaglestone Advisory*

## IMF, WORLD BANK & AFRICAN DEVELOPMENT BANK

**Burkina Faso, Mali, Niger and the Economic Community of West African States - Sahel Malaria and Neglected Tropical Diseases Project**
IDA Grant: US $121.0 million equivalent
Project ID: P149526
Project Description: The objective of the project is to increase access to community-level health services to prevent and treat cases of malaria and neglected tropical diseases. *(World Bank)*

**Kenya - Eastern Africa Regional Transport, Trade and Development Facilitation Project (Second Phase of Program)**
IDA Credit: US $500.0 million equivalent
Terms: Maturity = 38 years; Grace = 6 years
Project ID: P148853
Project Description: The project objective is to improve the transport of goods and people along Lokichar – Nadapal/Nakodok part of the Eldoret-Nadapal/Nakodok road in the north-western part of Kenya, in particular, and to enhance connectivity between Kenya and South Sudan, in general. *(World Bank)*

**Uganda - Energy for Rural Transformation III Project**
IDA Credit: US $135.0 million equivalent
Terms: Maturity = 36 years; Grace = 8 years
GEF Grant: US $8.2 million equivalent
Project ID: P133312
Project Description: The objective of the project is to increase access to electricity in rural areas of Uganda. *(World Bank)*

**Senegal - Urban Water and Sanitation Project**
IDA Credit: US $70.0 million equivalent
Terms: Maturity = 38 years, Grace = 6 years
Project ID: P150351
Project Description: The objective of the project is to improve access to water and sanitation services in selected urban areas in a financially sustainable manner.

**EAC and AfDB call for closer partnership in the design and delivery of regional projects**
The East African Community (EAC) and the African Development Bank's Eastern African Regional Resource Center (EARC) have called for closer collaboration in the design, implementation and monitoring of regional projects. They

made this undertaking at the joint Regional Project Portfolio Review (RPPR) for East Africa held in Arusha, Tanzania, on Friday, June 12, which was attended by Project Coordinators from the EARC region which covers 13 countries (Burundi, Comoros, Djibouti, Ethiopia, Eritrea, Kenya, Rwanda, Seychelles, Somalia, South Sudan, Sudan, Tanzania and Uganda).

Speaking at the opening of the review, Enos S. Bukuku, Deputy Secretary General for Planning and Infrastructure at the EAC Secretariat, said the EAC was "grateful to the Bank for its generosity towards many of the EAC projects and programmes, top among them the continuing support towards the implementation of the Heads of State infrastructure priorities and directives thereof." He cited Bank support for the region in terms of road projects, power interconnectors and new standard gauge railways as well as the Lake Victoria Basin Initiative.

Bukuku informed delegates that while implementation of regional projects was beneficial, experience has shown that they are complex and are more difficult to design and deliver than national projects. He further observed that member states on their own cannot coordinate themselves to efficiently realize these projects, hence the importance of providing adequate capacity to REC Secretariats to effectively support member states to coordinate large multinational projects.

He concluded by emphasizing that "another area that I would wish the review to focus on in support of the succeeding RISP is the area of procurement for regional projects and institutional capacity-building of relevant agencies at national level and REC level." These, he observed, were critical factors to the success of regional projects.

In this remarks, Gabriel Negatu, the AfDB Regional Director, informed the meeting that the regional portfolio performance review is a management tool, aimed at joint assessment of the implementation progress of programmes and projects under the East Africa Regional Integration Strategy Paper (RIS), which was for the period 2011 to 2015 between the Bank and recipients.

He indicated that it is intended to help the Bank achieve two key objectives: (i) to come up with measures to improve the quality of the Bank Group's regional portfolio in East Africa; and (ii) to provide guidance for programming and design of new operations under the Bank's new **Regional Integration Policy and Strategy** (RIPoS) for the 10-year period, 2014 to 2023, which will in turn inform development of the new RISP for the East Africa Region for the next five years, 2016-2020.

Negtau informed delegates that the new RIPoS is focused on two key pillars, (i) Regional infrastructure development with new emphasis on blending hard and soft infrastructure; and (ii) Regional industrialization and trade with a focus on regional and global value chains and industrialization. In turn, the regional strategies are aligned to the **Bank's Ten Year Strategy** (TYS), which has a focus on five core operational priorities. These are: (i) Infrastructure; (ii) Regional integration; (iii) Private sector development; (iv) Skills and technology; and (v) Governance and accountability.

Negtau said, "We have taken a critical look at the underlying causes of the challenges being encountered during the implementation of our regional operations, but allow me to highlight two key issues that we need to take a critical look at, which are the need for adequate project preparation and the need to address coordination challenges for regional infrastructure projects.

The workshop came up with a number of key recommendations, among them: (i) capacity-building of RECs to better coordinate regional projects; (ii) capacity-building of key institutions at national level responsible for regional projects; (iii) training of recipients on Bank procurement, financial and fudiciary services and project management in general; (iv) development of manuals and models to facilitate documenting and sharing of best practices; (v) re-engineering of Bank business processes to better respond to the demands and complexity of regional projects; (vi) procurement reforms in member states to be more responsible to regional projects; (vii) enhanced monitoring and reporting on performance of regional projects so as to address challenges in good time; and (viii) enhanced information sharing as well as tracking and reporting on the development impact of regional projects. Participants welcomed the regional project portfolio performance review and called for closer collaboration between the Bank on the one hand and the RECs and Member States on the other, in the design, delivery, management, monitoring and reporting of regional projects. *(AFDB)*

**New World Bank Group Report Finds Doing Business in South Africa Can Be Made Easier if Local Good Practices Are Replicated Across the Country**

A new World Bank Group report assessing the business environment and state of regulations for domestic firms in South Africa finds that local entrepreneurs face a wide array of business obstacles depending on which city they establish their companies in the Republic. The report also highlights a number of constructive practices that can be better leveraged within the country to improve the business climate for local entrepreneurs and firms.

Doing Business in South Africa 2015 benchmarks nine of the country's largest urban areas and four ports across six Doing Business topics namely: starting a business, dealing with construction permits, getting electricity, registering property, enforcing contracts and trading across borders.

The nine cities covered by the report are Buffalo City, Cape Town, Ekurhuleni, eThekwini, Johannesburg, Mangaung, Msunduzi, Nelson Mandela Bay and Tshwane. The four ports are Cape Town, Durban, Ngqura, and Port Elizabeth.

"The Government of South Africa is committed to expanding economic opportunity for its citizens and improving the business climate in the country is a step towards that goal. As the Doing Business in South Africa report highlights,

there are many good practices already in place and these can and should be expanded throughout the country," said Mcebisi Jonas, South Africa's Deputy Minister of Finance.
The report finds that no city outperforms the others in all areas benchmarked: Ekurhuleni, Johannesburg and Tshwane lead in starting a business, Cape Town in dealing with construction permits, Mangaung in getting electricity and enforcing contracts, and Johannesburg in registering property.
According to the new report, local officials could significantly improve their local and national business climate by replicating good practices already being used successfully in other cities in South Africa. Local reforms could not only improve the business environment of one location as compared to another within South Africa, but also make a significant difference on the global scale. If a South African city was to adopt the good practices found across the nine cities in dealing with construction permits, getting electricity and enforcing contracts, it would surpass the average performance of the OECD high-income economies in all three areas.
However, notable challenges remain. Firms across South Africa still face inefficient and complex red tape securing electricity, registering property and trading across borders. "We hope the report can draw policy makers' attention to areas where improvements are possible without major legislative changes," said Mierta Capaul, Lead Private Sector Development Specialist with the World Bank Group. "Sharing experiences across cities and learning from each other are key to promoting business regulatory improvements throughout South Africa." Capaul added.
Doing Business in South Africa 2015 report was produced by the Global Indicators Group of the World Bank Group in collaboration with the National Treasury, the Department of Trade and Industry and the South African Cities Network. The study was co-funded by Switzerland's State Secretariat for Economic Affairs (SECO) and the National Treasury. *(World Bank)*

**World Bank Group Approves $500 Million For Eastern Africa Development Corridor**

The World Bank Group has approved $500 million for the development of the transport and trade corridor in north-western Kenya and improve the livelihoods of the communities in Turkana and West Pokot counties.
The World Bank Board of Executive Directors approved the International Development Association (IDA)* credit for the East Africa Regional Transport, Trade and Development Facilitation Project, which will enhance regional competitiveness by improving the movement of goods and people in Eastern Africa. It will support upgrading of the road linking Kenya to its neighbors in the north-western border and also enhance internet connectivity between the countries and the rest of world. The project will cost an estimated $676 million, with the balance being contributed by the Kenya Government. "Kenya has a long established transport and trade link to the north-west but the poor state of the road constrains growth opportunities along this important corridor," says Diarietou Gaye, World Bank Country Director for Kenya. "Enhancing connectivity to this region will improve the livelihoods of the pastoral communities in the region, enabling their people to share in the prospects for growth, poverty reduction and prosperity."
The new project will enable Kenya to upgrade the road, Information and Communications Technologies infrastructure and road safety on the corridor and also facilitate establishment of trade and development facilities, including markets to support pastoralist communities and micro enterprise operators.
The project will support farmers, pastoralists and small business entrepreneurs along the corridor and help boost exports of agricultural, livestock, fishery and mineral products from north-western Kenya. It will facilitate extraction of oil resources recently discovered in Turkana and help reduce the vulnerabilities of the local communities in Turkana and West Pokot that are isolated and exhibit high levels of poverty by better integrating them to the national economy.
"A better road will contribute greatly to the development of north-western Kenya and improve the connectivity of the region to regional and global markets," said Tesfamichael Nahusenay Mitiku and Josphat Sasia, the co-Task Team Leaders of the Project. "It will also facilitate the flow of goods and movement of people by considerably reducing transport costs and travel times from Mombasa to Juba in South Sudan, which now takes as much as five to eight days." The upgrading of the 309 km road section from Lokichar to Nadapal/Nakodok will be part of a major undertaking by the Governments of Kenya and South Sudan to rehabilitate 595 km of the road linking Eldoret in Kenya to Juba, South Sudan's capital. The South Sudan part of the project was approved in May 2014 to improve the trade and transport facilities from between Juba and Nadapal. The upgraded road will link up to the Northern Corridor transport system and other major transport and trade corridors in the Eastern African region. It will contribute to regional integration and reduce the cost of doing business in the East African Community. *(World Bank)*

**ADB mission in Angola to help raise funds**

A mission from the African Development Bank (ADB) has begun a visit to Angola as part of the technical assistance programme in the country, particularly to seek international financial support, the Angolan Finance Ministry said Tuesday in Luanda. Technical staff from the ADB met on Tuesday with the Secretary for the Treasury, Leonel da Silva and the visit, which will last until June 26, is intended to support the Angolan government "to secure additional financial resources in the international market. " It also aims to "assist the economic diversification programme" and assess the implementation of support programmes for reform of infrastructure, investment, trade, and public investment management, the Ministry of Finance said.
The Angolan government forecasts public debt for 2015 of around US$20 billion in order to ensure execution of the State Budget, offsetting declines in oil revenues. *(Macauhub)*

**AfDB approves €50.20 million loan for National Drainage Programme to boost agriculture in Egypt**

The African Development Bank (AfDB) will support Egypt's National Drainage programme (NDP) to boost agricultural production and household income generation with a €50.20 million loan approved by AfDB Board on Wednesday, May 17 in Abidjan.

The programme aims to optimize the benefits of irrigation by draining excess irrigation water from agricultural land in order to reduce water logging and soil salinity as well as make more land available for cultivation. Efficient drainage will result in improved soil quality for 125,000 feddans (125,000 acres) covered by the project. This will result in increased crop productivity by 15-21% for selected crops, increased farm income by 40% for a typical one feddan farm, and improved food security and poverty reduction in general. The project will be implemented in five regions of the country: East Delta, Middle Delta, West Delta, Middle Egypt and Upper Egypt.

The project components include: (i) Construction and Rehabilitation of Subsurface and Surface Drainage for 125,000 feddans; (ii) Strengthening the capacity of the Egyptian Public Authority for Drainage Projects (EPADP) for Operation and Maintenance; and (iii) Project Coordination and Management.

The primary beneficiaries will be the farming households in the project areas. The primary/target beneficiaries will be approximately 125,000 households or 625,000 people, of which 50% are women. Some indirect project beneficiaries include labourers who will benefit from employment on construction of the drainage system. Increased incomes in the project areas will also result in increased off-farm activities where traders and business people will also benefit indirectly. Phases I and II of the NDP were financed by the World Bank, German government-owned development bank (KfW) and the European Investment Bank (EIB). The current third phase of the programme will be financed by the AfDB, Islamic Development Bank (IsDB), KfW and the EU. The project activities for each of the donors are very similar but cover different geographical areas.

## INVESTMENTS

**The Benefits of Africa's New Free Trade Area**

**by Calestous Juma and Francis Mangeni**

The creation in June 2015 of a free trade area from Cape Town to Cairo is possibly the most significant event in Africa since the formation of the Organization of African Unity in 1963. It is a grand move to merge existing regional organization into a single African Economic Community.

The Tripartite Free Trade Area (TFTA) includes the 26 countries that are members of the Common Market for Eastern and Southern Africa (COMESA), East African Community (EAC), and Southern African Community (SADC). The TFTA covers a population of 632 million and a combined GDP of $1.3 trillion. The area spans 17.3 million square kilometers, which is nearly twice the size of China or the United States.

Critics argue a single trading bloc will not work where individual sub-regional ones have failed. To the contrary, the consolidation of the three trading blocs will build on previous trade gains and will result in the whole being larger than the sum of its parts.

Between 2004 and 2014 trade within the COMESA region grew from US$8 billion to US$22 billion. Over the same period trade within SADC grew from US$20 billion to US$72 billion and for EAC it rose from US$2.6 to 8.6 billion. The overall trade between the three areas rose from US$30.6 billion to US$102.6 billion over the same period.

Despite the growth, only about 12% of Africa's trade is intra-regional. It is 22% for South America, 40% for North America, 50% for Asia and 70% for Western Europe. The tariff liberation of 60-85% will have a significant impact in facilitate the cross-border flow of goods and services.

The TFTA will benefit Africa in at least six mutually reinforcing ways. First, the conclusion of the agreement will generate the impetus for the creation of similar arrangements in western Africa, bringing economic powerhouses such as Nigeria into a continental free trade area. In fact, negotiations for an overarching agreement will be launched in 2015, with the projected creation of an Africa-wide free market in 2017.

Third, the TFTA will serve as an impetus for investment in Africa's cross-border infrastructure. It is estimated that Africa needs to invest nearly $100 billion annually in infrastructure over the next decade. Less than half of this target is met currently. One of the reasons for the low level of investment has been poor coordination across the different trading blocs. Building infrastructure will also create additional jobs and foster the development of engineering services.

Fourth, the prospects for the larger markets and supporting infrastructure will spur industrial development. This will not only create jobs but it will also have the added advantage of diversifying Africa's economies that are largely dependent on raw materials. The associated technological development will lead to the creation of new industries.

Trade among the three blocs over the last decade has been dominated by intermediate products and manufactured goods, contrary to the common belief that African countries are trading in similar agricultural products. These trends underscore the potential role of the TFTA as a driver of industrial development and in the manufacture of high-value products.

Fifth, the signal of larger markets will also help to stimulate trade in services. The first beneficiary is likely to be the financial sector, which will be able to lend to larger industrialists seeking to benefit from economies of scale. Such

financial services will reinforce the increase in cross-border investments by emerging African firms that are serving as regional champions of industrial development.

Sixth, by being part of larger markets, small African countries will no longer be restricted to producing their traditional products. With better policies and human resources they can become the locus of new manufacturing operations that serve wider markets.

By providing a single economic space with harmonized trade policies and a regulatory framework, the TFTA solves the problem of multiple memberships, rationalizes trade negotiations, reduces the cost of doing business, supports industrialization, and stimulates cross-border infrastructure projects.

There are critical lessons for future negotiations from the process. First is political will. This was demonstrated by the decision of presidents to approve a work program, create a roadmap for negotiations and stick to the timetable. The work was done through technical groups. Trade and Industry ministers met three times over the four-year period to agree on the consolidations, review progress and adopt the outcomes. The presidents met twice to launch the negotiations in 2011 and to sign the agreement and launch the TFTA on June 10, 2015.

A second lesson is the importance of a continuous learning process and experimentation. The three trading blocs served as laboratories that generated lessons for technical negotiations. The importance of incremental learning has prompted COMESA to establish a school of regional integration that will start its operations in 2015. The school will serve as a platform for sharing lessons learned through integration.

The TFTA is a key landmark in Africa's economic history. It ranks in significance with the independence of Ghana in 1957, the creation of the Organisation for African Unity in 1963, and its reinvention as the African Union in 2002. To paraphrase Kwame Nkrumah, Ghana's first president, the best way to learn to be a continental free trade area is to be a continental free trade area.

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**China's Road to Africa Lifts Investment, Adds Risk**

China's One Belt, One Road initiative promises to expand an already active engagement with Africa. China's deep pockets and dearth of natural resources and Africa's mineral reserves and infrastructure needs make a compelling combination. Yet the misuse of increased fiscal space by some African states means China's investment adds to debt risks.

China's engagement in Africa has a long history. In the pre-reform era, it was a check-book diplomacy rivalry with Taiwan that motivated Beijing. In the reform era, China's hunger for resources provided the drive for inves tment in everything from Angolan oil to Congolese copper. More recently, China's technology firms have also arrived on the scene, with Huawei and ZTE building telecom systems for Ethiopia and others. One Belt, One Road levers existing plans for Chinese investment up the East-African coast. Most notable is the $10 billion-plus Bagamoyo port in Tanzania. If realized, it would dwarf Mombasa, 300 kilometers to the north in Kenya, which currently serves as the naval gateway of East Africa. Chinese firms have also been awarded major contracts to build railways connecting the ports of Mombasa and Dar-es-Salaam — Tanzania's commercial capital, with inland countries.

It's the ability of Chinese firms to bring financing to the table that's often been the deal-clincher. The bulk of inves tments are spearheaded by state-owned enterprises, with preferential financing supplied by the China Development Bank and Export Import Bank of China. The stock of Chinese investment in Africa has more than tripled to $26 billion in 2013 from $7 billion in 2008. China's credit line to Africa are expected to expand substantially from the current $20 billion.

For African nations, the headline benefits are clear. The World Bank says Africa needs $93 billion in infrastructure spending a year. Chinese investment, coming at a time when many western donors and businesses are retreating, helps build the roads, rails and ports needed to kick-start development. It also frees up domestic resources for spending on other priorities like health and education.

**China's Trade Balance With Africa ($, Billion)**

Improved infrastructure has facilitated a boom in trade, underpinned by

Africa's comparative advantage in commodities and China's in low-cost manufactured goods. Africa's sales to China more than doubled to $116 billion in 2014 from $55 billion in 2008. Reflecting the importance of the relationship, newly elected Africa leaders often make Beijing their first port of call, snubbing old colonial ties with the U.K. and France. There are also costs. Investment is often carried out by Chinese firms using Chinese workers, limiting the benefits to the host country. Growing commodity exports have done little to develop the labor-intensive manufacturing base necessary to draw Africa's rural workers into a high-productivity factory sector. Indeed, an influx of cheap Chinese goods may stymie the development of Africa's low-end manufacturing. As commodity prices fall, Africa's trade surplus with China could turn into a deficit.

For some African states, easy investment from China has facilitated an increase in recurrent expenditure. Taken together with stimulus packages launched in response to the financial crisis, that has eroded the fiscal buffers created through debt relief and put them at risks of a renewed crisis. Ghana, for example, has seen public debt double to 67 % of GDP in 2014, from 33 % in 2008 according to IMF estimates.

For China, there are costs in bad publicity when projects trigger social tensions. There's also a chance that loans turn sour. Angolan state media reported on June 11 that President Jose Eduardo Dos Santos had asked for a two-year debt moratorium during a state visit to Beijing, which was later denied by the Ministry of Finance on June 19. Still, set against the gains from access to critical resources and greater strategic heft in the region, those costs look manageable. Compared with the paltry returns China gets on its investment in U.S. Treasuries, increased investment in Africa through the One Belt, One Road initiative looks a good bet. *(Bloomberg Economics)*

**Mozambique Industrialisation strategy to be launched**

Mozambique's new Industrial Development Strategy will be launched in September, according to the industry and trade minister, Ernesto Tonela.

Having been discussed since late 2013, the much-anticipated launch of an industrialisation strategy reflects the government's growing economic ambitions. To complement the National Development Plan-which is a broad agenda, focused on infrastructure development, human capital investment and institutional co-ordination-the Industrial Development Strategy will focus on specific, job-intensive sectors. The new strategy will promote a mixture of interventionist and free-market strategies, with targeted subsidies and import-tariffs used alongside efforts to increase private-sector activity. In theory, it will channel investment into key sectors. There is, however, a risk that industry-specific strategies will distract from the broader priority of economic development. Although there has been progress in recent years-in manufacturing, for instance-the economy still suffers from severe infrastructure deficits and red tape. An industrialisation strategy is unlikely to overcome these constraints.

The planned launch of the new strategy also explains Mozambique's decision not to join the new pan-African trade pact, the Tripartite Free-Trade Area (TFTA), which was formally launched on June 16th. The TFTA will combine three existing African trade groups, including the Southern African Development Community, of which Mozambique is a member, in an attempt to boost
intra-African trade. Mozambique's decision not to join is unexpected, since, given its strategic coastal location and larger than average African economy, it is a net beneficiary from regional trade deals. Indeed, it already has a stronger trade presence on the continent than most of its peers; intra-African trade accounted for 23% of Mozambican GDP in 2007-11, well above the African average of 14%, according to UNCTAD.

Explaining the decision not to join the TFTA, Mr Tonela highlighted the need to examine its potential impact on national trade and industrial priorities. This is a complex undertaking, since issues of regional trade liberalisation, rules of origin and customs procedures will be central to the commercial viability of certain industries in Mozambique. Plus, it is not clear that intellectual property rights and competition laws are compatible with regional free trade, nor how priority sectors under a new industrialisation strategy might affect the TFTA. Nonetheless, Mozambique signed a declaration of intent to join the pact eventually, and Mr Tonela has set his department a 12-month deadline to address any outstanding issues. *(Economist Intelligence Unit)*

**Angolan Government to Invest $61.8m in Factories**

Govt will invest $20.9m to construct 23 factories, renew 85 existing ones this yr, weekly newspaper Expansao reports, citing decree by President Jose Eduardo dos Santos. Another 74 factories, incl. 37 new ones valued at $20.5m to be completed next year, 74 factories will be set up in 2017. Factories to focus on agribusiness, food, wood industries in rural areas. *(Bloomberg)*

**DTI eyes R3.5bn trade from FY 2015/16 missions**

Trade show participation and trade missions across Africa, the Americas, Asia, Europe and the Middle East are expected to generate R3.5-billion in trade in the 2015/16 financial year, the Department of Trade and Industry (DTI) said this week. South Africa's participation in 24 trade missions and various local companies' participation in 27 national pavilions had generated R2.77-billion in export sales during the prior financial year.

While traditional trade partners in established markets, such as Europe and countries within the North American Free Trade Agreement area, dominated export sales, at over R1.7-billion, in the previous financial year, the DTI and

business delegations facilitated export sales to the rest of Africa of R254-million, with export sales to Latin America and Asia valued at R294-million and R400-million respectively. This year, with 29 trade shows and 32 trade missions in the works, the R3.5-billion target would be met with R1.5-billion worth of export sales facilitated from Europe; R525-million from Asia; R350-million from Africa; R350-million from Latin America; R400-million from North America; and R375-million from the Middle East, Trade and Industry Minister Dr Rob Davies said in a Parliamentary reply. Of the trade missions planned to traditional markets and high-growth emerging markets, 17 would be in the most strategic market for South African value-added exports – Africa. Further investment and trade initiatives were mapped out for South Africa's counterparts within the Brics economic bloc of countries, namely China, India, Russia and Brazil. A targeted 1 025 South African companies would take part in 29 trade shows during the current financial year. The DTI would also facilitate eight inward buying missions for international buyers – three from the Americas, five from Asia, one from Europe and two from the Middle East. In the current financial year, trade missions and trade shows had already taken the DTI and business delegations to Indonesia, Zimbabwe, Zambia, Turkey, the Netherlands, Belgium, India, Nigeria, China and Latin American, securing multiple declarations and cooperation strategies and yielding export sales of nearly R1-billion. *(Engineering News)*

**Austria wants to increase trade with Mozambique**

Austria plans to increase trade with Mozambique, which was less than 20 million euros in 2014, the vice president of the Austrian Federal Chamber of Economics, Richard Schenz said in Maputo. At the launch of a business forum between the two countries, Schenz said that last year, exports to Mozambique totalled 15.3 million euros, and that Austrian imports were 4 million euros. Eleven Austrian companies attended the business forum from the health, energy, water, industry, food and specialised vehicles sectors and the Austrian Federal Chamber of Economics expects to increase trade between the two countries. Some of these companies operate in the areas of cooperation defined by the two States, particularly in energy, water and sanitation, agriculture and rural development, and Austria has a subsidised financing programme for government projects for which Mozambique can apply, said Schenz. Construction of Monapo Hospital, in Nampula province, a project costing some 5 million euros conducted by Austrian construction company VAMED, as well as other one related to bridges in Sofala province, also of the same value, are examples of initiatives funded through this programme. Austria, which has had diplomatic relations with Mozambique for nearly four decades, is part of the Programme Aid Partners group (PAP), which annually provides financial assistance to the Mozambican state. In 2014, the budget of the Austrian cooperation initiatives in Mozambique was 6 million euros, of which 1.5 million euros was made available through the PAP group, also known as the G19. *(Macauhub)*

**South Africa's Remgro buys stake in Britain's Spire for $686 mln**

South African investment house Remgro Ltd has offered 431.7 million pounds ($686 million) for almost a third of Britain's Spire Healthcare, it said. Remgro will subsequently sell the stake to Mediclinic International, South Africa's biggest private hospital group, of which it owns about 40 %, for 8.6 billion rand ($709 million).

Under the deal, Remgro will buy about 120 million shares, or 29.9 % stake, for 3.6 pounds each from buyout firm Cinven using its own cash as well as financing arranged by Rand Merchant Bank.

Mediclinic, which also runs hospitals in Switzerland and the Middle East, will fund the deal with a 10 billion rand rights offer. Mediclinic will sell just over 111 million shares at 90 rand each. Spire is the UK's second-largest private hospital operator. ($1 = 0.6292 pounds) ($1 = 12.1284 rand) *(Reuters)*

**Peugeot to build Morocco plant to cut costs, lift emerging-market sales**

PSA Peugeot Citroen unveiled plans to build a 557-million-euro ($630 million) Moroccan factory, as the French carmaker seeks to reduce both production costs and its reliance on Europe following a brush with bankruptcy.

The site near the coastal city of Kenitra will begin assembling small and subcompact models for Africa and the Middle East in 2019, Chief Executive Carlos Tavares said after signing the investment deal at Morocco's royal palace in Rabat. An initial annual production capacity of 90,000 vehicles is expected to rise to 200,000 as sales pick up, he said.

The planned factory, first reported by Reuters last November, represents a belated step by Paris-based Peugeot to expand into lower-cost vehicles and emerging markets, reducing its exposure to Western Europe's relatively stagnant demand and high production costs. It is also a sign of Morocco's growing industrial clout, which has seen it draw increasing investment in sectors ranging from cars to aerospace. Peugeot said it expects the plant to source 60 % of components locally, rising to 80 % as the supply chain develops. It will have a 4,500-strong workforce once at the 200,000-vehicle capacity. "Africa and the Middle East are historic markets for PSA and the region is expected to become a profitable driver of our internationalisation," CEO Tavares said.

The former Renault second-in-command took over at Peugeot last year following a 3-billion-euro government-backed bailout in which it sold matching 14 % stakes to the French state and Chinese carmaker Dongfeng after racking up billions of euros in losses. Under his "Back in the Race" recovery plan, Peugeot is pursuing a 5 % operating margin. The core automotive division returned to a small profit in 2014, but with about 60 % of sales still recorded in the cut-throat European market, where the profitability of mass-market carmakers is under constant pressure.

Until now, Peugeot has lacked a low-cost production capability to rival Renault plants in Romania and Morocco that assemble budget models including the hot-selling Duster SUV. The models built in Morocco are likely to replace the Peugeot 301 and Citroen C-Elysee sedans assembled in Vigo, Spain, for many of the same markets including Turkey and North Africa. They will be built on a new low-cost vehicle architecture, CMP, developed by its joint venture with Dongfeng for future models produced in China for the domestic market and South-East Asia. Weak sales of the current no-frills offerings reflect plant and labour costs that are too high to compete effectively against Renault rivals such as the Duster or comparable offerings from Hyundai and Toyota.
As output ramps up in Morocco and is expected to resume in Iran – where international sanctions have forced western carmakers to halt sales – Tavares is targeting 1 million annual vehicle sales by 2025 in the Middle East and Africa.
That represents a 12.5 % share of a market seen expanding by 44 % over the next decade, and where Peugeot's current market share stands at 3 %.
The Morocco plant represents only a modest shift by Peugeot towards lower-cost production but is nonetheless politically sensitive in France, where the carmaker is cutting jobs. Concerns mounted following the November Reuters report, which detailed plans by the carmaker to outsource some engineering functions to a Moroccan R&D centre run by Altran, a process now underway. Peugeot's CGT union said the carmaker had eliminated 14,800 jobs over the past two years, denouncing the plant investment as a sign of further pain to come. "There's no way we are going to accept that PSA's internationalisation strategy be carried out at the expense of workers," the union said in a statement. ($1 = 0.8827 euros) *(Reuters)*

**Moroccan King Lights Up Ivory Coast as Trade Pitch Pushes South**
Since the end of May, Abidjan has had a special guest: King Mohammed VI of Morocco.
Though he spent just a week in Ivory Coast’s commercial capital as part of an African investment tour, his portrait still towers over its lagoon, facing the business district’s skyline and illuminated by two spotlights at night. Moroccan flags lined main boulevards and posters sponsored by local units of two of Morocco’s biggest banks welcomed him. The monarch’s business pitch is part of his nation’s efforts to deepen trade with West Africa after the financial crisis exposed the dangers of relying too heavily on the North African country’s top export destinations, the European Union and the U.S.
But it also offers the kingdom, which has so far avoided the turmoil that’s engulfed parts of the region, the opportunity to promote its moderate Islamic theology and politics in a region where extremism is on the rise. “Moroccan companies have established a successful presence in these countries and there’s clear input from the monarchy to support this,” said Riccardo Fabiani, senior North Africa Analyst at London-based Eurasia Group. “It’s nothing compared to trade with Europe, but it’s expanding quite fast.” Lured by economic growth rates as high as 10 % and a desire to position itself as an investment and trade bridge linking Africa and Europe, Morocco doubled exports to sub-Saharan Africa from 2008 to 2013. Moroccan investment in Africa reached about 1.4 billion Moroccan dirhams ($145 million) last year, according to the Rabat-based foreign exchange regulator, about a third of total investment. A regional finance hub in the coastal city of Casablanca is being built.
**Diversifying Investments**
The knock-on effects of the EU debt crisis were felt in Morocco and a need to diversify helped fuel its southern expansion. Opportunities arose after the 2011 ouster of Muammar Qaddafi, who had deployed Libya’s energy riches across the continent to back his ambition to be a pan-African leader, and Europe’s recession, which led French banks to reduce their operations in West Africa. Ivory Coast has an excellent relationship with Morocco and it will continue, Minister of Energy Adama Toungara said on June 3. Morocco's foreign ministry spokesman Karim Medrek could not immediately comment.
With trade worth more than 27 billion euros ($31 billion) in 2013, the EU is the kingdom’s biggest commercial partner, accounting for about 50 % of its total. While Morocco’s exports to Europe are dominated by agricultural products and clothing, its charge into West Africa is led by its finance, construction and telecommunication companies.
**‘Real Opportunity’**
Attijariwafa Bank, Morocco’s biggest lender, has 312 branches in West Africa. It helps finance many of the kingdom’s regional projects, including the 100 billion CFA Francs ($171 million) cleaning of Abidjan’s lagoon, the largest of about four dozen accords signed during Mohammed VI’s visit.
Maroc Telecom bought Emirates Telecommunications Corp.’s West Africa operations this year for $650 million and plans to invest 1.6 billion dirham more in the region over the next five years. Royal Air Maroc flies from Casablanca to about half of the 48 countries in sub-Saharan Africa. “The fact that Morocco has its banks operating throughout sub-Saharan Africa is a real opportunity,” said Omar Belmamoun, director-general of Casablanca-based Platinum Power, which has operations in Morocco, Ivory Coast and Cameroon. “When you have your own bank also operating in Ivory Coast or Senegal and offering to fund your projects, that makes things simple.”
**Political Clout**
It was Mohammed VI’s third trip to Ivory Coast in as many years. Accompanied by an entourage of businessmen aboard his personal Beoing 747, the king also visited Guinea Bissau, Senegal and Gabon. His trade diplomacy is often facilitated by a common language as about a dozen West African nations, with a combined population of about 300

million, speak French. The economies of the group, which excludes Nigeria, grew an average of 5.9 % annually over the past decade. As Morocco raises its presence in West Africa, it's stepping into territory where neighbor and rival Algeria has for decades wielded significant political and security power, said Anouar Boukhars, a non-resident scholar at the Carnegie Endowment for International Peace and an analyst at Madrid-based FRIDE . Most recently, Algeria has been hosting talks between separatists and Mali's government, which is battling militants linked to al-Qaeda in the Sahel, a semi-arid region south of the Sahara.

**Promoting Stability**

Much of West Africa adopted Islam in the 11th century during the expansion of the Almoravids, an Amazigh dynasty whose capital was Marrakech. Many regard Mohammed VI, who claims descent from the prophet Muhammad, as a religious leader. About 54 % of the region's population is Muslim.

"Morocco is deploying religion as an instrument of stability and likes to promote its moderate brand" of Islam, Boukhars said. "It's trying to position itself as a counterweight to radicalization and an important actor in solving security issues in the Sahel." The monarch ended his visit with prayers alongside President Alassane Ouattara. He also offered 10,000 Korans to Ivory Coast, which has sent dozens of imams to Morocco's imam training centers. As relations deepen, Morocco's political role is likely to strengthen. "Morocco hasn't really been playing a diplomatic role," Eurasia Group's Fabiani said. "But if this economic expansion in the region continues, Morocco will be bound more directly from a political view." *(Bloomberg)*

## BANKING

### *Banks*

**China loans Zambia 29 mln USD for infrastructure**

The China Development Bank (CDB) and the Zambia-China Economic & Trade Cooperation Zone (ZCCZ) have signed a loan of 29 million U.S. dollars to improve infrastructure at its Lusaka Park, a senior Chinese bank official has said. The improvement of infrastructure at the ZCCZ was aimed at providing a better development platform for enterprises in the park, said Zhu Liqun, the president of CDB's Jiangxi branch.

Zhu said that in August 2014, CDB signed the first loan agreement with ZCCZ and Bank of China Zambia limited. Zhu hopes that through two loans of a total of 59 million dollars, it could further accelerate the development of infrastructure in ZCCZ Lusaka Park and attract more Chinese enterprises to invest in Zambia and promote local economic development. The ZCCZ is the first multi-facility economic zone declared by the Zambian government. It is also the first Chinese overseas economic and cooperation zone established in Africa. CDB has so far provided loans amounting to 410 million dollars to Zambia in areas such as metallurgy, roads, real estate, which have gone a long way in supporting the African nation's economic development and trade. *(Xinhuanet)*

**France's Natixis to make Dubai capital markets hub for Mideast, Africa**

Natixis plans to make Dubai the centre for its debt capital markets business in the Middle East and Africa as the emirate takes on a more international role for the French bank, its head of financing and global markets told Reuters. Natixis, a unit of French lender Groupe BPCE, aims to generate 51 % of its revenue from outside its home market by the end of 2017. A large chunk of the bank's business in Africa is booked out of its headquarters in Paris, but a growing slice now originates in Dubai. "We are not very far from making Dubai the centre for DCM [debt capital markets] for Middle East and Africa," Olivier Perquel, the bank's head of financing and global markets, said in an interview with Reuters. "For the time being, it is clear Dubai could have some people who will have a more global role than just GCC [Gulf Cooperation Council], so we could see Dubai's role as a hub growing slightly more than our other offices." The emirate has emerged as the biggest commercial centre for the Middle East and its ties with Africa have tightened with improving air and sea connection.

In the past two years, Natixis has increased staffing levels in Dubai by around 50 % to 45 people. The Middle East and Africa accounted for 3 % of Natixis's 317 billion euros ($361.09 billion) total global exposure at the end of March, according to the bank's financial statement. "In Dubai the three big drivers are transportation, tourism and trade," Simon Eedle, group regional head of the Middle East at Natixis, said. "We are working with the Gulf airlines, [while] trade is something we are looking to build to enable credit to names we know they can repay and for tourism, if we see a deal with good cashflow we will look at it." In Africa, the opportunities are in energy, commodities, infrastructure projects and debt capital markets, Perquel said. Infrastructure spending in sub-Saharan Africa will grow by 10 % per year over the next decade to reach more than $180 billion by 2025, accountancy firm PwC estimated in a recent report. ($1 = 0.8779 euros) *(Reuters)*

**Bob Diamond Has a Rival as Cortina Eyes Africa Bank Deals**

Ex-Barclays Plc Chief Executive Officer Robert Diamond has a rival: Spanish billionaire Alberto Cortina, who is building a banking presence in West Africa to take advantage of demand from sovereign and corporate clients.

Cortina is conducting due diligence on a retail bank in Senegal after his Banque de Dakar investment bank started operations in the West African nation this month, he said in an interview in Madrid. He's also planning to set up an investment banking unit in Ivory Coast to the East by the end of the year.

Africa is attracting investor interest as growth outstrips that of many developed countries. Diamond and Ugandan entrepreneur Ashish Thakkar set up Atlas Mara Ltd. to acquire African financial service companies and is in talks to invest in Banque Populaire du Rwanda. David Bonderman's TPG Capital is also looking at deals, and said last week it partnered with billionaire philanthropist Mo Ibrahim's Satya Capital to invest in African healthcare, consumer and financial services.
Cortina and a group of partners, which he declined to name, plan to operate in the West African Economic and Monetary Union region, known by its French acronym UEMOA. The region contains relative political stability and a common currency, the West African CFA franc, backed by the French central bank, he said. Through the investment bank, the company aims to act as an adviser on corporate deals as well as sovereign and company issuances and private banking, said Cortina, speaking alongside Vasco Duarte-Silva, a former banker at Citigroup Inc. and Banco Santander who is leading the BDK Group in Senegal.
Cortina says he felt the "special call of Africa" when visiting for the first time in the early 70s. While he made his wealth in construction more than four decades ago, he has a wide range of investments, from oil to dairy products, including a dairy venture in Nigeria. He also owned a farm in Kenya for several years and was married to a heiress in the 70s.
Diamond quit as Barclays Plc CEO in July 2012 after the London-based bank was fined for manipulating benchmark interest rates. He and Thakkar raised $325 million in an initial public offering for Atlas Mara in December 2013. They're looking for African financial services companies that can help businesses manage currency and commodity risks.
Atlas Mara and BDK aren't the only ones excited by West Africa's prospects. South Africa's Standard Bank Group Ltd also plans to expand in the region, using Ivory Coast as a hub, Herve Boyer, the bank's regional managing director for French-speaking West Africa, said in August. Buyout firm The Abraaj Group recently raised about $1 billion for its third Sub-Saharan Africa fund, which is targeting mid-market companies in countries including Nigeria, Ghana, Ivory Coast and Kenya. *(Bloomberg)*

**Mozambique's Banco Terra expects profits fin 2016**
Banco Terra Moçambique (BTM) launched a new corporate image, signalling a change in the focus of the bank, whose president, Manuel Aranda da Silva, expects profits for 2016 after "several mistakes were made in the past." The new brand, which adds "Moçambique" to the name "Banco Terra" (Land Bank) and will use the acronym BTM has now definitively taken on a clear commercial focus, which has been implemented since 2014 following the entry of a new shareholder, Portugal's Montepio Holding and after an initial phase focused on agricultural development. With losses of about US$9 million in 2014, BTM currently has a registered capital of US$50 million, expecting profits "however small" in late 2016, according to Manuel Aranda da Silva's remarks to Macauhub in Maputo. A "heavy structure" in the bank's initial phase along with an "unsustainable mission" to have the sole purpose of the "granting loans for rural development, agriculture and agri-business" were, according to the president of BTM, the big mistakes made by the bank in the past. And so, in addition to investment in agriculture, which accounts for about 40 % of the bank's loan portfolio, "against an average of 4 % for other banks," BTM wants to diversify its products, by providing mortgages, for example. Now with nine branches throughout the country, the bank's plans are to expand to all provinces, particularly those of Niassa and Zambézia, and increase its presence in urban centres, starting with the capital, Maputo, where it has a single branch, but plans to open three more. In the new corporate structure of BTM, which has 185 workers and more than 30,000 customers, Montepio Holding has a 45 % stake, as does Dutch Rabobank (45 %), and the remaining 10 % is split between development companies, Norfund of Norway and GAPI of Mozambique. *(Macauhub)*

**Islamic bank finances power transmission line in Mozambique**
The Islamic Development Bank (IDB) will provide US$200 million to finance construction of a power transmission line in Mozambique, the Mozambican Minister of Economy and Finance said recently. Adriano Maleiane, who was speaking at the closing session of the 40th annual meeting of the IDB, said the line to be built between Chimwara (Zambézia province) and Nacala (Nampula province) aims to meet growing demand for energy in the north and centre of the country, replacing the current line, which is operating at maximum capacity. The minister also said the cost of this power transmission line is currently estimated at US$600 million.
In addition to this funding, the parties signed two agreements, including one for the IDB to support Mozambique in the areas of training, in particular training of entrepreneurs on the Islamic model of finance and private sector development. During his speech, IDB President Ahmad Ali, reiterated the commitment to support Mozambique and stressed the need to intensify support for the private sector in the country. *(Macauhub)*

*Markets*
**Angola economy: Kwanza**
The Banco Nacional de Angola (BNA, the central bank) has devalued the official rate of the kwanza by 6%. The continued low price of oil, the government's key source of revenue, has been putting pressure on the kwanza for some time. The BNA rate slipped from Kz98.5:US$1 in September 2014 to Kz110:US$1 at the start of June, while the

parallel-market rate was at Kz160-170:US$1. The 6% devaluation, carried out on June 4th, is the largest single reduction since 2009, when low oil prices forced the BNA to release the kwanza from its long-standing dollar peg, dropping the currency from Kz75:US$1 to Kz97:US$1 in a bid to match the parallel-market rate which was at Kz100-110:US$1. Despite this latest drop, however, the informal rate has not gone down, with street currency traders in central Luanda, the capital, selling dollars at between Kz180:US$1 and Kz200:US$1-if they have any to sell at all. Meanwhile, the Portuguese news agency LUSA reported that commercial banks were selling the currency at Kz120:US$1.
The paucity of foreign exchange in Angola has led to the BNA imposing restrictions on withdrawals and international transactions. A number of firms are reporting difficulties in paying overseas suppliers and wages, and this has created bottlenecks in a number of economic sectors, including construction and industry. Angola's vulnerability to global oil prices, and the urgent need for it to diversify its economy way from hydrocarbons, is underlined by this currency crisis. The government is trying to play down the problem and promote its non-oil growth initiatives instead, but the shortages of foreign exchange are hampering efforts to develop other parts of the economy, and there is a strong likelihood that the state will once again run up arrears with its contractors. Moreover, the combination of the currency devaluation and the sharp reduction in fuel subsidies announced in late April is nudging up Angola's inflation rate. According to the latest price bulletin from the Instituto Nacional de Estatistica, consumer prices rose by 0.71% between April and May. *(Economist Intelligence Unit)*

**National Bank of Angola issues 50 and 100 kwanza coins**
The Angola National Assembly authorised the country’s central bank to issue and put into circulation coins of 50 and 100 kwanzas, an initiative included in the commemorations of the 40th anniversary of the country’s independence, Angolan news agency Angop reported. Under the authorisation, the National Bank of Angola will be able to issue 50 million coins in denominations of 50 kwanzas and the same number of coins of 100 kwanzas. The coins features include the term “Republic of Angola” and the raising of the flag on the proclamation of national independence, which took place on 11 November, 1975. On the “head” side of the coins there is a child representing the Angolan pioneer and a mast with the national flag, with the inscription “40th Anniversary of National Independence, 1975 – 2015.” The 50 kwanza coin has metallic colour, while the 100 kwanza coin is bronze coloured and both are semi-serrated. Following this authorisation, by the end of the year Angola will have six different coins (50 cents, 1, 5, 10, 50 and 100 kwanzas) in circulation and seven notes (50, 100, 200, 500, 1,000, 2,000 and 5,000 kwanzas). *(Macauhub)*

**Emaar deal to be first of a series of IPOs**
An initial public offering (IPO) of shares in the Egyptian arm of Dubai-based Emaar Properties is to be held on the Egyptian Stock Exchange and is scheduled to start on June 16th and run until June 25th. The deal is part of a revival of new share activity that started with the dual listing of US$185m worth of shares in Orascom Construction in Egypt and Dubai in March 2015. Emaar Misr will offer 600 shares, comprising 13% of its equity, to be priced between E£3.5 (46 US cents) and E£4.25. At a mid-point pricing, this would give the company a market capitalisation of E£17.9bn (US$2.3bn).
The IPO will have positive implications for Emaar's construction activity in Egypt, as the proceeds will allow the company to push ahead with its ongoing investment in three major real-estate projects: Uptown Cairo, Mivida, to the east of the capital, and Marassi, a resort to the west of Alexandria. Some of the funds raised will also be allocated to the pre-launch costs of the developing the Cairo Gate mall in 6 October City, south-west of Cairo. Emaar's chairman, Mohamed Ali Alabbar, is also a partner in Capital City Partners, which aims to develop a new capital city to the east of Uptown Cairo.
Other deals in the pipeline include an IPO of shares in Egyptian Centres, the local mall-operating arm of Saudi Arabia's Fawaz Alhokair Group. Similarly, the IPO will raise the necessary capital to support the expansion of the Mall of Arabia, developed by Alhokair in 6 October City. The Egyptian president, Abdel Fattah el-Sisi, has said in the past that Egypt needed around US$200bn in investments in order to revive its economy and create enough jobs for the country's expanding population. Central Bank of Egypt data for the first three quarters of the 2014/15 fiscal year (July-June) showed that net foreign direct investment has almost doubled to US$5.7bn, compared with US$3.1bn in the corresponding period of 2013/14, signalling rising investor confidence in the Egyptian market.
Importantly, the recent IPOs will be a welcome boost to portfolio investment; in the first three quarters of 2014/15, there was a net outward portfolio investment flow of US$2.1bn, compared with a net inward flow of US$1.2bn in the corresponding months of 2013/14. *(Economist Intelligence Unit)*

**Devaluation of Angola’s currency is due to market fluctuations**
The recent devaluation of the Angolan kwanza was due to market fluctuations and there are no plans for a slight reduction in the value of the national currency, the governor of the National Bank of Angola (BNA) said Tuesday in Luanda. José Pedro de Morais said that the “first mission” of the central bank “is not to defend the parity of the kwanza at all costs,” but rather, “drive the adjustment of the economy and create conditions” to ensure growth targets, according to Portuguese news agency Lusa. The governor, who was speaking on the sidelines of the presentation of a financial training project for the Angolan education system, also recalled that the current forex market worked based on floating rates “influenced by the fluctuations of supplyand demand,” currently aggravated by a strong need for foreign currency.

At the BNA official exchange rate on Angola's currency exceeded 118.9 kwanzas per dollar, reflecting a devaluation of over 6.6 % since 4 June. The official price is still far from the prices in the informal market, the only solution for customers' difficulties in accessing foreign currency, in which the dollar is selling at rates of over 180 kwanzas. The central bank announced on 28 May it intend to "decompress" the currency crisis in the country created by the oil crisis, which since October has reduced foreign exchange inflows into the country, at which time the dollar was worth less than 100 kwanzas. The Centre for Studies and Scientific Research of the Catholic University of Angola in its annual economic report called for an immediate devaluation of Angola's currency against the dollar, to curb speculation on the black market. *(Macauhub)*

**Angola c.bank says will not defend kwanza "at all costs"**

Angola's central bank will not defend the kwanza "at all costs" and it does not expect abrupt movements in the currency despite lower oil prices sapping U.S. dollar supply, the central bank governor said. "The first mission of the central bank is not to defend at all costs the Angolan national currency," Jose Pedro de Morais said in remarks made late on Tuesday to journalists. Amilcar Silva, President of Angola´s Commercial Bank Association, told Reuters the economy was in the throes of an "exchange crisis" because of the foreign currency shortage. Angola's central bank devalued the kwanza by about 6 % against the dollar this month, a move analysts said was aimed at stimulating foreign currency inflows eroded by falling global oil prices. Angola is Africa's second-largest crude producer and President Jose Eduardo dos Santos asked China for a two-year moratorium on debt repayments, state media reported last week, to shore up public finances hit by the oil price slump. *(Reuters)*

**Tanzania's Eurobond launch now imminent**

Tanzania is now set to launch its long awaited Eurobond to fund major infrastructure projects after concluding negotiations with the Moody's and Fitch Ratings for credit rating. The Minister for Finance and Economic Affairs, Ms Saada Mkuya Salum, said in her budget speech here last week that the government would sign agreements with the two credit rating agencies before the end of the month. "Talks between the government and Moody's and Fitch Ratings for credit rating have been concluded. We hope the government will sign agreements with these companies before July 2015," she said. A credit rating is an evaluation of the credit worthiness of a debtor, especially a business entity or a government, but not individual consumers. The evaluation is made by a credit rating agency of the debtor's ability to pay back the debt and the likelihood of default. The credit rating represents the credit rating agency's evaluation of qualitative and quantitative information for a company or government; including nonpublic information obtained by the credit rating agencies' analysts. The credit rating is used by individuals and entities that purchase the bonds issued by companies and governments to determine the likelihood that the government will pay its bond obligations. A poor credit rating indicates a credit rating agency's opinion that the company or government has a high risk of default ing, based on the agency's analysis of the entity's history and analysis of long term economic prospects.

Minister Salum did not say how much the bond would be worth, but she was quoted by media recently as saying the amount of the Eurobond will be determined by the assessment of the credit raters where the country expects good credit rating on the back of sustained economic growth and sound fiscal policies. However, some observers say Tanzania will need to raise up to US1 billion for purposes of financing infrastructure projects, particularly roads and railway networks Tanzania is inching closer to join the middle-income countries group after enjoying a robust growth of the economy that has pushed down poverty and boosted people's income. The East Africa's second largest economy registered a seven per cent growth rate of the economy last year which boosted the total output of the economy to 79.1 tri/, equivalent to a per capita income 1,724,416/- or 1,038 US dollars. According to World Bank classifications, for the current 2015 fiscal year, low income economies are defined as those with a GNI per capita, calculated using the World Bank Atlas method of 1,045 US dollars or less in 2013. Middle-income-economies are those with a GNI per capita of more than 1,045 US dollars but less than 12,746 US dollars. Ms Salum had told earlier saying some investors predict a somewhat similar score to Mozambique. According to information posted on the Trading Economics website in February, Standard & Poors credit rating for Mozambique stands at B+ and Fitchs credit rating for Mozambique is B.

Some prominent economists and analysts have, however, called upon the government to suspend the process until next year, on grounds that the country might not secure a good score. "There are lot of political risks and economic challenges at present. We have a general election in October and the situation seems to be tense," said Professor Honest Ngowi, of Mzumbe University. The Eurobond process in Tanzania was originally launched in 2008, but was postponed due to the global financial crisis and launched again in 2012 with the intention of issuing the Eurobond during the 2012/13 financial year. Ghana is the first African beneficiary of debt relief to tap international capital markets, after it floated a 750 million US dollar 10-year Eurobond in 2007. Since then, other countries such as Senegal, Nigeria, Zambia and Rwanda have followed suit. Nigeria has, since its debt-relief of 2004, twice raised money from Eurobonds; first in 2011 with a 500 million US dollar 10-year Eurobond and then in 2013 when it issued a 500 million US dollar 5-year bond at a yield of 5.375 per cent and a 500 million US dollar 10-year bond with a yield of 6.625 per cent. Last year Kenya raised a record 2.0 billion US dollar Eurobond, the largest debut for an African country in the sovereign bond market. *(Daily News)*

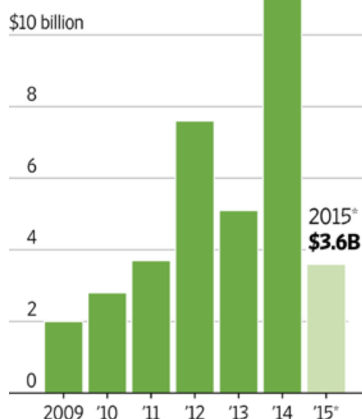
***Fund***

**Private Equity Hunts for Oil Deals Outside U.S.**

Funds that profited from North American energy deals are now looking almost everywhere else

Private-equity funds that once profited from energy deals in North American shale have found a new bargain basement for cut-price oil-and-gas fields: almost everywhere else. Flush with cash from recent fundraising, the groups are looking for assets with owners who have been hurt by the precipitous fall in oil prices—from the North Sea to Nigeria, South America to Southeast Asia. Their previous success in North America—where unconventional oil drilling has led to a boom—has stoked demand from investors, such as pension funds, endowments and insurance companies. “The fall in the oil price has given us opportunities to buy larger assets and larger companies,” said Marcel van Poecke, a managing director for Carlyle International Energy Partners, or CIEP. “The next two years are obviously a very good investment period,” he said. The activity comes after the sharp decline in oil prices from last summer’s peaks of around $114 a barrel to lows of under $50 in January, making assets significantly cheaper across the board. With their share prices falling with the price of oil, smaller companies have had a tough time refinancing debt and raising much-needed capital to carry on drilling, providing an opening for private-equity firms to move in.

“Cash is king. Equity markets are closed to oil and gas companies,” said Darren Spalding,energy lawyer and partner at Bracewell & Giuliani. Mr. van Poecke is one of a wave of private-equity bosses looking to invest outside North America. Carlyle said in March that investors had committed $2.5 billion to its first international energy fund, the biggest first-time raise in its history, giving the group over $10 billion to invest in energy. CIEP is now on the hunt for upstream assets in the North Sea, and producing fields in Nigeria or Southeast Asia, Mr. van Poecke said. It is also evaluating oil-field services companies that have been at the sharp end of the oil-price swoon, he said. Sam Laidlaw, former CEO of U.K. energy company Centrica PLC, has been tapped to head a new $5 billion oil-and-gas investment vehicle backed by private-equity firmsCarlyle Group and CVC Capital Partners. The fund—Neptune Oil & Gas Ltd.—will focus on large-scale opportunities in the North Sea, North Africa and southeast Asia. In January, KKR appointed Haroun van Hövell as head of its energy team, part of the group’s plans to build that group outside of the U.S. Blackstone’s Mustafa Siddiqui moved to London from New York last year to lead the firm’s energy activities in Europe, the Middle East and Africa. Blackstone has around $8 billion to spend on energy deals globally. Blackstone Energy Partners and Blue Water Energy have already invested $500 million in Siccar Point Energy, a new U.K.-based oil company focused on the North Sea that aims to build a big position in the region as the larger oil firms, such as France’s Total SA andRoyal Dutch Shell PLC, seek to reduce their holdings in the area. Messrs. Siddiqui and van Hövell declined to comment for this article. Mr. Laidlaw didn’t respond to requests for comment. The moves come as Royal Dutch Shell’s $70 billion proposed acquisition of BG GroupPLC gives buyers and sellers a yardstick to measure other deals against, bankers and lawyers said.




Private equity-backed deals in oil and gas outside North America more than doubled in value in 2014 compared with 2013 to $11.4 billion, according to data provider Preqin. This year, as of June 17, the deal value outside North America is at $3.6 billion. So far this year, private-equity firms managing buyout and natural resources funds that are focused on oil and gas investment outside of North America have raised $2.5 billion, according to Preqin, more than double the amount raised in 2013 before the oil price fall in the following year.

The firms are looking in particular at the North Sea, a region with aging fields and declining production where the oil price fall has hit hard, making assets cheaper. They have also looked to West Africa, where oil that once went to the U.S. has been pushed out by shale, and South America, East Africa and Asia, where the drop in the oil price has also created opportunities to take over smaller projects.

In May, funds advised by Helios Investment Partners agreed to invest $100 million for a 12.4% stake in Canada-listed Africa Oil Corp, which has assets in Kenya and Ethiopia as well as Somalia. Simon Eyers, a managing director at Warburg Pincus, which has been a pioneer in energy investing, said the firm’s recently raised $4 billion global energy fund, which closed in October last year, would focus on energy exploration and production across the globe as well as power, services and mining.

But private equity’s success in the international energy sphere hasn’t always been straightforward. White Rose Energy Ventures LLP, which was partly backed by Riverstone and other partners, failed to find oil off the coast of Angola after drilling two deep water wells last year at a cost of more than $300 million, illustrating the risks of international oil exploration. Riverstone declined to comment. *(Wall Street Journal)*

**TPG to invest up to $1bn in Africa with Satya Capital**

TPG, one of the world’s biggest private equity houses, is making its first foray into Africa as it prepares to invest up to $1bn in Africa through a tie-up with Sudanese billionaire Mo Ibrahim.

The money will come from TPG Growth, the US firm's middle market platform, rather than from raising a specific fund for Africa, and will work with Mr Ibrahim's $500m private equity fund, Satya Capital. "There's nothing we'd like more than to invest $1bn across Africa," William McGlashan, managing partner of TPG Growth, which manages $7bn of TPG's total of $70bn under management. TPG joins other large US private equity houses, including Carlyle and KKR that have turned to Africa for the first time in recent years. Mr McGlashan said strong growth on the continent, the group's consumer expertise and the Ibrahim partnership triggered the move. "The last major market that we have not gone into in the world is Africa; and we wanted to do it in the right way," said Mr McGlashan, adding Satya would benefit from TPG's sector experts and TPG from Satya's local knowledge.

The new union owes its birth to the intervention of Irish rock star Bono, who is also an anti-poverty campaigner in Africa and an investor in TPG. At the request of TPG, Bono hosted a meeting between Mr Ibrahim and Mr McGlashan along with TPG Capital founder David Bonderman at his home in Ireland. "Bono's a friend . . . he obviously has a long history in Africa; it was the natural thing to ask his advice," Mr McGlashan said.

Many new investors are attracted by African growth rates above global averages, forecast at 4.5 per cent this year. Last year, private equity deals in Africa reached a seven-year high, at $8.1bn. But industry experts say some private equity funds have fared poorly in Africa. Mr McGlashan said: "We look at Africa as one of the most growthful markets in the world; but also a market where you have to be very savvy and sophisticated about who you're dealing with on the ground." Mr Ibrahim set up Satya with proceeds from the $3.4bn sale in 2005 of the pan-African mobile phone operator Celtel that he founded seven years before. Satya has since backed a bank and a hospital in Nigeria — where Mr Ibrahim was once struck down with malaria — as well as a toothpaste manufacturer in Tanzania.

But Satya has made fewer deals than other similar-sized funds, with $300m still to invest after seven years, and it has made no investment for two years.

Both sides describe the new partnership rather hazily as "a joint platform". TPG Growth will now jointly employ Satya's staff in the UK and South Africa and consider deals from $1m to upwards of $200m in the hunt for Africa's entrepreneurs. "There's no deal too small or no deal too big for us; that is why this deal is unique," said Mr Ibrahim, who said Satya is considering three deals, in healthcare, education and retail, which have now become part of TPG's pipeline too. Mr McGlashan said the first joint deal would go through in "the next weeks". *(Financial Times)*

**Bonderman teams up with Ibrahim for African private-equity deals**

Billionaire investor David Bonderman's TPG is joining with London-based Sudanese entrepreneur Mo Ibrahim to invest in Africa, where the US private-equity firm's biggest rivals are already making acquisitions. TPG Growth, a backer of US startups, including Uber Technologies and Airbnb, will work with Mr Ibrahim's Satya Capital. They will invest jointly, with 70% of funds coming from TPG and the rest from Satya Capital, in an effort to combine TPG's global network with Satya's knowledge of Africa. "We are seeing really interesting opportunities to partner with great companies and entrepreneurs," Bill McGlashan, managing partner of TPG Growth, said in an interview. "A lot of the growth you've seen play out in the US, India and China, we are seeing now beginning to play out in Africa."

Mr Ibrahim built mobile phone company Celtel to operate in African countries that other service providers had avoided. He sold Celtel for $3.4bn in 2005, making a fortune for himself and his private equity backers. Mr Ibrahim then started Satya and a foundation which awards a multimillion-dollar prize to democratically elected African national leaders who peacefully leave office. "Africa has interesting startups which can very quickly become very interesting businesses, if they have the support," Mr Ibrahim said. "We will also be looking for good businesses which need to scale up. We need to create world-class businesses in Africa."

Private-equity fundraising for sub-Saharan Africa hit $4bn last year, more than triple the total in 2013. US private-equity firms Blackstone Group LP, Carlyle Group LP and KKR & Co all have made investments on the continent in recent years as economic growth has accelerated. Irish rock star and anti-poverty activist Bono introduced Mr Ibrahim to Mr Bonderman and Mr McGlashan earlier this year at his house in Ireland. Bono and Mr McGlashan know each other through Fender, the guitar maker that TPG owns. Bono is on the board.

Investors such as TPG can help create the jobs that Africa needs to increase economic growth and prosperity, Mr Ibrahim said. The goal of Mr Ibrahim's political prize is to promote the good governance that both citizens and investors depend on, Mr Ibrahim said. He isn't involved with selecting prize winners, and declined to say whether Nigeria's Goodluck Jonathan, who lost the presidential election earlier this year, could win." I am not a member of the prize committee," Mr Ibrahim said. "It would be improper for me to say anything about anybody." *(Wall Street Journal)*

***Tech***

**MTN, Western Union Sign Mobile Money Transfer Deal**

It will now be easy for Rwandans living abroad to send money to their relatives back home following the launch of a new mobile money transfer service by MTN Rwanda and Western Union, a global money transfer service firm.

Ebenezer Asante, the MTN Rwanda chief executive officer, said the new service allows subscribers in Rwanda, who use MTN Mobile Money service to receive Western Union money transfer transactions directly on their mobile phones. "This will significantly reduce the time used to physically go to Western Union branches to pick up cash. Asante said this also means that Rwandans living abroad can remit money back home to MTN subscribers "swiftly and with greater

convenience". "MTN is committed to offering innovative services that help improve customers' quality of life," he added. The telecom firm currently has over three million mobile money customers. Eric Nisingizwe, a local importer, said the service could ease business transactions and operational costs for enterprises," Nisingizwe said. To access the service customers need an active MTN Mobile Money account to receive money directly on to the mobile phones. To retrieve their money, dial *182# and follow prompts. The receiver uses a secret code (MTCN code) which is provided by the sender to access the money. Enter your mobile money pin to confirm the amount of money credited to your account. Early this year, MTN Group signed a collaboration agreement that will allow MTN mobile money users in Uganda, Rwanda and Zambia to make international remittances with M-Pesa customers in Kenya, Tanzania, the DR Congo, Mozambique and vice versa. According to a recent statement from MTN, about 85 per cent of its subscriber base is registered on mobile money platform. Over 70 per cent Rwandans own mobile phones, according to Rwanda Utilities Regulatory Authority. Meanwhile, Northern Corridor countries - Rwanda, Uganda and Kenya - are on the verge of rolling out cross-border mobile money transfer services under the One Area Network. "We are waiting for the Bank of Uganda to give us the "no objection"... Otherwise, we are ready to go on the Rwandan side. We are yet to hear from the respective central banks of Kenya (and Tanzania, which is joining the initiative at an advanced stage) since we submitted the applications for the service recently," Teta Mpyisi, the MTN Rwanda corporate communications and PR manager, explained yesterday. *(allAfrica.com)*

**MasterCard and Ecobank Group agree to accelerate electronic payments adoption in 32 Sub-Saharan African countries**

Leading pan- African banking group Ecobank Transnational Inc. ("Ecobank") signed a landmark multi-country agreement with global payments technology company MasterCard to bring MasterCard's payment solutions to more than 32 sub-Saharan African markets. It is a move that is expected to increase the acceptance and adoption of electronic payments in Africa.

A culmination of the multi-country licensing agreement signed by MasterCard and Ecobank in January 2014, this initiative will see Ecobank issue MasterCard debit, prepaid, and credit cards to millions of its customers over the next 10 years. Ecobank will also roll out innovative MasterCard acceptance solutions designed to expand the number of merchant locations that accept MasterCard payment cards on the continent.

Albert Essien, Group Chief Executive Officer of Ecobank, says: "This collaboration with MasterCard will enable us to achieve our vision of contributing to the economic and financial integration and development of the African continent by rolling out convenient, accessible and reliable financial products and services to our customers. Specifically, the initiative enables us to extend our MasterCard acquiring capabilities at thousands of merchants across Africa, grow our e-commerce acquiring business, and expand our service offerings to retail and commercial customers in Africa."

Michael Miebach, President, Middle East and Africa at MasterCard, adds: "Bringing the benefits of electronic payments to markets across Africa and creating a world beyond cash is a primary focus for MasterCard. By collaborating with a leading pan-African financial institution such as the Ecobank Group with its extensive regional reach and established infrastructure, another successful step has been taken in ensuring access to safe, secure and convenient payments via MasterCard payment solutions."

Over 1300 Ecobank subsidiaries will issue MasterCard- branded cards in Benin, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic (CAR), Chad, Congo, Cote d'Ivoire, Democratic Republic of Congo (DRC), Equatorial Guinea, Gabon, The Gambia, Ghana, Guinea, Guinea Bissau, Kenya, Liberia, Malawi, Mali, Mozambique, Niger, Rwanda, Sao Tome, Senegal, Sierra Leone, South Sudan, Tanzania, Togo, Uganda, Zambia and Zimbabwe. Ecobank Nigeria, the largest of the Ecobank Group's 36 African subsidiaries, already began large-scale issuing of MasterCard payment products in April 2014.

As a result of the agreement, cardholders will now be able to access their funds at millions of automated teller machines in Africa and worldwide. They will also be able to pay for products and services in 210 countries and territories where MasterCard payment cards are accepted today.

The agreement will also see Ecobank roll out thousands of mobile point of sale devices to retailers in selected African countries, further boosting Ecobank's current pan-African network. Mobile point of sale devices allow merchants to process MasterCard payment card transactions by connecting their smartphone or tablet to a secure card reader, enabling them to overcome infrastructure and communication challenges that may arise when using traditional POS devices.

Ecobank will also introduce the MasterCard Payment Gateway Service in selected countries to enhance online commerce for Ecobank's small and medium enterprise, commercial and corporate customers. The e-commerce payment technology enables merchants to accept MasterCard or other branded payment cards, extending the security and convenience of electronic payments to these e- tailers and their customers who previously depended on cash. It also brings an additional layer of online shopping security to cardholders through the implementation of 3D Secure technology. "The increased number of MasterCard acceptance locations in Africa means that more consumers and merchants can enjoy the additional protection from the risks and costs associated with cash. This is especially important in Africa, where more than 90 % of transactions are still conducted in cash," says Miebach. *(allAfrica.com).*

## INFRASTRUCTURE

**China loans Zambia 29 mln USD for infrastructure**

The China Development Bank (CDB) and the Zambia-China Economic & Trade Cooperation Zone (ZCCZ) have signed a loan of 29 million U.S. dollars to improve infrastructure at its Lusaka Park, a senior Chinese bank official has said. The improvement of infrastructure at the ZCCZ was aimed at providing a better development platform for enterprises in the park, said Zhu Liqun, the president of CDB's Jiangxi branch. Zhu said that in August 2014, CDB signed the first loan agreement with ZCCZ and Bank of China Zambia limited. Zhu hopes that through two loans of a total of 59 million dollars, it could further accelerate the development of infrastructure in ZCCZ Lusaka Park and attract more Chinese enterprises to invest in Zambia and promote local economic development. The ZCCZ is the first multi-facility economic zone declared by the Zambian government. It is also the first Chinese overseas economic and cooperation zone established in Africa. CDB has so far provided loans amounting to 410 million dollars to Zambia in areas such as metallurgy, roads, real estate, which have gone a long way in supporting the African nation's economic development and trade. *(Xinhuanet)*

**Tanga Port Poised to Offload Petroleum Products**

The government, through the Energy and Water Utilities Regulatory Authority (EWURA), is finalising preparations to start using the Tanga Port to offload Petroleum product imports under the Bulk Procurement System (BPS). EWURA Director Genera, Mr Felix Ngamlagosi, explaining during a stakeholders meeting, said using Tanga Port to offload imported petroleum products would reduce costs of petroleum products and boost the region's economy, making more vibrant as opposed to the current situation. Mr Ngamlagosi said that using the Tanga Port as a second discharging point of imported petroleum products will help decongest the Dar es Salaam Port and reduce delays for ships to dock before they are offloaded from the current two days to zero to make it more efficient. He stressed that depending on one main Port of Dar es Salaam was very risky, considering security of supplies of petroleum products for the country, adding in case of a problem it would be easy to control with alternative ports in the country. The EWURA boss noted that the decision to use the BPS was because it had proved more efficient, simplifying the process for government to collect taxes and to conduct inspections of the imported petroleum products. "We are collecting views from different stakeholders, looking at infrastructure and other challenges so that decisions can be made in June and by July, this year, offloading of imported petroleum products at the Tanga Port can begin," he explained. Mr Ngamlagosi underscored the importance of using alternative ports in the country to increase the efficiency of the Dar es Salaam Port, which is competing with other major ports in Africa such as the Mombasa Port in Kenya, ports of Richards Bay and Durban in South Africa, Port of Beira in Mozambique and Walvis Bay in Nambia.

Port of Richards Bay is South Africa's premier bulk port and the most modern. The Acting Director General of the Tanzania Ports Authority (TPA), Mr Awadhi Massawe, said the authority welcomed the move as Tanga Port was readying itself to handle the consignments. "The move considered a lot of factors including security concerns (for Dar es Salaam Port), economic factors, we hope the move will have spiraling effects on the economy," Mr Massawe told a couple of editors.

According to him, Tanga Port is the second largest port after Dar es Salaam, with the capacity of handling 750,000 metric tonnes per year. Last year, Dar es Salaam Port handled 14.6m metric tonnes while Tanga Port handled 579,000 metric tones.

On his part, the Tanzania Sisi Nyumbani (TSN) Chief Executive Officer (CEO), Mr Farough Baghozah, said they would be ready to start using the port by August since the company's storage facility was currently under rehabilitation. He said the company has a storage facility with a capacity of 7,200 metric tonnes, noting that they plan to invest in more storage facilities in future. GBP Company has a total storage capacity of 19,000 metric tones for Automotive Gasoil and 6,200 metric tonnes for Premium Motor Spirit. The company also plans to invest in more storage facilities with much larger capacity to more than 80,000 metric tonnes and above. Apparently, these are the only facilities that are in a condition to receive products to be offloaded at Tanga depot.

The GAPCO company has facilities with a total storage capacity of 3,500 metric tonnes, which were not in use for a long time. GAPCO is evaluating the possibility of refurbishing the storage tanks and the pipeline infrastructure.

The Acting Chairperson of EWURA Government Consultative Council (EWURA GCC), Engineer Amani Mafuru, said the council was supporting the idea of using the Tanga Port as a second offloading point for imported petroleum products, which will rejuvenate the region's economy and decongest the Dar es Salaam Port.

The EWURA consultative council noted that the regulatory authority should specify the kind of petroleum to be discharged at Tanga Port, recommending that the port should be used for transit Petroleum products to make it easier to set the pricing. *(allAfrica.com)*

**Maersk Targets Nigeria, Kenya Ports in Africa Expansion Push**

A.P. Moeller-Maersk A/S, owner of the world's largest shipping container line, is seeking to win contracts to build and upgrade ports in Nigeria and Kenya as the Danish company expands its African operations. Maersk is awaiting a final sign-off on a contract to help build a new port in Badagry in Nigeria's southern Lagos state, according to Lars Reno Jakobsen, the company's senior vice president for Africa. "That project, once it's been finalized, could be more than $2

billion in terms of investment," he said in an interview at the World Economic Forum in Cape Town on. "Hopefully we can start some time this year. It will provide capacity, not only for containers, but also for oil, break-bulk and offshore."
Maersk employs almost 10,000 people in more than 40 African nations and generates about 10 % of its sales in and around the continent. Besides its shipping business, the Copenhagen-based company supplies oil- and gas-related services. The company's APM Terminals unit operates 10 West African ports. "We are actively looking in East Africa for opportunities," Jakobsen said. "There is an ongoing tender process for the port of Mombasa, where APM Terminals has shown interest" in operating two new berths in the Kenyan city. Maersk is also working on a $1 billion expansion to Ghana's Tema port in collaboration with the west African nation's ports authority. The project includes the construction of four new berths and will more than quadruple the port's capacity.
In 2013, Maersk partnered with Bollore SA and Bouygues SA to win a 450 million-euro ($500 million) contract to build a second container terminal in Abidjan, Ivory Coast's commercial capital. The terminal would start operating in 2016, Ballore said at the time of signing the deal. "That's progressing according to plan," Jakobsen said. "It's in accordance with what has been agreed with the Ivorian government and the port authorities." Maersk sales from Africa have been growing at 5 % to 6 % a year, tracking the continent's economic growth, and Jakobsen expects the trend to continue. Shipments of agricultural products, textiles and clothing are rising as the continent diversifies its trade away from raw materials, while more electronic and consumer goods are being imported as household incomes rise, he said. "Africa is moving up in the value chain," Jakobsen said. "People can now probably afford things they couldn't earlier on. Underlying sentiment is positive. You are still seeing quite healthy growth." *(Bloomberg)*

**Transnet aims to lease more branch lines to private sector**

Transnet, the state-owned freight and logistics entity, was preparing to concession more branch lines to private business and boost its road-to-rail tonnage by 18.9-million tonnes this year, it told Parliament. Transnet is looking to move more than 350-million tonnes of cargo a year by 2019. This would be done by shifting goods from road to rail and through its R300bn market demand strategy. It planned to spend R200bn on infrastructure. Earlier this month, Transnet became the first state-owned company to secure significant financing from China. It signed a R30bn loan agreement over 15 years with the China Development Bank to fund its locomotive build programme. Transnet has embarked on its biggest recapitalisation to date, including a R50bn programme to procure 1,064 locomotives.
Last month, Transnet made the first call for proposals for one of its branch lines linking Kimberley and De Aar in the Northern Cape. General manager for sales and marketing Ravi Nair told the portfolio committee on public enterprise the company would investigate further concessioning branch lines in an attempt to arrest the "death curve", which undermined its nonperforming units, such as agriculture and containers. "Our mining and chrome unit grew from 16.1% to 18.5%, due to carrying more goods from road to rail. Agriculture and bulk was static and this is where we mainly have customers who use branch lines. We will soon go to market to test concessions on branch lines to arrest the decline," Mr Nair said. He cited a host of planned capital investments that would see its units grow. These included plans to purchase "road railer" engines, which can be operated on both road and rail. They would be produced locally. He said 150 locomotives had arrived to supplement the ageing fleet. The operator would set up "nerve centres" for each business unit and would discuss pricing regimes that had high growth potential with customers.
The steel unit had grown "marginally", while the container and automotive business had improved thanks to more vehicles being moved by rail, he said.
Transnet's group executive for results management office Raisibe Lepule said the 18.9-million tonnes that the company's units would transport would come from its coal, steel, cement, iron-ore and manganese units. Transnet moved 210-million tonnes last year, she said. "Through growing our key units, the 18.9-million tonnes is what we would like to add to whatever we carry in this financial year of 2015-16," she said.
Economist Andrew Marsay said Transnet's branch lines would be more attractive to private investors if they were subsidised. It needed more strategic partnerships with key customers in stronger units. "Concessions could be better used to operate the main lines. But to think that they can change a poorly operating branch line by getting business to buy into it is whistling in the dark. "They are seeing the need for concessions because the lines are not providing value for them."
While Transnet was one of the world's best railway operators, its ownership of the smaller but profitable ports operations allowed it to borrow money which it spent on operations that were not necessarily viable, such as containers. More was transported via road because rail did not give businesses control of the goods. Mr Nair said Transnet had a maintenance backlog of R40bn, which it wanted to reduce to R35bn. This had to be done through capital investment as some infrastructure was in such disrepair that maintenance was no longer possible. *(BDLive)*

## ENERGY

**Mali to get €110m hydroelectric project**

Electricity and water services provider Eranove Group has signed a 30-year concession agreement with the Republic of Mali to finance, develop, build and operate the €110-million Kenié hydroelectric dam, in Baguinéda, on the Niger river. The company would develop the 42 MW project, on which construction was expected to start in 2016, through

its subsidiary Kenié Energie Renouvelable. Initial simulations suggested that the project, which would be completed in 2020, could produce around 175 GWh of electricity, which is equivalent to the average yearly consumption of 175 000 households. According to World Bank estimates, Mali's current installed power capacity of 414 MW covered only half of potential demand and the dam would help the country respond to meeting that demand. "Hydroelectricity is a renewable and competitive source of power in terms of production costs and could even play a role in the financial balancing of power sectors and in meeting demand. This would prove hugely beneficial both for local populations and for regional industrial development," Eranove Group CEO Marc Albérola said in a statement. With an estimated potential of 400 000 MW, "hydroelectric power is one renewable-energy source that is in abundant supply in Africa. "As part of the regional integration of power transmission networks, hydroelectricity can play a key role in increasing power generation capacity. And we mustn't forget micro- and pico-hydroelectricity either. These small hydroelectric facilities can supply power to villages or groups of villages in remote areas far away from interconnected transmission systems," he added. Private equity investment company Emerging Capital Partners would support Eranove. *(Engineering News)*

**Cahora Bassa hydroelectric facility in Mozambique starts building north plant**

Work to build the northern plant of the Cahora Bassa hydroelectric facility is due to start soon, said recently the president of the Cahora Bassa Hydroelectric Dam (HCB). Paulo Muxanga said the company was working with the government on expanding electricity production capacity through construction of the North Plant that will add about 1,250 megawatts to the current production of 2,250 megawatts. At the opening of the 4th Seminar on HCB's contribution to Mozambique's development, Muxanga said the current energy scenario differs entirely from the situation 40 years ago, when consumption throughout the country barely totalled 100 megawatts.

Current estimates indicate that Mozambique consumes more than 500 megawatts of electricity per year, excluding the Mozal aluminium smelter, located in the Belulane Industrial Park in the southern province of Maputo, according to Mozambican newspaper Notícias. Muxanga also said that consumption in the cities and countryside had grown exponentially and these days there are frequent reports of industries that cannot be set up in certain regions due to a lack of power supply, as well as frequent questions from the public about the quality of electricity. The president of the Cahora Bassa Hydroelectric Dam also said the company was undergoing a period of great financial strength, and this was clear from the fact that it had already repaid 72 % of the US$900 million loan it took on from a banking syndicate to pay for most of the shares in the company hitherto held by Portugal. Muxanga stressed that the company should proceed with full repayment of the loan by the end of 2016, contrary to the provisions in the contract that pointed to December 2017. *(Macauhub)*

**Experts eye Rosatom, Westinghouse reactors for South Africa nuclear power**

South Africa is considering using reactors from Russia's Rosatom and Westinghouse for its 9 600 MW nuclear fleet expansion, an energy advisor to government said. Africa's most developed economy aims to build six new nuclear power plants by 2030 at an estimated cost of between R400-billion to R1-trillion ($33-billion to $82-billion).

Kelvin Kemm, a member of a government panel advising the energy minister on the nuclear procurement, recommended Rosatam's VVER and Westinghouse's AP1000 reactors. Westinghouse is owned by Japan's Toshiba. "Our collective opinion, as nuclear specialists in the country, is that those two reactors are very good for South Africa and we are advising government to look at them," Kemm, CEO at Nuclear Africa, told Reuters in Cape Town. Rosatom's VVER and Westinghouse's models are pressurized water reactors similar to Koeberg, Africa's only nuclear plant, which generates 1 800 MW using an Areva reactor. "Whether we use our cooling systems for the steam, there are a number of things South Africans are perfectly capable of adding to that basic structure. So we won't buy that thing absolutely as is off the shelf," Kemm said. The government also plans to re-establish its uranium enrichment and conversion facilities, which were dismantled during the apartheid era when South Africa developed and later destroyed its nuclear bomb capability. South Africa has some of the world's largest uranium deposits and the new nuclear fleet is likely to use 465 metric tonnes of enriched uranium a year by 2030, officials have said. Construction is likely to begin next year on the first nuclear plant at Thyspunt near Jeffreys Bay on the east coast, with the initial power generation from the new nuclear fleet generated in 2023, government officials have said. *(Engineering News)*

**CDC to install solar panels at Coega industrial zone**

The Coega Development Corporation (CDC) plans to fit 15 of its buildings, totalling 127 000 m2 of roof space, in the Coega Industrial Development Zone (IDZ), in the Eastern Cape, with solar panels.

The CDC would, on June 25, issue a request for proposals (RFP) from potential suppliers. The RFP would close on July 6. CDC business development manager for energy Sandisiwe Ncemane said the existing buildings lent themselves well to rooftop solar panel installations. "We are also building a number of new industrial facilities, which will be designed to enable the implementation of solar power solutions on the roofs. CDC facilities to be built for investors are projected to provide a further 125 000 m2 of industrial space over the next five years," she added. Government mandated the CDC to advance the project as an integrated and holistic development in the shortest possible timeframe. The investment would indirectly contribute to job creation and economic development in the Eastern Cape. CDC head of marketing and communications Ayanda Vilakazi said investments in solar energy would position the Coega IDZ as

a green IDZ with efficient energy at lower costs. The investment was also aimed at creating further value for the CDC investors, as energy supply was key to economic development worldwide, he said. “The CDC has also built momentum on its renewable-energy strategy by attracting and sustaining domestic and foreign direct investment in energy projects, which, to date, includes several green energy component manufacturing industries in wind power generation, solar energy harvesting and bioenergy,” noted Ncemane. *(Engineering News)*

**Wind farm contributes 80MW to Eskom grid**

THE Kouga wind farm in the Eastern Cape has been connected to the national electricity grid, providing 80MW of renewable energy to Eskom, Nordex Energy SA said.

It is the second wind farm in the province to be completed by the local subsidiary of Germany’s Nordex group. It was among projects selected in the first round of the government’s programme to procure renewable energy from independent power producers.

This follows an announcement last week by Aurora Wind Power — a venture of France’s Engie (formerly GDF Suez), Investec Bank and empowerment group Kagiso Tiso Holdings — that it had begun commercial operation of the 94MW West Coast 1 wind farm in the Western Cape. The Kouga wind farm has 32 wind turbines on 80m towers in the Oyster Bay area near Port Elizabeth. It uses labour from communities surrounding the facility and supports several social upliftment programmes. "We are extremely proud of this accomplishment as it was a complex logistics process, supplying equipment from three different continents," Anne Henschel, MD of Nordex Energy SA, said yesterday.

In April the Department of Energy approved 13 new bids in an extension of the fourth-round renewable energy bid process.

Old Mutual Alternative Investments estimates that 40% of the projects in the programme already contribute electricity. The fund manager announced last week that two projects in which its R6bn Infrastructural, Developmental and Environmental Assets (Ideas) fund is invested were approved in the extended bid process. These are the Kangnas wind project near Springbok in the Northern Cape and the Perdekraal East project near Touws River in the Western Cape. The plants will have a combined capacity of 245MW out of the total allocation under the extended round of about 1,100MW, and should contribute electricity by 2017.

Ideas fund manager Sean Friend said last week that renewable energy was an "increasingly disruptive technology". Since the first round of SA’s renewables programme, wind tariffs had fallen an estimated 42%, and solar tariffs an estimated 68%. *(BDLive)*

**Eskom Plans for More Repairs Without South Africa Power Cuts**

Eskom Holdings SOC Ltd. plans to increase maintenance on power plants during South Africa’s winter to the most on record without more scheduled electricity cuts, Acting Chief Executive Officer Brian Molefe said. “We are trying to do maintenance with little or no load- shedding,” Molefe told reporters in Johannesburg, referring to planned rolling blackouts. The state-owned utility will take “an unprecedented” 5,500 megawatts of capacity off the grid, he said, the most it’s yet done in the country’s colder months of May to August. Power shortages are hampering a recovery in the economy from the slowest growth since a 2009 recession. Eskom, which provides 95 % of electricity to the continent’s most- industrialized nation, is battling to upgrade aging plants at the same time as building new generation. The utility connected the first unit of its Medupi coal-fired plant on March 2, eight years after construction began. Independent power producers are contributing 1,872 megawatts to the grid, 1,300 megawatts come from renewable sources such as solar and wind, he said. The 800-megawatt Medupi unit “is on track” to come into commercial operation by the end of August, Molefe said.

**New Capacity**

The company will add more than 17,000 megawatts of new capacity to the national grid over the next five years as it spends 280 billion rand ($22.5 billion) to upgrade plants, 64 % of which are in their midlife, the company said in an e-mailed statement.

The Democratic Alliance, which is the country’s biggest opposition party, “will continuously monitor and pursue every avenue available to hold Eskom to account after the repeated claims that the energy provider will supply 100 % of electricity most days and 96 % during peak periods,” Shadow Minister of Public Enterprise Natasha Mazzone said in an e-mailed statement.

Eskom’s goal is for 80 % of its plants to be available at all times in the next three years, with 10 % to be out for planned maintenance and the rest on unforeseen breakdowns, the utility said. It will limit the unplanned work to 7,500 megawatts in the summer and 5,500 megawatts in the winter, when there is more demand. Those caps will allow Eskom to avoid power cuts, Molefe said. “As long as we do under 7 gigawatts of maintenance in winter, we’re able to do the work without load-shedding,” he said. *(Bloomberg)*

**Veolia wins contract to manage Guinea's state power firm**

France's Veolia has won a contract to manage Guinea's struggling state-owned power firm, a government document showed, in a deal expected to unlock more than $1 billion in investment. Years of mismanagement of Electricite de Guinee (EdG) has crippled the West African country's power network and only 20 % of people have electricity access,

World Bank data shows. The four-year contract, won via tender, will allow for a planned $1.3 billion investment, according to the document from the energy ministry seen by Reuters. "The private investor (Veolia) will put in place their management team and will recruit Guineans into deputy positions," the document said. "The funding needs were mainly covered by the state budget and the contributions of foreign donors," it added, referring to the $1.3 billion. A local official for Veolia confirmed the deal and said it would be effective. An official in the energy ministry said that three companies had bid for the contract.
In a sign of EdG's past difficulties, an audit showed that the company had wasted 25 million euros ($28 million) between July 2011 and April 2013 by overpaying for equipment and machinery. A lack of investment in new power production means Guinea only has 200 MW of power production, sourced from thermal and hydro plants, and blackouts are common. The lack of a reliable network has acted as a deterrent for mining investors in Guinea which has among the largest bauxite and iron ore reserves in the world. Guinea and China Water Electric began building a 240 MW Kaleta hydroelectric dam about 150 kilometres from the capital in 2012 which is expected to help improve power supplies. West Africa's regional body will pool resources to establish an electricity market aimed at improving supplies across the 15 states, officials attending the ECOWAS meeting said this week. ($1 = 0.8846 euros) *(Reuters)*

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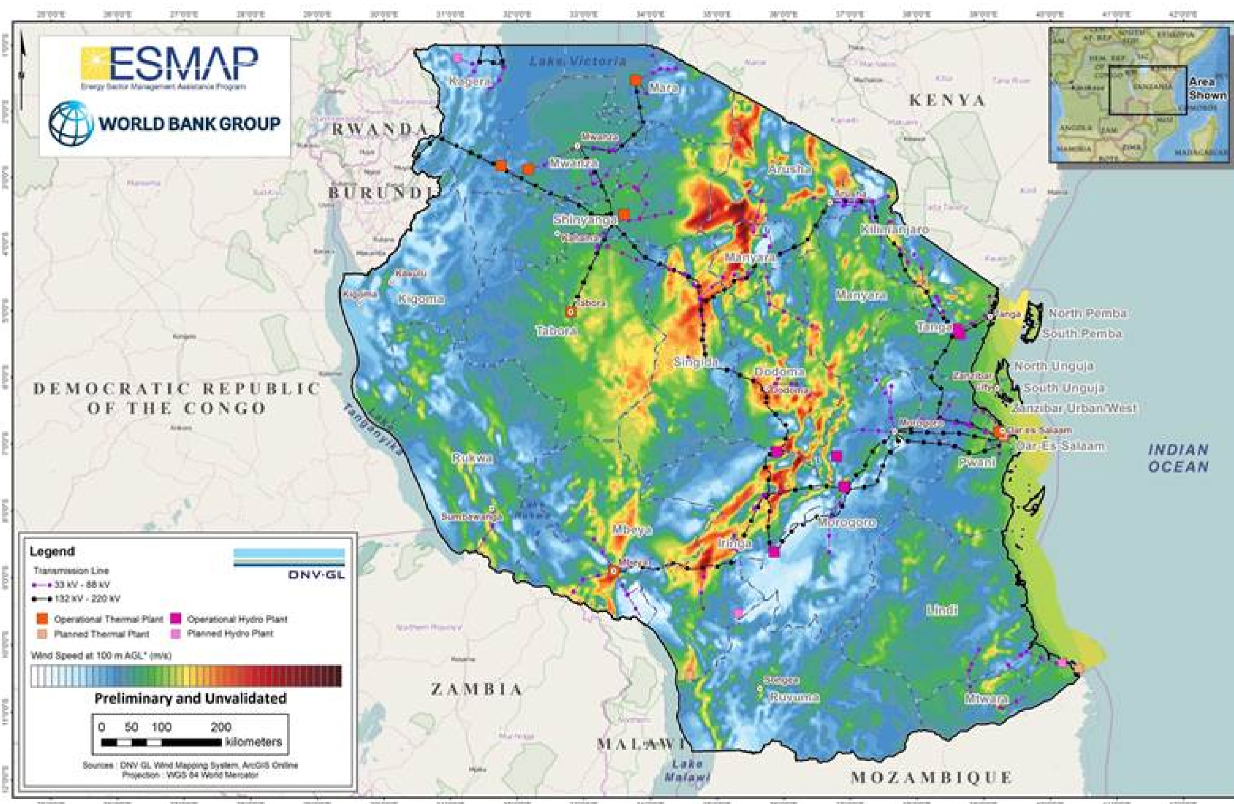
A local official for Veolia confirmed the deal and said it would be effective. An official in the energy ministry said that three companies had bid for the contract. "Veolia has just won a four-year performance contract worth 11.3 million euros to supply management services to Electricite de Guinee (EdG)," said a statement by the French company.
In a sign of EdG's past difficulties, an audit showed that the company had wasted 25 million euros ($28 million) between July 2011 and April 2013 by overpaying for equipment and machinery. "We are going to proceed to improve the management of EdG and its efficiency when it comes to the distribution of energy," said Patrice Fonlladosa, a senior Veolia official.
A lack of investment in new power production means Guinea only has 200 MW of power production, sourced from thermal and hydro plants, and blackouts are common. The lack of a reliable network has acted as a deterrent for mining investors in Guinea which has among the largest bauxite and iron ore reserves in the world. Guinea and China Water Electric began building a 240 MW Kaleta hydroelectric dam about 150 kilometres from the capital in 2012 which is expected to help improve power supplies. West Africa's regional body will pool resources to establish an electricity market aimed at improving supplies across the 15 states, officials attending the ECOWAS meeting said this week. ($1 = 0.8846 euros). *(Reuters)*

**Tanzania: Solar and Wind Potential Could Help Meet Future Power Generation Goals**
- Tanzania has solar resources equivalent to Spain's, and potential for wind power exceeding that of California, according to initial renewable energy mapping studies.
- These findings will be validated by two years of data collection from solar and wind measuring stations.
- This will help Tanzania's efforts to expand energy access and increase sustainable power generation.

Tanzania has immense solar and wind power potential that could provide much-needed energy for the developing nation, according to preliminary findings from a World Bank renewable energy resource mapping project.
The country's resources suitable for solar power generation are estimated to be equivalent to those of Spain, and areas of high wind power potential cover more than 10 % of the country, an area the size of Malawi, and a greater potential than the US State of California, according to the findings.
"Tanzania has big plans for generating electricity from renewable energy resources, so there is a need for clear information on potential geographic concentration, as well as seasonal and daily availability of these resources," said Felchesmi Mramba, Managing Director of the Tanzania Electric Supply Company (TANESCO), the country's national electricity utility, speaking at a media briefing on the findings held in Dar es Salaam on May 22, 2015.
The initial results were based on global datasets and satellite analysis, and involved six months of intensive number crunching by specialist wind and solar teams supported by the World Bank's Energy Sector Management Assistance Program (ESMAP). Over the next two years, these findings will be validated by placing ground-based solar and wind measuring stations in 30 locations around the country.
This work will support and inform a long-term partnership between the World Bank and TANESCO to expand and modernize the country's power sector. "These maps will be good guidance for investors who are interested in investing in renewable power projects, thereby speeding up the expansion of sustainable power generation," said TANESCO

Managing Director Mramba. One of the most interesting initial findings was that certain areas of Tanzania with high solar irradiation also have high wind speeds at night, raising the possibility of round-the-clock power generation.




***More than 10 % of Tanzania has high wind power potential, according to preliminary results of a mapping exercise.***

All data from the initial results and from the next two years of ground-based measurements will be made available on a World Bank website and on the Global Atlas of Renewable Energy published by IRENA, the International Renewable Energy Agency.

Tanzania's energy mapping is part of a global, $22.5 million initiative by ESMAP to help 12 countries analyze their renewable energy resources to guide policymakers and investors.The $2.8 million program in Tanzania is one of the largest under this initiative, and includes mapping of the country's small hydro potential.

The costs of power generation from solar and wind have fallen dramatically in recent years, making them competitive with traditional forms of energy in some markets. "While Tanzania is unlikely to see the low prices we have seen in other markets until it scales up wind and solar, these renewable resources nicely complement the country's main existing sources of energy supply, hydropower and gas," said Anders Pedersen, team leader of the renewable mapping program in Tanzania. "When it comes to renewable energy, a number of countries are realizing just how great their potential is at the same time that prices are coming down," said Oliver Knight, team leader for the global ESMAP renewable mapping initiative. "This is opening up interesting new options for long-term power sector planning."

The May 22 media briefing on the initial findings for Tanzania was followed by the inauguration of the country's first solar and wind mapping station, on the rooftop of the Physics Department at the University of Dar es Salaam. *(World Bank)*

**Nigeria $5.6 bln power plants sell-off stalls on gas shortages**

Nigeria's privatisation of 10-independent power plants (IPPs) that could fetch up to $5.6 billion is stalling due to a lack of gas supply, the chief executive of Aiteo Power and Gas said. Africa's biggest economy broke up its monopoly on power generation and distribution by privatising the sector two years ago, hoping to attract foreign investors. "A lack of gas is stalling the deals," Ransome Owan told a power conference in Lagos late on Tuesday.

Since that privatisation, the amount of power produced has stagnated, failing to reach a 2012 peak of 4,500 megawatts of electricity owing to gas constraints, plant outages and tripped circuits, according to Transmission Company of Nigeria. About 3,346 MW of power was distributed to consumers during this year, it said. The government also blames gas pipeline vandalism. Owan said the power sector in Africa's most populous nation was going through teething problems, majority of which had to do with the change of ownership, which would stabilise with time. The IPP plants were developed by Nigeria's three tiers of government - federal, state and local governments. Six new power plants have been built and another four are being constructed, but output remains poor as the plants do not get sufficient supplies of natural gas and the transmission lines cannot handle the power. Nigeria has capacity to transmit just 5,500

MW of electricity on its grid, the sector's regulator NERC said at the conference, adding that it was finalising a framework which should be ready by year-end to allow private firms build and operate transmission lines. Older plants, privatised in 2013, are in dire need of an upgrade but the fledgling generating firms lack the cash to carry out repairs while distributors struggle with non-paying consumers and electricity theft. In some cases, consumers pay for only 40 % of the monthly bill. *(Reuters)*

**Geometric Power, GE to build 1,080 MW plant in Nigeria**

Nigeria's Geometric Power will build a 1,080 megawatt power plant jointly with General Electric, with the first phase of the project generating 500 MW expected to be completed in 2019 at a cost of $800 million. Geometric Power CEO, Bart Nnaji said the firm had also appointed London-based Standard Chartered Bank as financial advisers for the first phase of the plant. Africa's biggest economy broke up its monopoly on power generation and distribution by privatising the sector two years ago, hoping to attract foreign investors, but the amount of power produced has stagnated at around half total capacity. "We have a 1,080 megawatt project ... (in partnership) with General Electric. The power goes to the national grid. What we are doing is to build up power projects in this way," Nnaji, a former Nigerian minister of power, told Reuters late on Tuesday on the sidelines of a power conference in Lagos.

Nnaji said the firm was in discussions with some Chinese, European and U.S. investors and expected financial close by year-end. Construction would start early next year. Geometric Power, which has a 141 megawatt captive power for industrial use in Abia State, said the new plant would also be located in Abia State, southeast Nigeria.

Nigeria, with a population of around 170 million, has installed power capacity that fluctuates between around 6,000 to just over 7,000 MW, but experiences severe electricity shortages that are crippling its growth. Some of the older plants, sold in October 2013, are in dire need of an upgrade while the fledgling generating firms lacking the cash as distributors struggle with non-paying consumers and inadequate gas supplies required to keep the plants running. Nigeria is also in talks with Russia's state-owned Rosatom to build nuclear power plants. *(Reuters)*

## MINING

**Zambia firm secures $500 mln for copper export rail line**

Zambia's Northwest Rail said it has secured $500 million for the first phase of a railway linking Zambia's copperbelt to the Angolan border, in a project that aims to extend the line to Angola's coast. South Africa's Grindrod and other shareholders will put up the equity, and several banks would provide the larger debt portion, Northwest Rail's chairman Enoch Kavindele said. Grindrod was contracted to build, operate and maintain the 590-km (370-mile) railway in February 2014 by Northwest Rail, which won exclusive rights from the state to develop the line for use in exporting copper from Zambia. "It will be a mix of 70 % debt and 30 % equity and both the debt and equity for the first phase are now in place," Kavindele told Reuters on the sidelines of a mining and energy conference. "We are talking to the government and should start building the line this year after we agree on the concession tenure." The first phase of the rail link would connect Zambia's old Chingola copper fields to the newer mines at Kansanshi, Lumwana and Kalumbila, Kavindele said. The second phase of the project, also estimated to cost $500 million, will open a direct corridor to the Angolan port of Lobito allowing landlocked Zambia to export copper and import oil from Africa's second-largest oil producer. *(Reuters)*

**Cupric Canyon Capital buys Botswana's copper firm out of liquidation**

Cupric Canyon Capital, a private equity firm backed by a unit of Barclays Plc, has bought Discovery Copper Botswana (DCB) for 343 million pula ($35 million), the appointed liquidator's said.

DCB, a unit of Australia's Discovery Metal Limited, was placed under provisional liquidation earlier this year after failing to pay more than 1.3 billion pula to creditors. Cupric's takeover paves way for its Boseto Mine to resume operations. Terry Brick, a director at Deloitte, the provisional liquidators of the mine, said his firm would seek the court's approval of the deal to enable DCB to come out of liquidation. Out of DCB's $137 million in total liabilities, $103 million is owed to secured lenders, $4 million to government and $30 million to unsecured creditors. Cupric Canyon was also one of the mining firm's creditors, Brick said. Cupric Canyon, through a local subsidiary Khoemacau, plans to open another copper mine near Boseto next year. ($1 = 9.9010 pulas) *(Reuters)*

**Australia's Mustang Resources discovers diamonds in Mozambique**

Australian company Mustang Resources has discovered alluvial diamonds in a prospecting area next to the River Save, in what is the first time that quality commercial diamonds have been found in Mozambique, the company said in a statement. In all, by 11 June the company found 16 diamonds visually identified as having commercial value and decided to increase the amount of gravel processed per day from 100 tons to 1,000 tons. The prospecting area is located near the border with Zimbabwe, near the confluence of the Save and Runde rivers, which is downstream of the Murowa and Marange diamond fields in Zimbabwe. This suggests that the diamonds have been swept away by the rivers and deposited at the confluence, which is in Mozambique. The 16 diamonds found are sized between 0.46 and 1.3 carats, together totalling 9.68 carats (1.936 grams). *(Macauhub)*

**Nigeria selects two sites for nuclear power plants**

Nigeria has selected two sites for the construction of its planned nuclear power plants, as Africa's biggest economy tries to end decades of electricity blackouts that have blighted its growth. Russia's state-owned Rosatom, which has been in talks with Nigeria over the nuclear plants, confirmed two sites had been selected in Africa's most populous nation and said they would have a total of four reactors. Neither side would say where the sites were, but 7a source at Nigeria's nuclear agency said the sites will be in Akwa Ibom state, in southeast Nigeria, and Kogi state, in the central northern part of the country. Nigeria, with a population of around 170 million, has installed power capacity that fluctuates between around 6,000 MW to just over 7,000 MW, according to the Transmission Company of Nigeria, with 80 % of its power plants fired by gas. By comparison, South Africa's capacity is almost seven times greater for a population less than a third as big. Africa's biggest economy has no experience in developing and operating nuclear plants but has small reactors producing around 30 KW for research, Franklin Erepamo Osaisai, chief executive of the Nigeria Atomic Energy Commission, said on its website. One nuclear power plant costs between $5 billion to $8 billion, a source at Rosatom said. Nigeria has not yet said how it plans to fund the construction, a key question given its finances have taken a hit after a slump in the price of oil, its main export. *(Reuters)*

**Nigeria's Transcorp says on track for 850 MW capacity this year**

Nigeria's Transcorp is on track to boost its power generation capacity to 850 megawatts (MW) by the end of 2015 from 610 megawatts last year, the company's chief executive said.

Transcorp, which also has interests in hotels, oil and gas, was one of several firms to buy government power assets two years ago, sold as part of a privatisation meant to end decades of blackouts in Africa's biggest economy. "We are on track to achieve 850 MW per day by year-end 2015, which represents a major contribution to the country's total energy output," Transcorp CEO Emmanuel Nnorom said in a statement. Shares in Transcorp, which have fallen 15 % so far this year, gained 0.36 %. Transcorp Ughelli Power, Nigeria's largest gas-powered generating company, had a power capacity of 342 MW in 2013. Nigeria broke up its monopoly on power generation and distribution two years ago by privatising the sector in a bid to attract foreign investors, but the amount of power produced has stagnated at about half total capacity. Nigeria, with a population of some 170 million people, has installed power capacity that fluctuates between 6,000 to just over 7,000 MW, but experiences severe electricity shortages that are crippling economic growth.

Transcorp said it expected to expand through key acquisitions this year, as well as new projects that will start operations in three years time to tap into Nigeria's growing energy demand. Rival Geometric Power plans to build a 1,080 MW power plant with General Electric, with the first phase of the project generating 500 MW expected to be completed in 2019 at a cost of $800 million. *(Reuters)*

## OIL & GAS

**As investment decisions pend, Mozambique's gas boom town rides out the lull**

The bar and restaurant at the Nautilus, a luxury hotel on Wimbe beach in the northern Mozambican town of Pemba, is busy with foreign guests and visitors every night of the week. The buzz of activity defies talk of an exodus of hundreds of expatriates since Anadarko and Eni, the two companies leading efforts to transform one of the world's poorest countries in the world into a major exporter of natural gas, ended exploration operations earlier this year.

A change in Mozambique's government and the falling global oil price have contributed to delay the start of projects to extract and liquefy huge natural gas finds in the Rovuma basin off the coast of Cabo Delgado, Mozambique's northernmost province. Anadarko estimates its projects could yield at least 75 trillion cubic feet (tcf) of LNG, while a 2014 estimate from Eni claims their Area 4 concession will yield over 85 tcf.

Nevertheless, the businesses that support the oil and gas industry are maintaining their presence in Pemba, the provincial capital. They are confident that the projects – which will together require investment of up to $100m, according to the IMF – will eventually come to fruition. The uncertainty surrounding the Rovuma basin projects echoes circumstances in many regions across Africa where greenfields energy investments have been put on hold after oil prices dropped 60 % between June 2014 and January 2015. Italy's Eni said this year that it expects to take a final investment decision (FID) on its project in Mozambique the third quarter of 2015. In April, Anadarko's country manager said that FID on its project is "doable" in 2015. Even if those targets are met, however, business owners do not expect to see the dividends of the investments for some time. "I do not see much happening until the first quarter of 2016," says Shayne Brown, who owns and runs the Starfish restaurant overlooking the port.

Pemba has lost some 600 jobs since November last year thanks to the lull in gas-related activity, says Omar Saide, head of economic development for Pemba municipality. However, he believes that other large scale projects will help to compensate. "The next phase [in] the construction of the Palma industrial complex, [and] also the Logistics Base [in Pemba], is going to start now and we are going to get back a lot of jobs," he asserts. By the end of this year, Mr Saide expects those two projects to create 5,000 jobs across the province of Cabo Delgado, of which Pemba is the capital.

The Pemba Logistics Base is expected to dwarf the town's existing port and is being designed specifically to support the gas industry. In Palma, a remote village close to the Tanzanian border where the gas will make landfall, accommodation

to house up to 20,000 workers needs to be built. These workers in turn will construct and operate liquefaction facilities at Anadarko's planned 'LNG park' at Afungi, a nearby peninsula.
For now, however, many are waiting for jobs to come back. Mr Brown's wife, Samantha Holdsworth, runs an import-export operation supplying food to offshore oil and gas operations. The business "grew exponentially and then collapsed exponentially over the last three to four months", she says. She has now laid off all of her staff of five local workers, but on the understanding they will return to the company when activity picks up again.
Unlike recent arrivals to the town, Ms Holdsworth and Mr Brown say they will be able to ride out the slump. "There is a group of us [who] rode that wave when it got really big, and now the bubble has crashed and all of us are able to financially ride that wave until it comes back again," says Mr Brown. The slowdown in offshore activity has an upside for Mr Brown, who says he now has time to spend on other sides of his business. "This restaurant is doing really well," he says, "because there are still a major amount of expats in town." Others servicing the gas industry have packed up and left, though, including Wilson's Wharf, a restaurant which "went very big very fast", according to Mr Brown, but which closed earlier this year when things started slowing down. Tall Orders, a South African firm which specialised in trucking supplies to Pemba from Nelspruit, closed down this year as well. Frank Dekker, country manager for marine services company Subtech, is running a scaled-down operation in Pemba and picking up work where he can. He believes maintaining a presence will give his company an edge once investment picks up again.
The idea, he says, is to maintain a company "that can easily grow because you already know how to operate: you know the laws, and how the banking and tax system operates", he says. "In the short-term we need to watch costs, but there are opportunities now that we are here – more come your way." Subtech currently has divers doing maintenance work on Kenmare Resources' heavy sands mine in Nampula province, for example.
Part of Pemba's resilience to the knock on effects of commodity shocks is that gas is not the only game in town. At the Nautilus hotel, business has been "surprisingly stable" thanks to business from Cabo Delgado's growing graphite and ruby mining and cotton farming industries, says hotel manager Ant Perdikis. "We are running at the same levels" as during the height of the gas exploration boom, he says. The 60-room hotel has had to turn away custom this month, according to Mr Perdikis. Further down the beach is the 185-room Pemba Beach Hotel, owned by Minor International, while Tanzania's Motisun Group has just opened a new 84-room hotel, called Raphael's, also targeting business travellers.
Pemba is also a major draw for Mozambicans in search of work. Under Mozambican law, companies must hire five or 10 local employees for each foreigner they have on the payroll, depending on the size of the company. Although the gas companies have gained some exemptions to these rules to be able to develop the projects, there will still be a big boost to the local economy – particularly taking into account the domestic staff that expatriate workers typically employ. "Each guy will have his housemaid, his house guard, and so on," Mr Brown points out. "The economy is going to grow," says Omar Saide. "The level of business will grow, standards of living will rise. But this will also bring problems – environmental and social problems, as a lot of people will move here. But that's the dynamic of development." *(This is Africa)*

**Angola has over 12 billion barrels of oil reserves**
Proven and probable oil reserves in Angola are estimated at 12.667 billion barrels, following recent discoveries in shallow, deep and ultra deep waters, the country's Oil minister said Tuesday in Hamburg. Speaking at the 7th German-African Energy Forum, Botelho de Vasconcelos said one of the priorities for the 2013/2017 period was to maintain a balance between reserves and production by auctioning blocks and making use of new exploration and production technologies. Priorities also include the completion of ongoing development projects, including the Kizomba satellites in Block 15, among others. Botelho de Vasconcelos, before an audience of over 150 people, recalled that Angola, when it become independent on 11 November 1975 produced only about 175,000 barrels of oil per day. Oil production in Angola comes from eight offshore blocks and land concessions and currently exceeds 1.7 million barrels per day, "but we expect to produce two million barrels a day in 2014," the minister said cited by Angolan news agency Angop. *(Macauhub)*

**NLNG eyes $1.5 bln debut ship yard in Nigeria**
Nigeria Liquefied Natural Gas Company (NLNG) is sponsoring the construction of the first major ship yard in Africa's biggest economy at the cost of $1.5 billion, in its attempt to turn the country into a hub for maritime operations on the continent. Nigeria is the world's eighth biggest crude producer and Africa's top oil exporter but it does not have a drydock for maintaining and repairing large crude vessels, a major drawback for carriers sailing to the country, NLNG spokesman Tony Okonedo told Reuters.
Only South Africa had such a facility on the continent, Okonedo said, meaning that ships travelled a long distance for repairs. Nigeria has two facilities that can only accommodate small vessels, he said. Okonedo said Samsung Heavy Industries and Hyundai Heavy Industries have both agreed a $30 million commitment towards the construction of the facility, which would be located in Badagry, near Nigeria's commercial capital of Lagos. "It could potentially be used to transport the 2.5 million barrel a day crude business in Nigeria," Okonedo said on the sidelines of a media briefing. Okonedo said the NLNG organised a roadshow earlier this year to market the dry dock project to investors, which included multinational oil companies in Nigeria, with large exploration and upstream activities. He said NLNG, which

is owned by Nigeria's state-oil company NNPC, Royal Dutch Shell, French oil company Total and Italy's Eni was in discussions with a strategic investor for the project. It appointed France's BNP Paribas and Guaranty Trust Bank to help raise around $1.6 billion two years ago to build six new LNG carrier ships, expanding its fleet to 30. The construction of the dry dock, with a size that can accommodate 185 football fields, will take up to 48 months to complete and would commence once all the funding was in place, he said. The company, which was set up over two decades ago, has a capacity to produce 22 million metric tonnes of liquefied gas a year. It obtains its gas supply from upstream oil companies and liquefies it for export. It has long-term supply contracts with buyers in Italy, Spain, Turkey, Portugal and France and also sells on the spot market. Revenues for the first half shed 25 %, in line with the fall in crude prices, NLNG said. *(Reuters)*

## AGRIBUSINES

**Guinea-Bissau is world's largest "per capita" cashew producer**

Guinea-Bissau has become the world's largest producer of cashew nuts "per capita" as a result of an annual production of over 200,000 tons, the economist and consultant to the Guinean government, Eduardo Fernandes said. The economist was speaking at a seminar on business opportunities in Guinea-Bissau, held in the Portuguese town of Sintra, organised by the Association of Solidarity and Support for the Guinean Comunity in Portugal. Fernandes warned, however, that cashew nuts cannot be the only product to sustain the economy of Guinea-Bissau, "because it makes the country vulnerable to sudden market fluctuations" and therefore invited Portuguese businessmen to invest in his country . Fernandes explained in detail the economic plan that the Guinea-Bissau government presented at the Brussels roundtable for the next decade and identified four areas of priority investment – agriculture/agri-industry, fisheries, tourism and mining. Speaking about the agricultural sector the consultant said that Guinea-Bissau needed to start introducing value in the chain of production of cashew nuts, including through both primary and secondary processing, rather than exporting cashew nuts in their raw state to India. With regard to fisheries, Fernandes said the Guinea-Bissau government wanted to set up a fishing fleet, either nationally and in partnership, to replace the current system which is limited to the sale of fishing licenses to foreign shipowners. The Guinean embassy attaché in Portugal, Mbala Fernandes stressed the "political stability" that Guinea-Bissau had achieved, the "confidence of international creditors" as shown at the donor meeting last March, which provided aid of 1.3 billion euros and "close relations between Portuguese and Guineans." *(Macauhub)*

**Ghana Faces Massive Shortfall in Cocoa Crop**

Cocoa prices rise as processors chase scant supplies from key producer

Dry weather and the late application of pesticides and fungicides to protect cocoa trees have caused the crop to shrink by nearly a third, raising the possibility that Ghana won't be able to deliver enough cocoa to fulfill its contracts.

But Ghana's cocoa farms are poised to bounce back in the next season, some analysts say, now that the national government has agreed to provide seedlings and pesticides directly to farmers, backtracking on some of the changes it had made to reduce its $400 million cocoa-subsidy program.

The erratic output spotlights a major vulnerability in the $6.5 billion cocoa futures markets: an overreliance on Ivory Coast and Ghana, which together account for more than half of the world's cocoa supplies. Last year, prices surged to a 3½-year high when the world's worst Ebola outbreak hit West Africa, fanning fears that cocoa production would be disrupted. The disease never spread to either Ivory Coast or Ghana, and prices retreated nearly 21% over a four-month period.

This year, Ghana is likely to produce 696,000 metric tons of cocoa beans, according to the International Cocoa Organization, or ICCO. Initial forecasts had pointed to an increase in output to around 1 million tons from 900,000 tons last year, according to Cocobod, the government's cocoa purchasing body.

The smaller harvest raises questions about whether Ghana can fulfill its sales contracts, which Cocobod made early in the season based on the initial forecasts. In March, Cocobod had offered to sell 850,000 tons of cocoa.

Cocobod declined to comment for this article. "There are people somewhere in the world expecting 200,000 tons of cocoa, some of them insisting it be from Ghana," said Damien Thouvenel, a cocoa trader at Sucden in Paris. "They have a product line that says 'Ghana' on the pack of chocolate, and they can't put 'Ivory Coast' on there."

Cocoa prices are rising as processors chase the limited Ghanaian beans on the market. Cocoa for September delivery on the ICE Futures U.S. exchange traded at $3,289 a metric ton, nearing the highs reached during the Ebola scare. "The production shortfall is squeezing everyone in the industry," said a trade official with Ghana-based cocoa processor West African Mills Co. Ltd. "We aren't operating at our optimum capacity because there are no cocoa supplies; even inferior beans aren't there."

The executive, who declined to be named because he isn't authorized to speak for the company, said some processors and exporters may not easily recover from the losses because few anticipated the drop, after years of steady growth in production. West African Mills is a joint venture between Cocobod and Germany's Hosta Group. Changes in the subsidy program were partly responsible for the smaller cocoa crop in Ghana this year.

In an effort to reduce its costs, Ghana's government began a phased reduction in the distribution of cocoa tree seedlings and pesticides directly to the nearly 1 million cocoa farmers. Instead, it agreed to pay farmers a higher price for the cocoa and let the farmers buy the equipment and services they need.
But two years of low cocoa prices led farmers to pocket the extra cash from the government, instead of investing it in their farms. When the government discovered this was happening, it resumed the delivery of the chemicals to kill pests and fungus.
However, the pesticide delivery came late in the crop's development, leaving the cocoa vulnerable, according to a spokesman for Ghana Cocoa, Coffee and Shea-Nut Farmers Association. While Ghana's output is shrinking, demand remains high. The ICCO recently revised its forecast for consumption to exceed production to 38,000 tons of cocoa beans this year, from a 17,000-ton shortfall previously. "We believe that (more) price increases are coming, mostly from supply disruption or expected supply disruption, against a backdrop of increasing global demand, especially from emerging Asian markets," said Matt Forester, chief investment officer at New Square Capital, an investment adviser in Newtown Square, Pa., with $380 million under management. The firm is overweight in cocoa, meaning it owns more positions in that market than its benchmarks recommend. Mr. Forester said his firm is predicting that cocoa will be one of the strongest performing commodities this year and will continue to trend higher from current levels. Ghana finance minister Seth Terkper told a cocoa conference in Accra last week that the government had learned "valuable" lessons from this season's setback. Cocobod's initiatives would help revive production next season, the minister said.
While most traders agree Ghana is likely to see a rebound in its cocoa production, some are worried that Cocobod will oversell the crop again, causing shortages next season too. "There is an overall fear now across the market that the same problem could happen next season," said Sucden's Mr. Thouvenal. *(Wall Street Journal)*

**Banco BIC of Angola wants to be the bank for Angolan farmers**
In the mid to long-term Banco BIC will be chosen bank of Angolan farmers, "because Angola need to have a strong agricultural sector," said in Luanda the chairman of the board of directors. Fernando Teles, who was speaking at the inauguration by the minister of Agriculture, Afonso Pedro Canga, of new premises of a company specialised in selling agricultural equipment Agrozootec, said that financial institutions should support agricultural and livestock projects, because Angola urgently needs to replace imports with national products. Banco BIC financed part of capital invested in the construction of Agrozootec's new facilities located in the vicinity of 11 de Novembro Stadium, according to Angolan news agency Angop. The management of the company, which sells tractors, tractor tools, threshing machines, generators and other equipment, as well as fertilisers, believes that the future of Angola requires development of the agricultural sector, which is why it has focused on this segment to support large, medium and small farmers, by supplying machinery and guaranteed after-sales assistance. The company invested at least US$3 million of its own funds on its new premises, set in a plot of 6 hectares including buildings covering an area of 4,500 square metres. Banco BIC provided funding to buy the equipment that the company sells. *(Macauhub)*

**Helping Africa's Fishermen Reclaim Their Livelihoods**

- Fishing is a vital industry in Africa, contributing both to livelihoods and food security, especially in countries recovering from Ebola outbreaks.
- Illegal trawling hurts small-scale fishers and their livelihoods but is being curtailed in Liberia and Sierra Leone as part of a new World Bank program.

Fishery resources, particularly in Africa, are in a precarious state. It is estimated that nearly 6 million fishermen and women live in poverty, many in rural Africa (FAO, 2014). Yet the fish trade generates livelihoods for more than 100 million people (FAO, 2014) and represents a critical source of nutrition.
In Liberia and Sierra Leone, for example, progress on fisheries management is more crucial than ever as the two countries work to recover from devastating Ebola outbreaks. (Sierra Leone, while not Ebola free, has significantly reduced the outbreak and threat to communities, with a recovery predicted this summer.) Recent increases in local fish catches have helped these countries meet nutritional needs and achieve food security as agriculture and livestock production continue to decline in the wake of disease.
But this would not have been possible if illegal trawling had not been investigated and discouraged as part of the World Bank's West Africa Regional Fisheries Program (WARFP).
As part of the program, the governments of Sierra Leone and Liberia created 6-mile conservation zones dedicated to local small-scale fishing communities where trawlers and other large-scale fishing boats are not allowed to fish. Local small-scale fishers were also trained to take photos of illegal trawlers on their GPS-enabled cameras. This helped the Liberian government, which partnered with the World Bank, U.S. Coast Guard and the Environmental Justice Foundation, to monitor trawlers. Bérengère Prince, a senior natural resources management specialist with the World Bank, just returned to the U.S. from Liberia. She said the success of curtailing illegal trawlers from Liberia's waters has been sustained, despite the chaos of recent times. "When you look at the satellite images, it is amazing to see this hole in Liberia's waters where there are no illegal trawlers," Prince said.
Since then, Liberian fishers have benefited from better harvests, both in the number and size of fish. In Sierra Leone, public revenues from the fisheries sector increased from $0.9 million in 2008 up to $3.8 million in 2013, a 322%

increase over 5 years. That's a considerable change from when industrial trawlers plied the waters off the coast of Liberia and Sierra Leone, capsizing boats and destroying nets.

Thanks to these efforts, and despite the overexploitation of fish worldwide, fish stock continues to improve. Some communities have experienced up to 40% increase in fish catch. “Liberia and Sierra Leone used to have a lot of illegal fishing. Today, the illegal trawlers are gone,” said Jingjie Chu, a natural resources economist at the World Bank, and author of a new report entitled “Economic, Environmental, and Social Evaluation of Africa’s Small-Scale Fisheries.”

The report aims to identify the relationship between the performance of small-scale fisheries in Africa and the governance and management of the fisheries. Chu and her colleagues found that fisheries with tenure systems secured to benefit small-scale fishing communities -- territorial use rights, fishing rights, licensing and other protections -- tend to see more earnings accruing to the harvest and processing owners. This increase in earnings--from better-managed resources--benefits the communities and could contribute to social welfare within the coastal community through the development of a social fund.

**Small Scale Fisheries still Vulnerable**

Still, many small-scale fisheries in Africa are in peril. They have long been vulnerable and there are limited alternative livelihoods for these men and women. The report explored commonalities and differences between nine small-scale fisheries in Africa in 2013. Most of the fisheries studied have very basic and limited infrastructure. They are in remote locations without reliable transportation. A high percentage of fish landing is routinely lost because of an irregular electricity supply and poor handling. Too often, the success of a fishery has been narrowly defined as ecological sustainability, according to Jingjie Chu, while the social and economic conditions of fishing communities are overlooked.

More efficient handling technology and processing have the potential of bringing new jobs to the sector. For now, a major obstacle for these fisheries is a dearth of basic refrigeration. “There is a huge amount of waste and spoilage of fish,” Chu said. “We have to help them improve the whole value chain, not just on the harvest side.” “We want to enlarge the whole pie of fishery sector and also make sure the local communities will benefit from the improved management with better products, more favorable prices and greater income. It doesn’t make sense to see the harvested fish rot and go to waste. We want to help change this.” *(World Bank)*

**Boosting Agriculture, Services and Value Chains is Key to Africa’s Competitiveness**

- Despite high economic growth, competitiveness in Africa is stagnating, with few signs that productivity is rising, thus hindering the prospect of inclusive and sustained growth.
- Poor-quality institutions, infrastructure, health and education hold competitiveness down, although efficiency in goods and labor markets is improving.
- Supporting Africa’s structural transformation will require a comprehensive policy mix that prioritizes transport and ICT infrastructure, education, trade and further regulatory reform.

African economies’ prospects for long-term, sustainable growth are under threat from weakness in the core conditions necessary for competitive and productive economies, despite outwardly healthy-looking growth rates in many parts of the region, according to the African Competitiveness Report.

The biennial report, themed Transforming Africa’s Economies, combines detailed data from the World Economic Forum’s Global Competitiveness Index (GCI) with studies on three key areas of economic activity; agricultural productivity, services sector growth and global and regional value chains. The data points to low and stagnating productivity across all sectors: agriculture, manufacturing and services, partly as a result of ongoing weakness in the basic drivers of competitiveness, such as institutions, infrastructure, health and education. This shortfall masks a better performance in other areas of the economy; specifically, better functioning of labour and goods markets.

In view of Africa’s young and growing population, labour-intensive sectors must play a larger role in the continent’s transformation: the growth in services – both in terms of GDP and employment – cannot propel Africa’s growth alone, and even here development remains uneven, with too many people employed in low productivity services.

“Due to the rapid growth of Africa's working-age population, investments in highly productive labor-intensive sectors will be crucial to create more globally competitive economies. These investments will also promote the regional agenda for inclusive growth and generate much-needed employment opportunities for women and youth,” said Barak Hoffman, World Bank Group Governance Specialist and co-author of the report.

**Key findings from the report’s analysis include:**

Improving agricultural productivity: Agriculture provides an important source of income for the majority of African citizens, but productivity remains too low and based on small-scale subsistence production. Improvements such as better leveraging of technology (both information and communications technologies, as well as development of high-yield crops and better irrigation), more clearly defined land property rights and promotion of rights and opportunities for women, who represent a significant share of the agricultural workforce on the continent, are all needed to address this. Moreover, enabling greater market access for small-scale farmers would help ensure inclusiveness, while the development of regional value chains would serve as a useful stepping stone, enabling them to improve production and marketing processes, and ultimately to meet the quality standards of world markets.

Leveraging services: Services exports are typically viewed as an area of comparative advantage for more advanced economies, but a deeper examination of trade statistics suggests that they are much more significant for Africa than previously thought, especially as inputs into exports from other sectors. Further development of low-cost, high-quality services will help countries participate in local, regional and global value chains. It will also encourage policy-makers to promote services development as part of a wider growth agenda.

Tapping global value chains (GVCs): Greater participation in global and regional value chains can accelerate African economic transformation through the gains associated with enhanced productivity and the development of new activities. However, gains from GVC participation are not automatic and require a broad set of policies, with a particular focus on trade facilitation, investment, transport infrastructure and access to finance. Many of these policy areas have economy-wide benefits beyond GVC integration.

"Business cannot continue as usual in Africa's agriculture sector. It is imperative that productivity be significantly boosted through tailored agriculture research, harnessing ICT and strengthening linkages between small-scale farmers and commercial producers while better integrating them into regional and global value chains," said Steve Kayizzi-Mugerwa, Ag. Vice President at the African Development Bank.

"The service sector is rapidly becoming much more prominent on the development agenda across Africa and for the World Bank. In many countries across the region, services are the most rapidly growing sector, creating new jobs and economic activities, and providing critical inputs to boost production in other sectors. Yet productivity of the service sector remains low. To be more competitive, governments must lower trade barriers as well as enact complementary regulatory reforms. These reforms are also necessary for Africa to deepen its integration into global value chains," said Anabel González, World Bank Group Senior Director for Trade and Competitiveness.

"To consolidate the progress achieved and make new gains that will allow sub-Saharan Africa to fulfil its full potential, we need to promote further investment in infrastructure, adopt swifter trade procedures, increase regional integration and build more effective institutions. Faster structural transformation is also needed to boost productivity, enhance job creation and improve social cohesion," said Angel Gurría, Secretary-General at the Organisation for Economic Co-operation and Development (OECD) in Paris. *(World Bank)*

## RETAIL

**Egyptian dairy maker Domty plans to list on Cairo bourse by early next year**

One of Egypt's top dairy makers, Arabian Food Industries Co.(Domty), plans an initial public offering (IPO) on the Cairo bourse this year, or early in 2016, its vice CEO said. Mohamed El Damaty said the dairy and juice company had been encouraged by Egyptian foodmaker Edita's listing of 30 % of its shares in April, which was heavily oversubscribed. He did not say what size Domty's IPO would be. The company has paid-in capital of 50 million Egyptian pounds ($6.6 million).

Food is seen as a fast-growing sector in the most populous Arab nation of about 90 million people and is drawing growing investor interest. As well as Edita's IPO, cheesemaker Arab Dairy drew keen foreign interest before being bought eventually in March by Egyptian financial services firm Pioneers Holding. "The offering will be during the last quarter of this year or the first quarter of 2016. It will be through raising the company's capital and selling part of the current shareholders' shares," El Damaty told Reuters. "The (offering) size is not determined yet. EFG-Hermes and Akanar are the offering advisors," he added. El Damaty's family owns 70 % of the company which was founded in 1989, and a Saudi investor owns the rest.

Domty is the latest in a flurry of IPOs, mergers and rights issues on the Cairo exchange since late last year, as economic reforms introduced by President Abdel Fattah al-Sisi have lifted investor confidence, which slumped during four years of political and economic turmoil since the Arab Spring uprising. Domty has two factories in the 6th October district near Cairo, and plans to start producing yoghurt and cartoned milk, alongside its cheese and juice products. "We need to be on the stock market to finance the coming period's expansions. This is suitable timing, especially after the success of Edita and Juhayna's offerings." Juhayna Food Industries, one of Egypt's largest dairy product and juice makers, listed part of its shares on the Egyptian Stock Exchange in 2010. ($1 = 7.6300 Egyptian pounds) *(Reuters)*

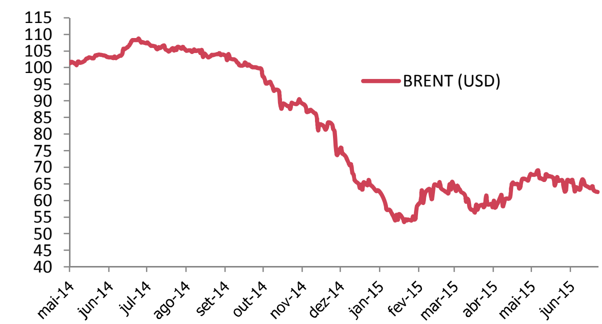
**MARKET INDICATORS**
22-06-2015

| STOCK EXCHANGES | | |
|---|---|---|
| Index Name (Country) | 22-06-2015 | YTD % Change |
| Botswana Gaborone Domestic Index (Botswana) | 10.607,78 | 11,64% |
| Bourse Régionale des Valeurs Mobilières (Ivory Coast) | 274,50 | 6,36% |
| Case 30 Index (Egypt) | 8.489,41 | -4,90% |
| FTSE NSE Kenya 15 Index (Kenya) | 216,59 | 0,51% |
| Morocco Casablanca Stock Exchange CFG 25 (Morocco) | 20.158,65 | -0,38% |
| Nigerian Stock Exchange All Share Index (Nigeria) | 33.384,59 | 18,90% |
| FTSE/JSE Africa All Shares Index (South Africa) | 52.217,75 | 4,92% |
| Tunindex (Tunisia) | 5.746,68 | 12,90% |

Source: Bloomberg and Eaglestone Securities

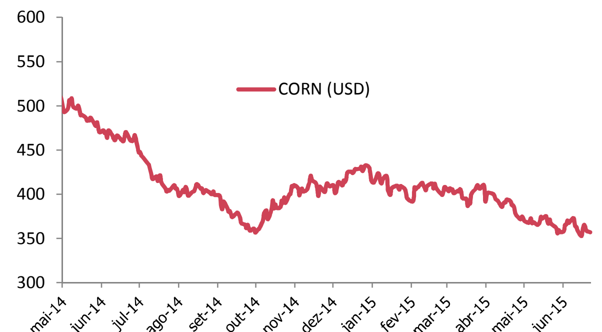
| METALS | | |
|---|---|---|
| | Spot | YTD % Change |
| Gold | 1.188 | 0,24% |
| Silver | 16 | 3,24% |
| Platinum | 1.067 | -11,70% |
| Copper $/mt | 5.659 | -10,17% |

Source: Bloomberg and Eaglestone Securities



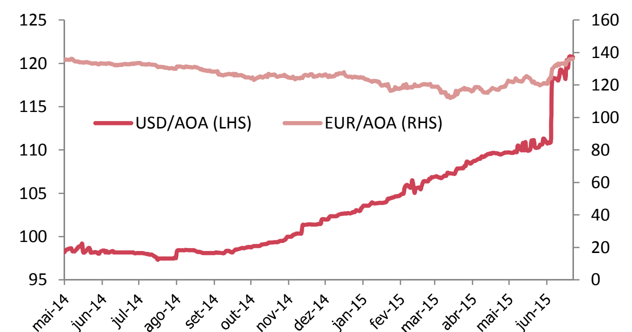

| ENERGY | | |
|---|---|---|
| | Spot | YTD % Change |
| NYMEX WTI Crude (USD/barril) | 59,0 | 8,70% |
| ICE Brent (USD/barril) | 62,5 | 5,66% |
| ICE Gasoil (USD/cents per tonne) | 569,8 | 7,55% |

Source: Bloomberg and Eaglestone Securities



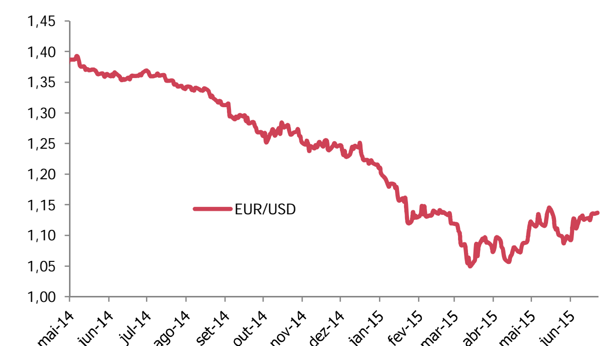

| AGRICULTURE | | |
|---|---|---|
| | Spot | YTD % Change |
| Corn cents/bu. | 357,0 | -10,92% |
| Wheat cents/bu. | 498,3 | -16,19% |
| Coffee (KC) c/lb | 130,2 | -23,10% |
| Sugar#11 c/lb | 11,9 | -20,24% |
| Cocoa $/mt | 3278,0 | 13,35% |
| Cotton cents/lb | 64,1 | 4,96% |
| Soybeans c/bsh | 944,5 | -8,35% |

Source: Bloomberg and Eaglestone Securities




| CURRENCIES | |
|---|---|
| | Spot |
| **KWANZAS** | |
| USD | 120,217 |
| EUR | 136,110 |
| GBP | 189,548 |
| ZAR | 9,881 |
| BRL | 38,911 |
| **NEW MOZAMBIQUE METICAL** | |
| USD | 38,527 |
| EUR | 43,805 |
| GBP | 60,997 |
| ZAR | 3,098 |
| **SOUTH AFRICAN RAND SPOT** | |
| USD | 12,118 |
| EUR | 13,776 |
| GBP | 19,186 |
| BRL | 3,937 |
| **EUROZONE** | |
| USD | 1,14 |
| GBP | 0,72 |
| CHF | 1,05 |
| JPY | 139,90 |
| GBP / USD | 1,58 |

Source: Bloomberg and Eaglestone Securities



## UPCOMING EVENTS

**Southern African International Trade Exhibition: 21–23 June 2015 Gallagher Convention Centre, Midrand, Johannesburg South Africa.** *www.exhibitionsafrica.com*

**Mining on Top: Africa – London Summit: 24th-26th June, Park Plaza Riverbank Hotel London, UK**

**East African Power Industry Convention**, 27 – 28 August 2015 KICC, Nairobi, Kenya Optimising East Africa's Power Supply Capabilities. *www.eapicforum.com*

**New York Forum AFRICA**, 28-30August Libreville, Gabon, the world's leading pan-African business summit *www.ny-forum-africa.com*

**AFRICA – JAPAN BUSINESS INVESTMENT FORUM** 31st August - 2nd September 2015, Addis Ababa , Ethiopia - For information: Erika Atzori e.atzori@icpublications.com

**South Africa: Super Investor Africa: 14 – 16 September 2015 -** *http://www.superinvestorafrica.com/*

**7th African Business Awards 20th September, New York, USA**
Designed to celebrate excellence in African business, the African Business Awards gala cocktail will be held during the UNs General Assembly and in conjunction with the African Leadership Forum and the UN Private Sector Forum. *www.ic-events.net*

**2nd African Leadership Forum (ALF) 21st September, New York, USA**
The 2nd ALF will discuss the role of leadership in driving transformative growth and development in Africa. It will be held in conjunction with the African Business Awards and the UN Private Sector Forum. *www.ic-events.net*

**London: East Africa Pensions and Sovereign Funds Investment Forum: 22 - 24 September 2015**

**Innovation Africa 2015 – Devolping African Skills for the 21st Century, 30 Sept – Oct 2, Lake Victoria, Uganda**
*http://innovation-africa.com/2015/*

**Dubai: Super Return Middle East - The Largest Private Equity Event in the MENA Region: 4 - 7 October 2015**

**The Global African Investment Summit, 1-2 December 2015 Central Hall Westminster, London UK**
*www.tgais.com/africanbusiness*

**Mining Indaba 2016 Cape Town, South Africa -01 to 04 February 2016**
*http://www.saceec.com/events/view/mining-indaba-2016*

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## Disclosures

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

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

Eaglestone is committed to operating and behaving according to the highest standards of corporate governance. Its subsidiary in the United Kingdom is authorized and regulated by the Financial Services Authority. The first of its six Luxembourg based funds has received approval from la Commission de Surveillance du Secteur Financier.

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

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