INSIDE AFRICA

25 May 2015

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EAGLESTONE SECURITIES

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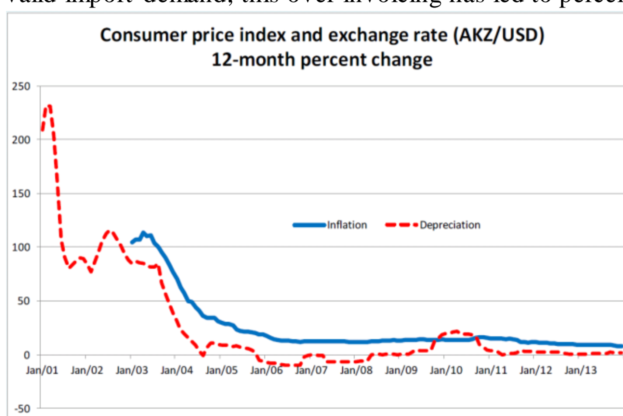
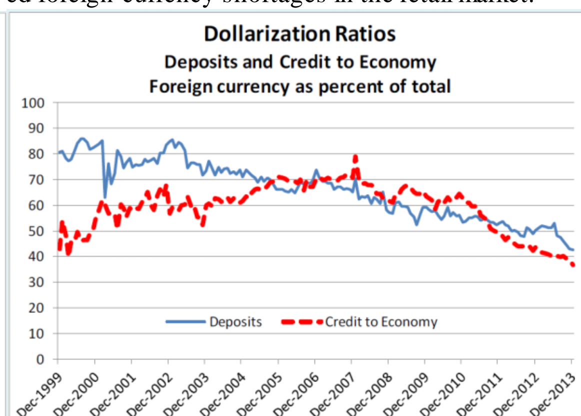
In-depth:
De-Dollarization in Angola (as of 2014)

In 2013, the Banco Nacional de Angola (BNA) designed a package of measures intended, *inter alia*, to reduce the economy's significant dollarization and address severe foreign currency shortages in the retail market. Despite an initial (positive) impact, Angola remained heavily dollarized. The U.S. dollar remained the legal tender, like the local currency, the kwanza. The dollar is still extensively used as a unit of account and for transaction purposes, and banks are heavily dollarized. However, while a decade ago, nearly three fourths of deposits and two-thirds of credit to the private sector were in foreign currency, both ratios were closer to 40 % in 2014.

Causes of dollarization: Dollarization has been driven by the long-lasting civil conflict and the significant uncertainty about Angola's macroeconomic conditions and the value of the kwanza. Inflation was at hyperinflation levels in the early 2000s. It topped 100 % when the civil war ended in 2002 and still exceeded 30 % in 2004. As a result, since 2001 the kwanza has depreciated by nearly 1,600 % vis-à-vis the dollar. Dollarization has also been fed by Angola's high dependence on oil revenues; until recently, the oil sector made extensive use of dollars to settle payments to local suppliers. These dollars were subsequently retained rather than sold to commercial banks, producing severe foreign currency shortages in the retail market. Until recently, dollarization was also encouraged by higher reserve requirements on kwanza than on dollar deposits, which encouraged banks to offer clients more attractive rates on dollar deposits and loans. The dollar has also been sought as a vehicle for capital flight: Angola has tight capital controls and the kwanza is not convertible outside the country, so much of this capital flight is disguised, especially through the over in voicing of current foreign payment obligations. Since the BNA has sought to tailor its foreign currency sales to its estimates of valid import demand, this over-invoicing has led to perceived foreign currency shortages in the retail market.





Impact of dollarization: High dollarization has reduced the effectiveness of monetary policy and obliged the BNA to rely on the exchange rate as the nominal anchor. Indeed, the BNA's policy rate is still a relatively weak monetary policy instrument.

Measures to reduce dollarization: By 2014, Angola recently had made considerable progress in improving macroeconomic stability and increasing confidence in the kwanza. Inflation had been reduced to single digits (below 8 % in 2013) and the foreign exchange rate had been stabilized. The BNA had elaborated a package of administrative measures intended, *inter alia*, to further reduce dollarization and address the severe foreign currency shortages in the retail market.

• The most important measure was the oil sector foreign exchange law phased in during 2013. *Inter alia*, the law requires the oil sector, since mid-2013, to settle all domestic transactions including taxes and payments to local suppliers, in local currency purchased from domestic banks. This effectively channeled the supply of dollars entering the nonoil sector through commercial banks.

• In addition, measures were introduced in mid-2013 that make it more difficult for importers to overstate foreign currency obligations and to make the demand registered by banks at the primary auctions a more accurate reflection of import needs.

• The BNA also tightened banks' foreign exchange exposure limits. As a result, while the oil sector foreign exchange law channels more dollars into banks, the foreign exchange exposure limits also oblige banks to sell surplus dollars into the retail or the interbank market. The BNA also limited the extension of foreign exchange–denominated consumer credit to foreign exchange earners only.

• In early 2014, the BNA reduced the reserve requirements on kwanza deposits below those on dollar deposits. This allows banks to offer more attractive rates on kwanza deposits and loans.

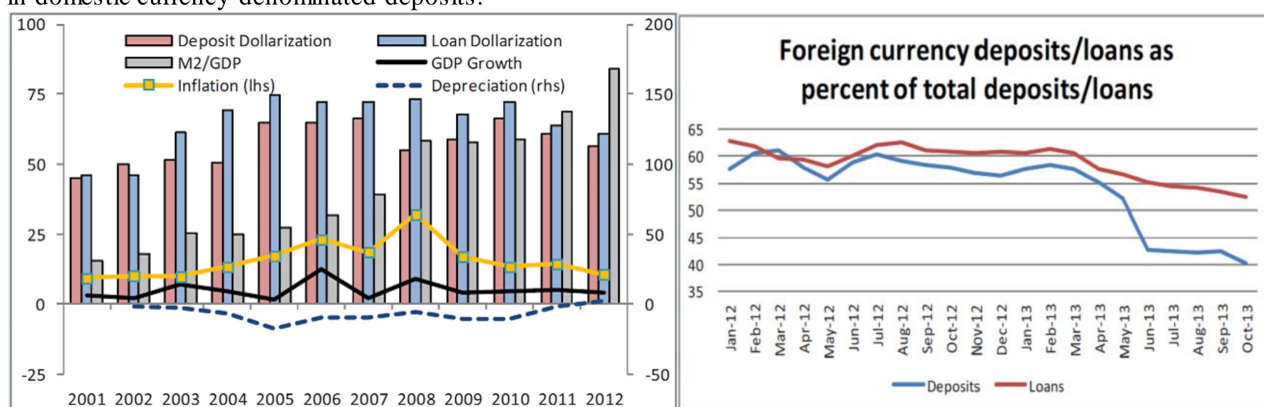
Impact on dollarization: By 2014, preliminary evidence showed that the package of measures has had the intended effect. Foreign exchange shortages had been eliminated and an interbank market had emerged. In addition, dollar deposit and loan ratios had trended down through the past decade and the decline has accelerated since the implementation of the oil sector foreign exchange law in mid-2013. From June to December, dollar deposits fell from 53 to 42 % of total deposits and dollar credit fell from 41 to 37 % of total credit to the economy. Anecdotal evidence

suggests that the oil sector foreign exchange law has also had an impact on payment dollarization and the kwanza was rapidly becoming the primary unit of account and medium of exchange. *(IMF)*

São Tomé and Príncipe

Dollarization has been a defining feature of São Tomé and Príncipe's banking sector. As inflation rose from 9 % in 2001 to about 28 % in 2008, concerns about an erosion of incomes and purchasing power in the wake of depreciation led to a high degree of currency substitution. The ratio of foreign currency-denominated deposits to broad money rose from 35 % in 2001 to about 57 % by 2007. Commercial banks operated largely with foreign currency and, correspondingly, foreign currency loans accounted for almost ¾ of the credit portfolio.

However, efforts to reduce dollarization in the financial system in recent years, which included prudential regulations regarding reserve requirements, led to a reversal in the share of foreign currency loans from 77 % in 2010 to 58 % in 2012. In March 2010, the central bank updated its policy to require 90 % of the reserve requirements be paid in local currency. At the same time, the central bank lowered the required reserve ratio for domestic currency to 18 %, while keeping the statutory requirements for foreign exchange at 21 %. A peg to the euro was implemented in January 2010, achieving a slow decrease in inflation and dollarization. In 2013, banks actively sought funding in local currency, causing an increase in the spread between foreign currency and domestic currency interest rates and steering an increase in domestic currency-denominated deposits.



(IMF)

African revival shifts east

Deutsche Bank analyst ***Dr Claire Schaffnit-Chatterjee*** *and economist* ***Robert Burgess*** *make the case for the economies in eastern Africa.*

Africa has for some time been one of the fastest-growing regions in the world. Since 2000, the frontier economies of sub-Saharan Africa have grown at an annual average rate of 6.3%, a little faster than the larger emerging markets regularly covered in our reports.

This represents a dramatic turnaround from the economic malaise that characterised the region for much of the preceding two decades. The IMF, in its latest World Economic Outlook projections, expects this outperformance to continue in the next few years.

One popular view is that this revival is largely a reflection of the boom in commodity prices and, in particular, strong demand from China. There are good reasons for this.

By almost any metric, frontier Africa is one of the most commodity-dependent regions in the world. Fuel, metals, minerals, and food account for 90% of exports from the region. Net commodity exports (i.e. exports less imports) are 23% of GDP, ranking alongside the oil-dominated economies of the Middle East and North Africa.

Exports to China have been growing at an annual average rate of 26%, double the rate of increase to other markets. A couple of years ago, China became the largest single export market for frontier Africa, surpassing the US. It now accounts for 18% of the region's exports, not far short of the 23% of exports going to all euro area countries combined.

Growth has been stronger in the more resource-intensive countries in the region, especially the oil producers. Angola and Nigeria, the two largest economies in the region, have grown at average annual rates of 8-9% for the last decade and a half, making Nigeria comfortably the largest economy on the continent, including South Africa and North Africa.

Other countries have been hoping to join this club. Large discoveries of oil and gas reserves in Mozambique, Tanzania, and Uganda, have brought these countries to the cusp of becoming significant new producers of energy.The investments needed to bring this about may be harder to sustain in an environment of lower prices.

Sceptics also point to what has not happened. The process of structural transformation has been slow. Agriculture still accounts for the bulk of employment and the share of manufacturing in total economic activity remains much the same now as it was 20-30 years ago. Poverty rates are falling across the region but only slowly as the benefits of growth have accrued disproportionately to the elites, a phenomenon that has been especially pronounced among the region's oil producers.

As such, it could be argued that Africa's revival is built on flimsy foundations and will quickly dissipate as growth in China slows and the boom in commodity prices fades. Moreover, to the extent that recent growth has translated only slowly into improved living standards for much of the region's population, fragile support for economic reforms could disappear and turn to populism.

More than just commodities

However, the improvement in Africa's economic performance in recent years has always been about more than just commodities. Ethiopia, Rwanda, and Uganda, for example, are not especially rich in natural resources, but have nevertheless also enjoyed sustained economic booms. As we have argued elsewhere, this largely reflects better economic policies. Moreover, the region's dependence on commodities can easily be overstated. The aggregate figures are inflated by oil exports from Angola and Nigeria, which account for two-thirds of the region's non-renewable commodity exports. Many are also largely exporters of food, which should be less sensitive to the downside risks to commodity prices from the transition taking place in China from investment towards consumption-led growth.

At a country level, net exports of commodities account for over 10% of GDP in only around a dozen cases. In well over half of the countries in the region, however, net exports of commodities are less than 4% of GDP, and 18 countries are actually net importers of commodities. As such, we would characterise the truly commodity-dependent countries within the region as follows:

- Six oil producers (Angola, Chad, Republic of Congo, Equatorial Guinea, Gabon, and Nigeria) where oil accounts for almost all exports. Net commodity exports are exceptionally high among this group at close to 50% of GDP on average.
- Two other economies, Botswana and Zambia, that are also heavily reliant on a single commodity – copper in Zambia and diamonds in Botswana.
- Half a dozen other major commodity producers that export a relatively broad mix of products (Democratic Republic of Congo, Guinea, Ghana, Ivory Coast, Namibia, and Zimbabwe)

Leaders and laggards

Energy exporters

Not all commodities are equal, of course, and it is the outlook for oil and other energy prices that has been marked down the most over the last several months. Last year, the IMF was already anticipating a modest decline in prices. But it has since substantially pared its forecasts further. This is not good news for the region's oil producers, which lack the large sovereign wealth funds and foreign reserves of the Middle East producers and thus face more significant challenges in adjusting to lower prices.

In Nigeria, lower oil prices will likely result in a (slightly) negative current account balance for the first time in over a decade. Despite three downward revisions to budget oil price, from US$78 to $52 per barrel, the fiscal deficit is set to widen to close to 4% of GDP this year. The naira has lost 20% of its value since mid-2014, foreign reserves have fallen to less than 5 months of import cover, and the Central Bank of Nigeria has hiked its policy rate by 100 bps to 13%.

In Angola, the government responded more swiftly, halving the budget oil price for this year to $40 per barrel, with significant cuts in public spending, including to fuel subsidies and various investment projects. The current and fiscal accounts are nevertheless still likely to swing into significant deficits this year, to around 5-6% of GDP. The kwanza has depreciated by 10% and remains under pressure. The central bank has increased its policy rate by 50 bps since October to 9.25% and further hikes are likely to follow. On the positive side, Angola has substantial foreign reserves which, though falling, are expected to remain above $20bn or 6 months of import cover.

Ghana is much less reliant on oil than Angola and Nigeria but was already struggling with large fiscal and current account deficits, which were each close to 10% of GDP last year. Government debt has risen to 68% of GDP, making it the most indebted of any large frontier African economy. This is only partly due to the falling price of gold, oil and, to a lesser extent, cocoa. At least as important has been poor fiscal discipline, particularly a surging wage bill and other excessive spending in the run up to the 2012 elections. After a brief surge in August and September in anticipation of a new IMF programme, the cedi has resumed its long downward trend.

This is not to say that the region's oil producers are likely to fail. Lower oil revenues should sharpen incentives to diversify their economies. In Nigeria, the recent election of Muhammadu Buhari on a strong anti-corruption platform, the first time an incumbent president has been unseated at the ballot box, provides an historic opportunity to press ahead with such reforms. Whether Buhari will be able to deliver is not a given. Ghana, for example, also enjoys a vibrant democracy and the smooth transition of power is now the norm. But this has not obviously led to better policy outcomes, as a result of which Ghana has spent much of the last 20-30 years under successive IMF programmes.

Energy importers

Most of the countries in frontier Africa import more energy than they export. These countries will benefit from reduced inflationary, fiscal and external pressures and could see their fiscal and current account balances improve by a couple percentage points of GDP on the back of lower oil prices. The outlook for other commodity prices has also weakened but to a lesser extent. The IMF had been expecting a very gradual deceleration in non-fuel commodity prices over the medium term. Over the last year, the Fund has revised these forecasts down by about 11%, but by slightly more for metals and bulk commodities, especially iron ore.

Based on the commodity composition of trade outlined above, we can assess how the terms of trade for the region will evolve in response to these expected relative movements in commodity prices.

Not surprisingly, it is the energy exporters, and in particular the six large oil producers noted above, that face the biggest deteriorations in their terms of trade. More of the energy importers see an improvement in their terms of trade, as the cheaper cost of energy imports will offset lower prices for their commodity exports, although not uniformly.

Countries with only relatively modest net energy imports but significant net exports of metals, for example, such as Mozambique, Rwanda, and Zambia, are also set to see their terms of trade weaken. The biggest winners are those countries with either large energy import needs or relatively fewer commodity exports, such as Kenya and Tanzania, and to a lesser extent Ethiopia and Mozambique.

Look east

Africa's centre of economic gravity is thus likely to shift from west to east, to the less commodity-dependent economies of Ethiopia, Kenya, Mozambique, Tanzania, and Uganda. They enjoy a number of advantages, which we think should make this group the fastest-growing in frontier Africa over the next 5-10 years:

- They are relatively large, comprising over 250 million people, with a combined GDP of a little over $200bn, and are (mostly) politically stable.
- They are economically more diverse than their neighbours to the west. In Kenya, for example, agriculture, industry, and services, account for 30%, 20%, and 50% of GDP, respectively. Moreover, each sector has been growing solidly (6% or above on average) in recent years.
- They are also relatively well-integrated as a region. Kenya, Tanzania, and Uganda, together with Burundi and Rwanda, form the East African Community. These countries have already established a common market and are working towards establishing a monetary union.

Foreign investors have already recognised the opportunities. Mozambique, for example, is the largest recipient of direct investment in frontier Africa, attracting around $5bn annually over the last 3-4 years (30% of GDP). Others have also seen a surge in investment. Chinese direct investment in Ethiopia, for example, reached $1bn last year. A lot of this investment has gone into infrastructure projects and newly emerging oil and gas sectors in the region.

As noted above, we have yet to see a manufacturing revolution in Africa. What little foreign investment in manufacturing there was in the region was typically to exploit large price premiums in local markets rather than as a base for exports. But there are some signs that this is changing. It was competition from low-cost Chinese producers that more or less wiped out the textile and clothing industries in Nigeria and South Africa. Rapidly rising wages for unskilled workers in China, however, are now prompting some of these producers to look for lower-cost places to do business to maintain the competitiveness of their global production networks.

East Africa is well placed to attract this investment and indeed is starting to do so. China's new Silk Road Fund is an acknowledgement of this. It seeks to facilitate trade links with a number of frontier and emerging markets through a $40bn infrastructure investment fund. In Africa, the fund is targeting the economies along the eastern seaboard, which suggests a shift away from China's traditional focus on securing natural resources towards one more focused on exploring the opportunities for establishing a manufacturing hub in the region.

Challenges and opportunities

Which African economies will take advantage of these opportunities, or best deal with the challenges presented by lower commodity prices, will ultimately come down to the quality of economic policy making in each case.

This is equally true of the demographic opportunity facing the region. Declining fertility and child mortality rates mean that working-age adults have become the fastest-growing segment of the population. The dependency ratio, that is the ratio of the non-working age population to the working age population, which is comfortably the highest of any region in the world, is set to continue falling sharply for the next several decades.

Emerging markets have been through a similar process but their dependency ratios are now bottoming and will soon start rising as their populations begin to age. Half of the increase in the global labour force over the next twenty-five years is set to come from frontier Africa. Whether this proves to be a blessing or a curse will depend on whether these 500 million potential new workers can be fully employed in productive activities. This means creating jobs and this in turn gets back to the issue of structural transformation. The experience in other regions has been mixed but suggests that commodity producers have not fared as well in creating employment opportunities for rapidly growing young populations.

This was most obvious in the Middle East and North Africa, where high youth unemployment was a factor in the political and social instability of the Arab Spring. It contrasts with the experience in East Asian countries, which were able to turn their youth bulges into demographic dividends. While this again might tend to favour East Africa (over West Africa), productively absorbing an increase in the labour force of this scale will still require significant efforts in a number of areas, including:

- Closing the infrastructure gap. As noted above, there has been significant investment in infrastructure in recent years, much of it from China, but the region still lags behind other developing regions in almost all measures of infrastructure coverage. Access to water, road transport and electricity are particularly limited. Only 16% of roads are paved in the region, compared with 58% in South Asia. Only around a quarter of the population has access to electricity.

- Reducing the costs of doing business. The payoff to "hard" investments in infrastructure is greatly reduced if they do not go hand in hand with "soft" improvements in institutions and regulations. Complex and opaque regulations can significantly reduce the efficiency and raise the cost of doing business. Frontier African countries still score poorly on these metrics. According to the World Bank's latest Doing Business indicators, the median frontier African country ranks 151st out of 189, compared with the median emerging market rank of 48th. Things are improving from this low base, however, as the region undertook the largest number of regulatory reforms making it easier to do business, accounting for around one-third of the worldwide total of such reforms last year.
- Improving human capital. By most metrics, the countries in frontier Africa still have the lowest levels of human capital in the world, although there has been some catch up over the last decade. Moreover, they may already be reaching levels where structural transition is becoming viable. Secondary school enrollment rates, for example, are already over 40% on average. This is similar to Malaysia, Mexico, and Turkey in the late-1970s, by which point their industrial transformation had already begun.

Finally, while the typical stylised path of economic development involves moving from a high share of employment in agriculture towards an increasing share of employment in manufacturing first and then gradually to services, this does not mean that the region's comparative advantages in natural resources should be ignored.

On the contrary, we think agricultural production can continue to drive growth. Africa accounts for half of the world's uncultivated land that is suitable for growing food crops. And there is huge scope to increase yields given extremely low use of fertilisers and irrigation. Moreover, demand is increasing fast, both globally and in Africa itself, especially in cities, as rural to urban migration continues.

Conclusions

There are good reasons to think that the revival in African growth over the last decade has been based on much more than the super cycle in commodities and demand from China.

Over the next decade, however, the region's centre of economic gravity is likely to shift towards the less resource-dependent economies in East Africa. Beyond the likely improvement in their terms of trade, they appear better-placed to deliver the structural economic transformation that will be needed if large increases in the working age population are to prove a blessing rather than a curse.

Nothing is guaranteed, however, and it will ultimately be the quality of economic policy-making that determines which countries are able to take advantage of this opportunity. The same is equally true of the economies in West Africa, which will face significant adjustment challenges in the near term, but may find it easier to generate support for difficult structural reforms that proved elusive when natural resource revenues were booming.

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SOVEREIGN RATINGS

North and South America - Asia

	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
25-05-2015	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
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-3	F3
VENEZUELA	Caa3	CCC	CCC	NR	C	C
USA	Aaa	AA+u	AAA	NR	A-1+u	F1+

Sources: Bloomberg, Eaglestone Advisory

Eurozone

25-05-2015	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

Region - Africa/Middle East

25-05-2015	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-	sover	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".

IMF, WORLD BANK & AFRICAN DEVELOPMENT BANK

AfDB approves US $70.5 million budget support operation for Tanzania energy sector

The Board of Directors of the African Development Bank (AfDB) approved on Wednesday, May 20, 2015, a loan of US $70.5 million to finance the Tanzania Power Sector Reform and Governance Support Programme (PSRGSP). The objective of the operation is to promote inclusive growth and enhanced economic competitiveness through power sector, economic and financial governance reforms. The loan agreement will be signed next week, on the margins of the Bank's Annual Meetings in Abidjan. By providing financial resources to the national budget for fiscal year 2014/15, the loan will support the implementation of the government's reform agenda.

This operation is part of a US $140 million loan in a three-year programmatic series (for 2014/15-2016/17). Subsequent operations of US $35 million will be prepared each for 2015/16 and 2016/17 fiscal years.

By supporting Tanzania Government's reform agenda in the energy sector, the PSRGSP will boost efforts to implement energy sector and related PFM reforms, particularly (i) strengthening the institutional framework and operational efficiency of the power sector; (ii) enhancing competition and private sector participation in the power sector; and (iii) improving governance through PFM reforms, with emphasis on strengthening procurement systems and debt management, to help reduce fiscal risks posed by parastatals. "Ensuring financial and operational sustainability, particularly in respect of TANESCO (the national power utility) is one of the hallmarks of the proposed operation, and the approach is two-fold: support cost-cutting and revenue-enhancing measures," Jacob Mukete, Director of the Governance, Economic and Financial Management Department, said. The PSRGSP operation is critical to improving the performance of Tanzania's power sector, with direct impact on improving access to electricity, maintaining macroeconomic stability, poverty alleviation, economic competitiveness and private sector development

This operation is built on the previous US $58.2 million budget support operation approved by the Board in December 2013, which supported the development of the Electricity Supply Industry Reform Strategy and Roadmap. Through the Institutional Support Projects for Good Governance I and II, the Bank is also supporting important PFM reforms, including in the areas of audit, procurement and anti-corruption, which underpin this operation. The Bank's management reiterated the importance of policy dialogue between the Bank, other development partners and the Government of Tanzania in the energy sector. While recognizing the urgency of improving the financial sustainability of the energy sector, the Bank's President, Donald Kaberuka, underscored the importance of supporting African countries to develop a comprehensive energy subsidy strategy, including social safety nets for those most vulnerable to the impacts of these reforms.

Ghana receives resounding endorsement of investment plan to transform its renewable energy sector

At its governing body meetings this week, the Climate Investment Funds (CIF) unanimously endorsed Ghana's ambitious investment plan to transform and promote its renewable energy sector. The plan, which is slated to receive $40 million in funding from the CIF's *Program for Scaling Up Renewable Energy in Low Income Countries* (SREP), is structured around four key projects: renewable energy mini-grids and stand-alone solar PV systems; solar PV-based net metering with storage; utility-scale solar PV/wind power generation; and a technical assistance project (supported by the Sustainable Energy Fund for Africa – SEFA).

With a significant number of its citizens without access to basic electricity, Ghana is committed to drawing on its wealth of renewable resources to build a sustainable energy sector, and has already adopted a set of energy policy targets, including providing universal access to electricity by 2016 and achieving a 10% contribution of renewables in the electricity generation mix by 2020. However, today its renewables sector faces challenges including inadequate regulatory, contractual and tariff frameworks, and limited interest from investors. The infusion of SREP funding, along with $53.5 million in support from the African Development Bank (AfDB) and financing from other development partners, will help the country scale up and leverage private and public financial resources to build the country's renewables sector and carry out the innovative set of projects.

"We are very pleased to receive this important endorsement from SREP," stated the Deputy Minister of Power, John Jinapor, who led the country's delegation (Seth Mahu, Ghana SREP National Focal Person; and Henry Vanderpuye, SREP National Taskforce Member) for the presentation of the investment plan to the SREP Sub-Committee. "The potential we see through this plan for scaling-up the country's renewable energy development is enormous, not only because of the funding to be provided, but because it will help increase investor confidence, reduce regulatory, institutional and contractual barriers, and provide needed technical support and capacity, and ultimately help Ghana's citizens to sustainably access climate-friendly energy."

The SREP investment plan is Ghana's second investment plan under the CIF. The country also has an active portfolio under the CIF's Forest Investment Program (FIP) – one of a handful of countries with plans in several sectors – and the SREP decision allows the country to exponentially expand its landscape of climate-smart development overall.

Roundtable on African Continental Free Trade Area Calls for fresh solutions

A roundtable comprising trade experts in the public and private sectors met in Nairobi, Kenya, recently to discuss the Continental Free Trade Area (CFTA) as a catalyst to Africa's economic development.

The May 7 event was organized by the African Union Commission, the World Economic Forum and CNBC Africa. The discussions highlighted four critical issues: a 21st century trade and investment agenda for Africa; lowering tariff and non-tariff barriers; resolving the political and technical challenges in establishing the CTFA; and effective private sector engagement in the CFTA negotiations.

The African Union (AU) envisages a CFTA to be launched in 2017. Its aim is to create a single market for Africa, whose one billion people, goods, services and skills, will move freely, creating a larger, vibrant economic space for trade and investment.

The AfDB was represented by Shem Simuyemba, Chief Infrastructure Economist and Regional Integration Expert. He observed that the Bank was driving efforts to help address one of Africa's most critical challenges, which is inadequate infrastructure to support Africa's trade, economic integration and transformation.

In 2014, the Bank invested US $6.7 billion out of which 60% was in infrastructure. The bulk of these funds was in power generation and interconnectors in order to enhance power trade across Africa. "The Bank's interventions were intended to create the necessary economic infrastructure to reduce the cost of doing business, and enhance the competitiveness of Africa's intra-regional as well as international trade," Simuyemba said. Patrick McGee of the World Economic Forum informed participants that "this is the start of series of public-private sector consultations on key issues on Africa's development such as the pan-African CFTA leading to the WEF Africa Forum to be held in Cape Town, South Africa, on June 3-5, 2015." Panelists were unanimous that the CFTA should not just be about trade in goods, but also address issues of trade in services, movement of skills across Africa and more importantly, industrialization, which should be a key pillar of Africa's trade strategy. A number of key measures to support the CTFA were cited. These included new generation institutions such as an African competition commission; a continental arbitration mechanism; protection of intellectual property rights, and entrepreneur development and incentives with a special focus on young entrepreneurs. Also, local content development to support African businesses to be anchored onto and benefit from major investments taking place across the continent particularly in infrastructure was mentioned as another possible solution. The need to enhance science, technology and innovation, deepening of financial markets to make is possible for Africans to invest across Africa, as well as harnessing the knowledge economy to improve technology and innovation also emerged as critical solutions.

Apart from AfDB, other participants of the roundtable discussion were Babajide Sodipo, Regional Trade Advisor at the African Union Commission: Rajesh Shah of Pricewaterhouse Coopers (PwC), who is also a member of the Kenya Private Sector Alliance (KEPSA); and Richard Kiplagat, Chief Operating Officer of the consulting firm, Africa practice.

AfDB supports indigenous power investors in Africa

The Board of Directors of the African Development Bank (AfDB) approved on Wednesday, April 29, 2015, a USD 50 million investment in CEC Africa Investments Limited, a multinational power company headquartered in Nigeria and Zambia. CEC Africa (CECA) seeks to acquire and develop distribution and transmission assets and complementary greenfield generation projects throughout Sub-Saharan Africa. By investing across the energy value chain (generation, transmission, and distribution), CECA aims to reduce electricity losses while improving the overall economics in Africa's power sector.

CECA has invested in two operating companies in Nigeria: Abuja Electricity Distribution Company and North South Power, which holds a 30-year concession on the 600 MW Shiroro Hydro Power Plant, both acquired during the recent Nigerian Power Sector Privatization Program. In addition, CECA has a number of greenfield power projects under active development in Southern and Western Africa, as well as a reserve pipeline spanning Eastern and Central Africa. Through these investments, CECA aims to become one of Africa's leading power utilities, thereby catalyzing additional private sector participation in its energy markets.

To deliver on its growth strategy, CECA is targeting a capitalization of USD 500 million within the next 3 to 5 years. Thus far, CECA has been capitalized with assets in excess of USD 100 million by CEC Plc, a publicly-traded private utility with a 50-year history in Zambia and the DRC and a consistent track record of profitability. A number of other investors have already been identified by CECA and it is expected that a first closing of USD 150 million will be reached by third quarter of 2015.

Through its investment, the African Development Bank is acting as anchor investor and strategic partner, helping to shape CECA's policies and strategies, while catalyzing additional private sector funding into Africa's power sector. The operation is aligned with the **Bank's Ten Year Strategy**, as it promotes: infrastructure development, regional economic integration, private sector development, governance and accountability, as well as skills and technology development."By supporting an indigenous power developer (CECA), the Bank is helping create a pool of pan-African investors besides assisting in mobilizing the necessary capital to increase access to energy in Africa," said AfDB President, Donald Kaberuka. CECA represents AfDB's first equity investment into a power company with interests across Africa. The investment has been structured as part direct equity and part convertible debt, which demonstrates the ongoing financial innovation undertaken by the African Development Bank when it comes to supporting infrastructure development in Africa.

IMF Staff Completes Review Mission to Mozambique

A staff team from the International Monetary Fund, led by Alex Segura-Ubiergo, visited Mozambique during April 27-May 8, 2015 to hold discussions towards the completion of the fourth review under the three-year Policy Support Instrument (PSI)[1] approved in June 2013 (see Public Information Notice (PIN) 13/75). The team met with Economy and Finance Minister Adriano Maleiane, Bank of Mozambique Governor Ernesto Gove, and other senior government officials, the private sector, civil society, and development partners. The team will now prepare a staff report that, upon management approval, is scheduled for discussion by the Executive Board in July 2015.

At the conclusion of the visit, Mr. Segura-Ubiergo issued the following statement:

"Mozambique's economic performance remains robust and stronger than most other Sub- Saharan African countries. Growth is expected to reach 7 % in 2015, though there are downside risks to this outlook due to declining commodity prices and the need for fiscal consolidation. Over the medium-term, Mozambique is expected to remain one of the most dynamic economies in the continent, with rates of growth that could average 8 % over the 2016-19 period.

"Mozambique's plans to develop its oil and gas sector in the Rovuma basin will represent one of the largest investments ever seen in Africa (up to $100bn) and could transform the country into the third largest liquefied natural gas (LNG) exporter in the world. The mission was encouraged by positive developments in the last few months, including the approval of new legislation that could help bring the projects to a final investment decision in 2015. While these projects will provide large fiscal revenues in about a decade, focus on other economic sectors is also essential to make growth more inclusive and create employment opportunities. The government's new economic and social plan focuses on key priorities that could support this objective, but there is a need to build capacity to transform ambitious strategic documents into effective programs.

"End-period inflation remained low in 2014 (1.1 %), thanks to unchanged administered prices, a rebound in agricultural production and the relative strength of the Metical during most of the year. End-year inflation is expected to accelerate to 5.5 % in 2015, in line with the government's medium term objective of 5-6 %.

"After a large fiscal expansion in 2014, which saw the overall fiscal deficit soar to over 10 % of GDP, the 2015 budget brings back public finances to a sustainable path, with an implied fiscal adjustment of over 3 % of GDP that will help stabilize public debt over the medium-term. The mission was encouraged by the authorities' commitment to rigorous budget execution and urged the authorities to carefully prioritize spending to ensure that critical social programs are protected. Prudent borrowing for projects that bring value-for-money is essential, as fiscal space for new debt is increasingly limited.

"The mission expressed concerns about the decline in international reserves, with a large shortfall vis-à-vis program targets, but noted that exchange rate pressures seem to be abating. While international reserves are still at relatively adequate levels, covering about 4 months of non-megaproject imports, there is a need to adjust policies to rebuild buffers – a task the Bank of Mozambique has already initiated.

"Going forward, stronger liquidity management and coordination between fiscal and monetary policies will be needed to meet program targets. With real interest rates still high due to structural rigidities, it is important that the law to establish private credit registries is considered by Parliament without further delays. While financial soundness indicators remain healthy, the current pace of credit growth could be a source of risk that needs to be monitored carefully.

"The authorities are making progress on structural reform implementation, and are to be commended for becoming the first country in Sub-Saharan Africa to request and publish a Fiscal Transparency Evaluation (FTE) from the IMF. They are also beginning to improve collection, disclosure and management of fiscal risks, including from EMATUM, and to take steps to improve public investment management and modernize tax administration. "The mission would like to thank the authorities for the constructive policy discussions and warm hospitality."

[1] The PSI is an instrument of the IMF designed for countries that do not need balance of payments financial support. The PSI helps countries design effective economic programs that, once approved by the IMF's Executive Board, signal to donors, multilateral development banks, and markets the Fund's endorsement of a member's policies (seehttp://www.imf.org/external/np/exr/facts/psi.htm).

IMF Staff Concludes 2015 Article IV Mission to Equatorial Guinea

A mission from the International Monetary Fund (IMF), led by Montfort Mlachila, visited Malabo from April 27 to May 12 to conduct the 2015 Article IV consultation discussions. At the conclusion of the mission, Mr. Mlachila made the following statement:

"Hydrocarbon production and revenue over the last two decades has vaulted Equatorial Guinea to the highest per capita GDP in sub-Saharan Africa. It has also enabled the buildup of a strong infrastructure base under the first phase (2008–12) of the national development plan—Horizonte 2020. The country now possesses high-quality roads, international airports and ports, and much of the population has access to electricity and potable water. Nonetheless, according to the latest available statistics, wealth has been slow to translate into improved social indicators, which are similar to those of low-income countries.This task now becomes more challenging, as the recent oil price slump coincides with an anticipated trend decline in output from aging oil fields.

"Equatorial Guinea's recent economic performance has been weak. Overall real growth in 2014 was slightly negative at about -0.3 %. The large and volatile hydrocarbon sector has generally driven overall growth, although more recently non-resource sector growth has slowed in line with the pace of the infrastructure spending program. The infrastructure spending has also triggered large fiscal deficits in recent years. Following measures introduced to control outlays, there was an improvement in 2014 which lowered the deficit to 6.8 % of GDP. The current account deficit was 10 % of GDP, although there is considerable uncertainty about this figure given very weak external sector statistics. CPI stood at 4.3% in December 2014, above the regional Central African Economic and Monetary Community (CEMAC) convergence ceiling of 3 %, due to food price pressures in 2014.
"The growth outlook poses very significant challenges with prospects dominated by falling oil production volumes and very weak prices, given that hydrocarbons account for around 80 % of the economy. With limited fiscal buffers to cushion the drop in government revenues, fiscal retrenchment will be unavoidable, and will contribute to an economic contraction of 9½ % in 2015. Growth is expected to decline over the medium term. The gradual decline in oil output will likely continue in coming years, but may potentially be somewhat mitigated by the introduction of new extraction technologies and ongoing exploration.
"The main near-term risk to the economic outlook is a slow fiscal adjustment that could result in rapid depletion of fiscal buffers and accumulation of public debt. Moreover, an insufficient effort to address a weak business climate and attract foreign investment would impede diversification and potential non-hydrocarbon growth.
"In view of the challenge confronting Equatorial Guinea, the Article IV consultation focused on the authorities' strategic objective of better leveraging their existing stock of infrastructure to foster diversification and structural transformation in an environment of much-reduced government revenue. Specifically, the discussion focused on the following issues: (i) adjusting fiscal policy to a world of very low oil prices; (ii) policies to underpin a "big push" to attract investment; and (iii) strengthening financial stability and fostering financial deepening.
"The mission welcomes the authorities' revised 2015 budget, which aims to tackle the fiscal challenges through an upfront fiscal adjustment focused on capital spending. It is underpinned by a reassessment of ongoing projects according to economic, social, and fiscal impacts. The credibility of fiscal consolidation should be supported by strengthening public financial management (PFM), including high-frequency monitoring of budget execution and cash-flow situation. "The mission also welcomed the emphasis of the next stage of Horizonte 2020 on improving governance, the business climate, and human capital development. It suggested a number of areas where "quick wins" could signal a drive to improve the business climate, including easing requirements for local content and ownership, speeding visa processing, and starting work toward an eventual credit rating. Equatorial Guinea could also champion further CEMAC integration in order to benefit from potential economies of scale. The authorities should also proactively address emerging weaknesses in asset quality in the financial system that could undermine efforts toward financial deepening.
"The mission underscored that the IMF is committed to strengthening relations with the Equatoguinean authorities, and stands ready to help them address these challenges. The Executive Board of the IMF is expected to consider the staff report on the Article IV consultation in July 2015. "The mission wishes to sincerely thank the authorities for their very warm hospitality and constructive cooperation." The mission had constructive meetings with H.E. Miguel Engonga Obiang Eyang, Minister of Finance and Budgets; H.E. Eucario Bakale Angüe Oyana, Minister of Economy, Planning, and Public Investment; H.E. Alfredo Mitogo Mitogo Adá, Minister of Commerce and Business Promotion; Mr. Ivan Bacale Ebe Molina, National Director of the Central Bank for Central African States (BEAC); Ms. Milagrosa Obono Angüe, Secretary of State for Treasury, and other senior government officials. The mission also exchanged views with representatives of the private sector, civil society, and development partners.

INVESTMENTS

Angola: Council of Ministers passes Bill amending Private Investment Law

Last week, the Angolan Government passed a long-awaited bill amending the Private Investment Law. The bill will now be submitted to the National Assembly for enactment, and subsequently promulgated by the President of the Republic. The main goals the bill wants to achieve is to reduce bureaucracy and streamline the decision-making process of private investments, facilitating the capital repatriation by investors. In short, institute a more investor-friendly legal framework.
According to the information we were able to obtain, the main changes introduced by the new statute include the following:
- The Ministry(ies) in charge of the relevant sector of activity will be responsible for evaluating and approving private investment projects of up to US$10MM. Investments above US$10MM will fall under the authority of the President of the Republic;
- ANIP (the Angola Private Investment Agency) will be mainly engaged in promoting Angola as an attractive destination for private investment and on monitoring the implementation of the government's private investment policies. ANIP will no longer be involved in the evaluation, negotiation or approval of investment projects;

- Tourism and hospitality, telecommunications and information technologies, transport and logistics, energy and water, and construction have been elected as priority sectors for investment. Foreign investors in these sectors are required to partner up will local investors, who are guaranteed a minimum equity interest of 35%;
- Investors remain eligible for tax incentives as regards Corporate Income Tax, Property Conveyance Tax and Investment Income Tax. These may range from 5% to 100% depending on various criteria, including the number of jobs created for Angolan nationals;
- The minimum amount required for investments by Angolan sponsors has been cut down from US$ 1MM to US$ 500k per project. As regards foreign investments, the minimum threshold remains set at US$ 1MM. Importantly, it is now possible to make investments under these limits provided that the investor does not seek tax incentives. In any case, the investor in entitled to repatriate its profits or dividends.

New Agoa deal expects more of SA but offers less, says Davies

New conditions attached to the US's African Growth and Opportunities Act (Agoa) and changes in US trade policy would reduce the value of the measure for SA while raising its costs, Trade and Industry Rob Davies said.
This is the first time Mr Davies has expressed disillusionment over the way the renewal of the act, which expires at the end of September, has been used to extract concessions from SA. He said he would raise the matter in the Cabinet shortly. The US senate recently passed a bill extending Agoa for 10 years with SA included but with stronger conditions. It includes a provision that a review of SA's trade and investment policies must take place within 30 days of enactment to determine their openness to US products. If found wanting, SA's benefits could be limited or it could be suspended as a participant. "Notably absent is any improvement in the level of access of Agoa-eligible countries' products to the US market," Mr Davies said, ahead of his budget vote speech in Parliament. It was clear, he said, that the US wanted to transform its trade relationship with Africa from one of nonreciprocal concessions under the current Agoa to one of reciprocal agreements. "It is no longer the same game." Currently the value of Agoa for SA exceeded its costs because of the benefits for the automotive, agro-processing and chemical industries. But this was likely to change. SA has had to face a raft of US demands in its negotiations on the Agoa renewal. Objections were raised over its restrictions on US poultry, pork and beef exports, and the Security Industry Association of America objected to the Private Security Industry Regulation Amendment Bill. The bill, which requires foreign-owned security companies to sell at least 51% of their local businesses to South Africans, is being discussed within government.There is still no agreement between the South African and US poultry associations over the quantity of US chicken that should be allowed into SA free of antidumping duties. Mr Davies will meet US trade representatives in Paris early next month in a bid to broker a deal on this. *(BDLive)*

Italian utility Enel targets Africa as growth market

Italian utility Enel plans huge investments in renewable energy and grids in Africa, where it expects to find the kind of growth it has enjoyed in Latin America. Enel's chief executive officer Francesco Starace told Reuters that in five years Enel expects to have built up to 5,000 megawatts of renewable energy assets in Africa via its 69 % owned Enel Green Power unit, which he headed until being appointed Enel CEO in May last year. He said parent company Enel -- which has 96 gigawatts of net installed power capacity worldwide -- will also invest strongly in African power grids, which will probably make it Africa's second-biggest power group after state utility Eskom. "For us, Africa is the next Latin America," Starace told Reuters at the Business and Climate Summit in Paris. "In five years Latin America will no longer be emerging but emerged," he said, adding that Enel is the largest player across that region in conventional energy, renewables and distribution.
Enel is investing in renewable energy assets in energy-starved South Africa with a balance of 60 % wind and 40 % solar. It also plans to spend heavily on wind, solar, geothermal and hydro energy in Kenya, Tanzania, Uganda, Mozambique and Ethiopia, while participating in a wind tender in Morocco. Enel will hope to improve on the chequered record of African power projects where governments and utilities have often struggled to maintain new turbines, transformers and power lines. Those problems are illustrated by efforts to harness the Congo river's enormous energy at the Inga rapids with a dam large enough to power half of Africa. Years of conflict and misrule in the Democratic Republic of Congo meant the project has never been realised. Starace noted that Africa needs growth in every kind of energy infrastructure.
Enel's Africa investments could include some fossil fuel-powered plants, but for now Starace expects most of Enel's investment will be in renewables and medium-sized hydro.
Enel also plans an investment in African grids in coming weeks. "In grids there is huge potential for Africa," he said. He declined to give detail, but said microgrids, which connect renewable and other power sources in independent local networks, are the future of Africa. He said that Europe's electrification in the early 20th century followed the same pattern, as plants powering factories added lines to supply nearby residential customers.
Eventually, all these small grids were connected to form Europe's power network. "I don't see why Africa should be any different. Maybe only the Soviet Union did it the other way around," he said. In South Africa, Enel now operates 10 megawatts and is building 990 MW, which will come online in the next two years. Eskom, which parted company this week with its chief executive, supplies 95 % of electricity to Africa's most advanced economy and is struggling to meet

demand. Asked why South Africa is suffering so many blackouts, Starace said this was due to a combination of an accelerating economy, strong demographic growth and lack of spare capacity. "Demand growth went out of control. With this peak demand, Eskom embarked on huge plans, but these invariably take longer and more money to complete," he said. He said Eskom has launched several tenders for new capacity, open to international bidders and mostly for renewables. Starace, 59, who replaced longtime Enel CEO Fulvio Conti, has said Enel would invest 18 billion euros over the next five years, more than half in emerging markets such as Latin America and Africa, and double capacity at Enel Green Power. In Paris, Starace said about 50 % of Enel's global investments would go to renewables, about 30 % to grids, and the rest in conventional generation assets. "This investment will be 80 % in emerging markets and 20 % in mature markets," he said. *(Reuters)*

Peugeot mulls factory in Morocco

French carmaker PSA Peugeot Citroen could announce plans as early as next month to set up a factory in Morocco, a source close to the company said. The plant, possibly near the city of Kenitra, would have an initial production capacity of around 100,000 vehicles, the source said, echoing a report by Bloomberg news agency. A Peugeot spokesman said the group was currently focused on developing sales in Morocco before envisaging any industrial presence in the North African kingdom. "In the medium term, we are thinking about an industrial presence to accompany the development of our brands in the region," the spokesman said, adding Morocco was one of the countries being considered. Reuters reported in November that Morocco, where Peugeot has outsourced research and development activities, featured among the projects of new boss Carlos Tavares as he seeks to increase the French carmaker's footprint in lower-wage countries. *(Reuters)*

Mobius Motors: Affordable 'Made in Kenya' vehicle for Africa's bumpy roads

In 1986 the Kenyan government pursued an ambitious plan to develop the country's first locally-made vehicle. However, the Nyayo Car, as it was named, never hit the market. But that dream to produce a Kenyan-made car has come true, championed by entrepreneur Joel Jackson (30) with the backing of domestic and international investors. At a plant in Thika, a town outside Nairobi, Mobius Motors is building a mass market vehicle, specifically designed for the poor road conditions in Kenya. The start-up auto firm has received the backing of US billionaire Ronald Lauder through his New York headquartered PanAfrican Investment Co., LLC. One of the local investors behind Mobius Motors is the Chandaria Group, a Kenyan diversified group of companies. The investment is led by Darshan Chandaria, CEO of the Chandaria Group. Chandaria says he invested in Mobius Motors because of the automaker's potential to expedite the growth of early stage businesses, and to "enhance affordable mobility for budding entrepreneurs at the bottom of the pyramid". "It's an opportunity for them to own a cost-effective, reliable and functional vehicle which will definitely enable them to run their businesses more efficiently," says Chandaria. "In rural Kenya today we are using second hand imported vehicles which are not suited to the poor road conditions. We are custom building a vehicle to suit the Kenyan road conditions."

Solving the challenge of immobility

Mobius Motors was established by Joel Jackson, a British computer science graduate who was inspired by his experiences in rural Kenya. In 2009 Jackson was working with a start-up forestry venture and noticed that one of the biggest hurdles communities faced was immobility. So he embarked on building a car for the poor road conditions in Kenya. In late 2014 the automaker's Mobius II model hit the showrooms. The eight-seater vehicle features no frills such as air conditioning, but it scores high on key functionality and is fit for travelling and carrying goods over long distances on bumpy dirt roads. At US$11,000 it is the lowest priced new vehicle in Kenya. One of Mobius Motors's customers is Kenya's president Uhuru Kenyatta whoreportedly placed an order after a test drive at an exhibition. But even with its lower price compared to other new cars, Chandaria notes that Mobius Motors is indeed an ambitious project. "It's high risk… but [Mobius Motors] has the ability to positively transform the economies of African countries. It is an opportunity to have a massive social impact on the lives of Kenyans and Africans as we grow the business."

Chandaria met Jackson two and half years ago in Mauritius at the African Leadership Network's Annual Gathering and the two immediately grew an interest in working together. "I really like working with like-minded entrepreneurs. With Joel our thinking is on the same wavelength and our skills complement each other," says Chandaria. "For Mobius we were aligned in terms of our passion, dedication and an appreciation of the fact that businesses should not only focus on financial gains but social impact." Mobius Motors has also tapped highly-skilled professionals as its advisors, including Michael Joseph, the celebrated former CEO of Safaricom who is credited with growing the telco's subscriber base from less than 20,000 to over 13.3 million within a decade and launching the mobile money service M-Pesa. In the next five years Mobius Motors plans to grow its business across East Africa. "It is really going to be a matter of how we can make this great vehicle accessible to as many people as possible. We are working on innovative solutions such as cost-effective and flexible financing options," says Chandaria. Mobius Motors will then embark on a pan-African strategy with the aim of becoming "one of the leading manufacturers and distributors of vehicles in Africa". *(How we made it in Africa)*

BANKING

Banks

Sale of Banco Caboverdiano de Negócios bank completed in July

Portuguese bank Banco Internacional do Funchal (Banif) expects to complete the sale of Cape Verdean bank Banco Caboverdiano de Negócios (BCN), Banif Bank (Malta) and the Açoreana insurance company by the end of July in order to replenish capital, Portuguese financial daily Diário Económico reported. The paper added that only after these sales will Banif reimburse the Portuguese State for the final instalment of hybrid instruments eligible for capital (CoCo bonds or convertible contingent bonds). The final portion that it has yet to pay is of 125 million euros and was due to have been paid by 31 December 2014. In a statement issued by the Portuguese Securities Market Commission (CMVM), the bank's management said those stakes as well as those in Banif – Banco Internacional do Funchal (Brazil) and Banif SGPS are classified as discontinued operations in the banking group's consolidated income statement for 31 March, 2015. In the first quarter of 2015, consolidated net profit for the bank stood at 6.5 million euros, compared with a loss of 39.7 million euros in the same period of 2014 which "corresponds to a return to profits after a deep restructuring period." *(Macauhub)*

Atlas Mara says 9 pct of investors oppose Diamond on board

Almost one in 10 investors in African bank Atlas Mara voted against the election to the board of its co-founder Bob Diamond, the former boss of British bank Barclays. Atlas Mara, co-founded by Diamond and entrepreneur Ashish Thakkar in 2013 with the aim of building sub-Saharan Africa's leading bank, said 8.8 % of investors who voted at its annual shareholder meeting were opposed to the election of Diamond. All other directors received the support of 99 % of shareholders for their election or re-election. The London-listed company said it did not know who voted against the former Barclays chief executive. U.S. based proxy agent Glass Lewis recommended opposing Diamond's election because he is an executive director also sitting on the company's audit committee, according to a person familiar with the matter. Glass Lewis could not immediately be reached for comment. An Atlas Mara spokesman said the company listened to shareholders and addressed any fundamental concerns they had. *(Reuters)*

Angola's Banco Millennium Joins Bourse to Diversify Investments

Banco Millennium Angola SA, the southwest African country's sixth-largest bank by assets, said it joined Angola's stock exchange to expand its investments. Millennium will continue to invest in Angolan public debt in which it holds a "significant proportion" of its assets as Africa's second-largest crude producer attempts to raise $10 billion this year through bonds, treasuries or loans for infrastructure projects, Chairman Antonio Gaioso Henriques said in an e-mailed reply to questions. The bank's experience showed it's "almost mandatory to have outstanding performance in the debt and stock market," Henriques said. "It will create an opportunity to diversify investments, for us to issue debt directly, or for customers to do that with our support." Millennium, which was started in 1993 and is 50.1 %-owned by Portugal's Banco Comercial Portugues SA, joined the Bolsa de Divida e Valores de Angola. Banco Investimentos de Angola, the country's largest lender by assets, and Banco de Fomento Angola are the only other members of the exchange so far. Financial institutions in Africa's third-largest economy began trading government debt in December. Corporate bond and stock sales are to start by the end of this year. The bank's 2014 profit rose 27.6 % to 6.68 billion kwanzas ($60.8 million) from the previous year as lending climbed 45 % to 125.5 billion kwanzas, Henriques said. Millennium intends to add six branches this year for a total of 106 and spend $50 million on network and technology, Henriques said. The company, which is present in Mozambique, doesn't plan to expand to other countries or buy one of Angola's 22 other banks, he said. *(Bloomberg)*

Old Mutual Targets 800 Million China Labor Force in Sales Revamp

Old Mutual Plc, Africa's largest insurer, said it's making changes to the way it sells products in China, moving away from targeting the most affluent individuals to expand its reach among the country's workforce.

Old Mutual reaches customers in China through banks including Industrial & Commercial Bank of China Ltd., the world's largest lender, and Bank of China Ltd. It intends to broaden that to online and direct-sales channels, Ralph Mupita, chief executive officer of the insurer's emerging markets business, said in an interview. "Going digital will mean using the Internet and building up our telesales base." Old Mutual targets high net-worth customers in China, giving it just 100,000 clients, Mupita said, in a country that the World Bank estimates has a labor force of about 800 million people. The London-based insurer has had a joint venture in China with Guodian Capital Holdings Co. for about nine years. "We're operating at the very top end of the market, we want to diversify and move to the middle market," Mupita said in Johannesburg. "Right now, customers come to us through the private banking divisions of their banks. Some of the Chinese customers are government officials." The push in China is part of Old Mutual's efforts to broaden the number of channels it uses to win customers in emerging markets in Latin America and Asia to boost revenues from faster-growing regions. Profit from Asia and Latin America grew 39 % in 2014 because of improved results in China, "strong performance" by Colombia, and growth in AIVA, its Uruguay-based distributor, Old Mutual said in its year-end statement. While the insurer courts affluent consumers in Colombia, in Mexico it's more true to its South African roots, focusing on building a mass-market business targeting lower- to middle-income clients. AIVA

distributes Old Mutual products across both countries. "In Colombia, we're diversifying our product range from pensions to life, and we're diversifying distribution by using financial advisers," Mupita said. "In Mexico, we're building an advisory force, and in both regions we're looking for bank partnerships." *(Bloomberg)*

Africa's Standard Bank Seeks Speed Through Software Automation, DevOps

Standard Bank Group Ltd., Africa's largest lender by assets, has offices all over the continent. While that might be good for business, it poses a problem for IT: all those systems communicate with the bank's South African headquarters in a different way. That lack of consistency, paired with traditional software development and integration methods, has hampered growth and complicated compliance. "We are three times slower than most American companies because of all this," says Josef Langerman, the bank's head of software development and maintenance.

To create uniformity among its integration tools, Standard plans to automate configuration management, the process that helps companies track and control changes to their hardware and software. It is doing so as part of a larger effort by the bank to adopt DevOps, a software development philosophy that promotes close collaboration between software engineers and product deployment operations staff. In Standard's case, that also includes bringing together architecture and integration teams. Automating traditional IT practices will help the bank move toward continuous delivery and shorten cycle times, Mr. Langerman said. The eventual goal is to think about architecture development as an evolutionary practice, rather than something with a five-year plan.

Using a platform called Chef, teams at Standard can write custom codes that correspond to particular configuration requirements (basically how they need their infrastructure to look). When someone updates software or revises code, Chef can communicate that to various systems and align configuration across the bank. Chef also provides tools to help deploy and manage infrastructure. The complexity of the technology stack presents a challenge for the next project, Mr. Langerman said. His teams will have to write code using Chef to coordinate configuration across a range of middleware inside the transport layer. That means Standard will have to bring significant product specifications to the configuration process. "It pulls in all of the most difficult areas in the bank," Mr. Langerman said. On the bright side, if they pull it off, "the rest will be plain sailing." Until recently Standard used the conventional Waterfall method of software development, perceived as slower and less flexible.

The cultural shift required to embrace DevOps is also a challenge. Getting teams to work together is harder than it looks, especially when they've all been working differently. But the framework nevertheless is gaining ground as companies recognize a competitive edge in software developed and updated to better serve customer expectations. About a quarter of Global 2000 companies are expected to adopt DevOps by 2016, and tools to support it could be a $2.3 billion market by the end of this year, research from Gartner Inc. says. DevOps "is about becoming really programmable at all levels," said Ronni Colville, an analyst who covers configuration and DevOps at Gartner. Software like Chef – as well as competitors such as Puppet – is just one tool in a much chain of "plug-and-play" products that aims to inject efficiency into traditional IT shops. Some tools may be geared toward developers, while others might appeal more to operations teams. Chef is built in a domain-specific language based in the programming language Ruby. It's widely known among developers, Ms. Colville said, but hasn't caught on as quickly with operations teams more comfortable with Perl or Windows PowerShell. A question lingering over software like Chef and Puppet is the maturity and scale of commercial versions, she added. Chef dropped into the company for a few weeks to help teams learn the language, Mr. Langerman said.

Online marketplace Etsy Inc. uses Chef to automate everything from its base operating system to the technology layer directly below the application code, says staff operations engineer Jon Cowie. The company chose Chef years ago because, at the time, most people were more familiar with Ruby than any other programming language, he said.

Typically, Chef is used when installing new software packages or re-configuring files. APIs help Chef speak to other tools Etsy uses. Recently it's been used to provision new Hadoop clusters, Mr. Cowie said. Using the automated configuration platform, a single engineer can spin up a cluster in about a day. Standard's Mr. Langerman now wants to bring that speed to more legacy systems inside the bank. "That's where we actually want to push it," he said. "We're saying everybody who wants should be fast." *(Wall Street Journal)*

Development Bank of Angola guarantees loans to companies

The drop in the international price of oil has had a reduced effect on the objectives of Angolan development bank Banco de Desenvolvimento de Angola (BDA), "as it has a strong treasury," one of the bank's board members said in Luanda. Walter Barros, who was speaking at a lecture for students and exhibitors at the 5th edition of the International Benguela Fair (FIB) said that, through the National Development Fund, the BDA benefits from 5 % of all oil tax revenues. "What may happen is a reduction in tax revenue in general and, in this way, the reduction of inputs, but tis will not affect granting credit to customers, since the bank has share capital, its own resources and other credits that can be traded with foreign partners," he said. "We have cash to fund projects not only this year but also to sustain the bank for as long as it exists," he said in response to a question about the 2015 loan portfolio, according to Angolan state newspaper Jornal de Angola. Barros added that the bank would simplify the process of analysis and lending to the domestic business sector and announced that since the end of 2014 the bank had been working on a process to enhance qualified human resources and strategies to deal with requests for funding. The BDA was created on 7 June 2006, as a

financial instrument of the Angolan State, to support the sustainable development of the economy, boost economic diversification, promote new technologies and create more jobs. *(Macauhub)*

Markets

Bourses in Africa plan to cross-list more ETFs

SA, Nigeria and Kenya are planning to cross-list more exchange-traded funds (ETFs) on their stock markets to boost liquidity of the securities, according to the JSE. "We reached out to East Africa and West Africa," said the JSE's business development manager, Tamsin Freemantle, in an interview in Nairobi. The JSE is "working closely with those markets to develop this cross-listing", she said. African exchanges are looking to increase co-operation as companies from Botswana to Nigeria list their shares on other bourses. The JSE, with a market value of R10.7-trillion, has rallied 8.9% this year in the best performance after Botswana among 14 sub-Saharan exchanges tracked by Bloomberg. Nigeria's main index has dropped 0.6%, and the Nairobi all-share measure is up 3%. In 2011, Johannesburg-based Absa Capital, a unit of Barclays Africa Group, listed its NewGold ETF on the Nigerian Stock Exchange. The West African nation now has four ETFs, and the JSE has 45, according to Ms Freemantle. The Nairobi Securities Exchange is awaiting regulatory approval to offer the asset class, said the head of market product and development, Donald Ouma. "Once we have the ETF framework, we will be ready to have the gold and platinum ETFs by Absa cross-listed in Nairobi." The JSE is sub-Saharan Africa's biggest exchange by market value followed by that of Namibia, Nigeria and Kenya. *(BDLive)*

Has Africa found a new loan market in the Gulf?

A surge in the rise of the Gulf region as a loan market for Africa and Asia has become real after Stanbic Bank Uganda got $85 million loan from the Gulf. The Ugandan lender originally wanted to generate $75 million with an 18-month transaction in January. However, the money was expanded to $85 million due to a strong surge in interest from other Gulf banks seeking a share of the business. According to Reuters, the list of participating banks eventually included Dubai's Emirates NBD, which was sole co-ordinator and bookrunner, mandated lead arranger Al Ahli Bank Kuwait, and Qatar's Al Khalij Commercial Bank and Commercial Bank of Qatar as lead arrangers and Western heavyweight Standard Chartered. "The Gulf banks have not faced the same regulatory and capital constraints that European banks have faced, so they are able to provide liquidity to African banks," Patrick Mweheire, CEO of Stanbic Bank (Uganda) told Reuters. A number of years back, Gulf lenders mainly took part as junior partners in global syndicated loans. They seldom got engaged in important management parts in syndications. But in the past half-a-dozen months, many transactions have hinted that the whole scenario was being transformed. Last November, ICBC Financial Leasing, a 100 % owned unit of Industrial and Commercial Bank of China (ICBC), raised a $500 million, three-year loan. Lo and behold, eight of the 10 banks involved in the deal came from the Gulf region. It is also understood that South African bank, FirstRand, raised $235 million in a two-year loan last week. However, the whole transaction was syndicated to nine Gulf lenders. *(Ventures Africa)*

Angola reduces expenses involving foreign currency

The government of Angola will limit its expenditure involving foreign currency, as the fall in oil prices is reducing state revenues, said in Luanda the Governor of the National Bank of Angola, cited by Angolan news agency Angop. José Pedro de Morais, who was speaking at the closing session of the First National Investment Forum on Public Debt, said that given the shortage of foreign currency authorities will "rationalise the use of dollars until the revenues generated from oil exports get back on the rails." The governor of the central bank said that 70 % of public expenditure was supported by oil revenues and that "the dollar has become more difficult to acquire because oil prices have fallen by 43 % since June 2014," which is contributing to the devaluation the national currency, the kwanza. The legislative package approved in 2012 which forced oil companies to make payments to suppliers and salaries in Angolan currency, contributed further to reducing the supply of dollars in some sectors of the economy. Last February Angola's foreign reserves amounted to US$26.2 billion, according to figures from the National Bank of Angola. However, the central bank reduced foreign currency sales to Angolan commercial banks by 3.2 % in the week of 4-8 May to US$300 million, against 310 million the previous week. In April, the injection of foreign currency by the BNA was around (up to) US$310 million a week, but there are continuing difficulties for businesses and consumers in accessing foreign currency at commercial banks. Each dollar bill is currently exchanged in the streets of Luanda for more than 150 kwanzas, against an average rate in the interbank market of 110.047 kwanzas per dollar, and some companies are scaling back their activities due to a lack of foreign currency to import the raw materials they need. *(Macauhub)*

Bank of Mozambique prepares strategy for financial inclusion of the population

The Bank of Mozambique this year plans to conclude the Financial Inclusion Strategy in order to increase access by the Mozambican population to financial services, director Valdemar de Sousa said in Maputo. "We are not at the forefront of financial inclusion amongst the countries of the Southern African Development Community (SADC), but neither are we at the rear, so we intend to accelerate the extension of people's access to financial services," said the spokesman and director of the Bank of Mozambique. "We have made gains, there have been major advances in increasing levels of

financial inclusion, but we are still far away (from where we want to be)," said the spokesman of the Bank of Mozambique, cited by Portuguese news agency Lusa. To encourage the entry of more sectors of the population in the domestic financial system, the Bank of Mozambique wants to find out about the experiences of other countries at an international symposium to be held on 17 May focused on financial inclusion, said Sousa. The event is part of the celebrations of the 40th anniversary of the founding of the Bank of Mozambique and the 35th anniversary of the establishment of the national currency, the metical. *(Macauhub)*

Market capitalisation in Mozambique triples in five years

Market capitalisation in Mozambique rose from 16.998 billion meticais in 2011 to 51.453 billion in 2015, an increase of 302 % or 8.6 % of the country's gross domestic product (GDP), the President of the Mozambique Stock Exchange he said in Maputo. Anabela Chambuca, who was speaking at a conference on alternative sources of financing for small and medium enterprises, also said that during this period 86 securities were listed and the value of transactions increased by 950 %. "The value of transactions in 2015 has reached 3.928 billion meticais and the number of traded securities increased 913 % to 42 million," Chambuca said, cited by Mozambican news agency AIM. Chambuca recalled that the stock market offers more flexible rules for access by small and medium-sized enterprises to the capital market, without loss of quality of information provided to the market to ensure investor protection. He said that the secondary market is a prime platform for SMEs to raise funding by issuing financial instruments such as equities, bonds and commercial paper. *(Macauhub)*

Strong Interest in Saudi as Market Opens to Foreigners, MSCI Says

The planned opening of Saudi Arabia's $590 billion stock market to foreign investors in June has generated strong interest among fund managers seeking exposure to some of the fastest growing companies in the Middle East's biggest economy. But there's some uncertainty about Saudi Arabia's classification by index compilers such as MSCI, which are tracked by funds managing hundreds of billions of dollars in assets globally and have different mandates for frontier or emerging markets. Sebastien Lieblich, the Geneva-based executive director of index research at MSCI, says Saudi Arabia's classification will eventually depend on demand from investors. Given its size, the kingdom will most probably be classified as an emerging market, Lieblich says. But the earliest that can happen would be in mid-2017, he notes, which leaves the doors open for asset managers across the spectrum to potentially benefit from investments in Saudi Arabia. In an interview with the Wall Street Journal, Lieblich discussed Saudia Arabia's possible pathway to emerging-market status:

WSJ: What sort of demand is there from your clients to include the country in your popular indexes?

Lieblich: There is a lot of demand for MSCI to launch a Saudi index as soon as the market opens up to direct foreign investments. But there is no real demand yet for the Saudi index to be included in our other global benchmarks such as the emerging markets indexes. Investors will likely want some experience in the Saudi market before making such demands. We plan to launch a Saudi index around the time of the market's opening

WSJ: When will MSCI include Saudi in its review list? For frontier or emerging?

Lieblich: The market's opening is too close to make it into our June review list. If there is demand, we could include it in the review list later in the year. Saudi Arabia will most probably be classified as an emerging market, given its size. The Saudi equity market is also too developed, relative to other such markets, to not be included in the EM basket.

WSJ: By when does MSCI see Saudi being included in its frontier or emerging indexes?

Lieblich: The earliest Saudi Arabia, as per the regular process, could enter the emerging market basket would be mid-2017. Its weight in emerging market, based on current data, would be about 2%. Again, it's still early days and much will depend on investor demand.

WSJ: Are you happy with the foreign ownership limits that Saudi Arabia has prescribed?

Lieblich: Compared to the wider region and other emerging markets, the 20% cap on QFI ownership is rather on the lower side, which could be a problem for foreign investors seeking exposure to Saudi Arabia. But investors will tell us, and that feedback will weigh on our decision.

WSJ: Given the high threshold level of at least $5 billion assets under management to qualify to invest, has Saudi Arabia excluded a large chunk of smaller investors?

Lieblich: If you look at China, they have similarly stringent requirements. But it depends on the investors finally, whether they find the rules too restrictive or not. *(Wall Street Journal)*

Global trading income boosts Nedbank revenue

Nedbank was the best performer among the big four banking stocks after it released a solid first quarter update showing noninterest revenue rose 18.1% to R5.3bn. The bulk of noninterest revenue was trading income growth of 50.8% from global markets. Commission and fee income rose 9.4%. Insurance income was down 8.2%. Nedbank shares rose as much as 1.7% to an intraday high of R255.45. CEO Mike Brown said the group was making good progress in the delivery of its strategic focus areas, despite economic conditions in SA remaining weak. "In the context of a challenging environment, the mix and quality of our advances book resulted in an improving credit loss ratio."

The credit loss ratio improved to 80 basis points from 89 basis points in the first quarter of 2014, at the low end of the target range. Nedbank's net interest income, reflecting income from lending activities, was up 4.4% to R5.8bn. Total advances grew 16%, with assets under management increasing 27.4% to an annualised R226.3bn. The net interest margin, which is the difference between the interest rate level at which Nedbank borrows money and the rate at which it lends out money, narrowed to 3.41% from 3.57%. This was a result of funding the 20% stake in Ecobank last year.
Nedbank's target is for organic growth in diluted headline earnings per share to exceed growth in nominal gross domestic product this year. PSG Wealth portfolio manager Adrian Cloete said the group was well set to surpass the target. "Nedbank delivered a good trading update indicating strong revenue growth, which is expected to impact positively on earnings this year," Mr Cloete said. Nedbank's share price has been left behind by its peers', losing 2.2% this month but still 0.84% ahead for the year. "Nedbank has a record of delivering consistent, solid results," Mr Cloete said. *(BDLive)*

Ghana surprises markets with policy rate hike to 22 pct

The Bank of Ghana unexpectedly raised its main policy rate by 100 basis points to 22.0 % to offset the risk of inflation. Governor Henry Kofi Wampah has raised rates gradually over two years in a bid to curb inflation while maintaining growth as the macro-economic position has deteriorated in a country that saw years of high growth through exports of gold, oil and cocoa. Ghana began an International Monetary Fund aid program in April to restore balance to an economy hit by a high deficit, a debt-to-GDP level at 65.3 % at the end of March and a currency Wampah said fell 17.2 % in the year to May 8. "The committee concluded that risks to both inflation and growth are elevated but tilted more to inflation," Wampah told a news conference, referring to the Monetary Policy Committee.
"It was therefore noted that moderate tightening complemented with sustained fiscal consolidation efforts could rein-in inflation expectations," he said. Ghana's consumer inflation rose to 16.8 % in April, up from 16.6 % the previous month. The decision would help assuage doubts about Bank credibility on fighting inflation, said Razia Khan, chief of Africa research at Standard Chartered bank. "We expect this (hike) will help to stabilise the currency in the near term .... However, it does not change our medium-term view, based on expectations of a still-wide current account deficit, that the cedi will continue to weaken," she said. The decision may have been motivated by an IMF projection that Ghana's inflation will only fall to 12 % by the end of 2015, said Cobus de Hart of NKC Independent Economists in South Africa. "The higher interest rate should also serve to make the country less vulnerable to the adverse implications that U.S. monetary policy normalisation may hold later in the year," he said. Good fiscal consolidation in the first quarter of the year has reduced the amount of monetary tightening the Bank needed to do, Wampah said. The IMF funds will help shore up the currency and donors are expected to release around $500 million in support in the third quarter, he said. *(Reuters)*

Fund

China Investment Fund starts selling "Bela" beer in Angola

Bela beer, produced in Angola by the China Investment Fund (CIF) Luanda Brewery, entered the Angolan market a few days ago after investing US$180 million, according to Chinese news agency Xinhua. The brewery, which has been running tests since September 2014, is now starting the process of selling the beer to major retailers in Luanda, including shopping centres and supermarkets, said the Managing Director of the factory, Buhe Bater. Bater also said that the beer produced under the Bela brand, in cans as well as in bottles and barrels, is due soon to arrive in the markets of Angola's 18 provinces and the factory has capacity to produce 100,000 tons of beer a year. Buhe Bater said the beer was prepared with Angolan consumers' taste in mine "and is selling very well, especially as in Luanda there are no seasons when beer is not consumed due to the high year-round temperature." The CIF Luanda Brewery LTD is one of the first factories with Chinese investors operating in Angola, whose government intends to accelerate the process of industrial diversification in order to reduce dependence on oil exports. *(Macauhub)*

Tech

An integrated Africa will require effective cross-border payment solutions

Over the last five years, Africa's geographic regions have made integration a priority, and most have recorded successes already—East Africa being the most glaring of them. However, further success at boosting intra-African trading and all the economic goodies that come with it will require more effective cross-border payment systems. Lesetja Kganyago, Governor of the South African Reserve bank (SARB), highlighted the impact of successful payment systems in a discussion with economic stakeholders this week. According to him, Integrated Regional Electronic Settlement System (SIRESS), which launched in July 2013 by the South African Development Community (SADC), is already yielding positive dividends. "About 43 % of intra-SADC payments were now taking place through SIRESS. By the last week of April this year, SIRESS had reached the R1 trillion ($83.7 billion) settlement mark," he said.
He lauded other regional solutions implemented in the payment systems space since the turn of the millennium, these include the West African Monetary Zone (WAMZ), and the East Africa Payment Systems (EAPS) of the East African Community (EAC). "The EAPS is a secure, effective and efficient funds transfer system that enhances efficiency and safety of payments and settlements within the region. It also facilitates cross-border transactions that are essential for

boosting intra-regional trade among East African countries." Some of the benefits of EAPS include real-time funds transfers, finality and irrevocability of payments, increased accessibility and same-day settlement. The initiative is indeed a success that is worth celebrating. By concentrating on implementing these effective solutions in other regions, Africa can significantly ease the hassles and difficulties in its intracontinental trade and facilitate a seamless flow of goods and services across borders, thus liberalizing trade. The broad outcomes from trade liberalization would include increased output, greater specialization and lower prices which can be passed on to the citizenry. Additionally, the continent may witness strengthened political ties which is clearly desirable from an integration standpoint. Finally, more intra-African trading can create a virtuous cycle that improves the socio-economic lot of African nations by way of job and wealth creation. *(Ventures Africa)*

INFRASTRUCTURE

$83 Billion in South Africa Spending Fails to Keep Lights On

South Africans suffering through their country's longest run of power outages ever can draw little comfort from how much the government has spent on infrastructure in the past five years: One trillion rand ($83 billion). That's bought improved roads, airports, ports and rail lines. What it hasn't produced: a reliable electricity supply. Rolling power blackouts have hit on average every third day this year. The National Treasury says "low and unreliable levels of electricity" are the biggest obstacle to faster growth. Data released showed factory output grew 3.8 % in March, the first expansion this year after the fewest power cuts in any month since October. South Africa accounts for almost a quarter of the 257 infrastructure projects of $50 million or more being developed in Africa and half of the 10 biggest, said a study released by Deloitte LLP in March. Yet the power constraints negate the advantage of improved transport links that should be boosting company sales and exports. "The numbers are big but the effectiveness of the infrastructure spending has been very, very poor," Dennis Dykes, chief economist at Nedbank Group Ltd., South Africa's fourth-largest lender, said by phone on May 4. "Thus far, we have got no return at all from a number of capital projects. We have got a major problem" with the power supply, he said. The energy shortfall arose after the government stalled the approval of new power plants, leaving Eskom Holdings SOC Ltd., which supplies about 95 % of the nation's electricity, with a plethora of malfunctioning plants.

Coal Plants

The economy could have been 10 % larger had it not been for the power shortages, according to Dawie Roodt, chief economist at Pretoria-based advisory service Efficient Group Ltd. Twenty-one years after the end of apartheid, a lack of jobs keeps 10.9 million South Africans, or 22 % of the population, below the poverty line of 322 rand a month. A quarter of the work force is jobless. Two new coal-fired plants being built by Eskom, the first since the 1980s, are running four years behind schedule due to technical failures and strikes. The plants, known as Medupi and Kusile, are expected to cost about 38 % more than what was estimated in 2007. The government should shoulder part of the blame for the infrastructure deficiencies, said Andre Pottas, southern African head of infrastructure and capital projects at Deloitte. "We are short of engineering skills," he said by phone from Durban. "The procurement processes are very complex. We see a lot of stop-start on projects."

Energy Crisis

The Geneva-based World Economic Forum's 2014-2015 Global Competitiveness Report ranks the reliability of South Africa's electricity supply 99th out of 144 countries. The quality of transport infrastructure, by contrast, is 32nd. The government has acknowledged its shortcomings: On April 15 Public Enterprises Minister Lynne Brown apologized to the country for the power shortages. On April 17, the government appointed Transnet SOC Ltd. Chief Executive Officer Brian Molefe as acting CEO of Eskom and directed him to resolve the energy crisis. It's also contracted with private companies to supply 5,243 megawatts of renewable energy to the national grid, and plans to buy 2,500 megawatts of power generated from coal and 3,126 megawatts from gas.

Rolling Blackouts

Transnet is an example of a state business that's making progress on infrastructure investment. The logistics company is in the third year of a seven-year, 312.2-billion-rand plan to upgrade railways, ports and fuel pipelines. It's moving record volumes of coal, manganese and freight via rail, and 60 trains now run daily between Johannesburg and the east coast city of Durban, up from 20 a decade ago. State-owned Eskom is spending 280 billion rand on more than 8,000 projects over five years to increase its generation, distribution and transmission capacity. Molefe aims to use the experience he gained during his four years heading Transnet to end the blackouts by year-end by sourcing another 3,000 megawatts of electricity and boosting maintenance. He expects power shortages to ease within three to four years as the utility tackles a maintenance backlog and new plants come online. "There is steady but sure progress that is being made," he said in an April 22 interview in Cape Town.

Direct Jobs

The government and state companies plan to spend a further 813 billion rand on infrastructure over the three years through March 2018, with 62 % of the funds allocated to energy and transport projects. A committee headed by President Jacob Zuma was set up in 2012 to coordinate 18 integrated developments and address bottlenecks. Projects overseen by the panel, which range from new power plants, dams and pipelines to improving broadband Internet access,

sustain more than 220,000 direct jobs and are already having a positive impact on the economy, the presidency said in an April 30 e-mail. The Treasury forecasts that growth will be limited to 2 % this year because of the power shortages, up from 1.5 % in 2014 when strikes stifled mine and factory output. The government is targeting 5 % growth by 2019 as it seeks to reduce the unemployment rate to 14 %. "We will be in much better position by the time we get to 2020," Nedbank's Dykes said. "There is absolutely no intrinsic reason why South Africa can't grow much faster." The interventions to address the electricity shortfall have been too little, too late, said Gareth Ackerman, chairman of Cape Town-based retailer Pick n Pay Stores Ltd., which has installed backup generators to run its fridges and tills, a solution unaffordable for some smaller companies. "This is damaging small business and damaging the economy as a whole," he said. "We need to find ways of getting that fixed quickly and the government needs to find solutions." *(Bloomberg)*

Guinea-Bissau to have dry port in 2017

Guinea-Bissau will have a dry port on the capital's outskirts by the end of 2017 with capacity for more than 100,000 containers, the state secretary for transport and communications announced. João Bernardo Vieira visited the dry port site at Pime near Bissau. He said it would cover an area of 25,000 square metres and include warehouses to conserve perishable products. The director-general of the National Shippers Council (CNC), Fernando Dias da Costa, specified in turn that ground clearing work was now under way. The dry port or inland customs station will have an overland link to the maritime port that does not pass through the city centre, thereby preventing traffic congestion.

CNC is the public enterprise which owns the project. Da Costa said that creation of the new infrastructure would help ease the situation at Bissau's Pinjiguiti port, which has limited space for containers. The dry port will also serve as a parking area for container trucks waiting their turn to load cargo at Pinjiguiti port, he added.

Besides its trans-shipment role, Bissau's future dry port may include facilities to store and consolidate goods, and for merchandise handling and road transport maintenance equipment as well as customs clearance services. *(Macauhub)*

ADB mission in Guinea-Bissau assesses environmental impact of the Saltinho dam

A mission from the African Development Bank (ADB) is in Guinea-Bissau to review environmental impact assessments carried out in the 1980s by some companies for construction of the Saltinho dam. The mission of environmental experts from the ADB has already travelled to the Saltinho area and met with the Guinean Minister of Natural Resources, Daniel Gomes, who reported the potential of the future dam. On the occasion, Minister Daniel Gomes said that, during his stay in Saltinho, the mission said it had identified the place where the hydroelectric facility should be installed, taking into account the local impact on the environment.

The ADB mission also met with the Minister of Finance, Geraldo Martins with whom he discussed the financial aspects of this project and Minister Daniel Gomes said that after completion of the work it was likely the tender for the construction of the dam would be launched.

The Minister of Natural Resources said that only after completion of the studies would there be an estimate for the cost of construction and recalled that the project is part of a sub-regional project called the Organisation for Exploration of the River Gambia, which in addition to Guinea-Bissau includes Senegal, Gambia and Guinea-Conakry. *(Macauhub)*

ENERGY

Africa's Power-Starved Financial Capital Mulls Sewage, Solar

Johannesburg, Africa's biggest financial center, is considering generating power from sources ranging from sewage to water pipes to help end electricity cuts that shutter shops and cause traffic gridlock. The options, along with solar power and tripling output from a coal-fired plant on the eastern outskirts, are among those being explored as a national electricity shortage threatens to subject the city to cuts for years. Johannesburg, home to Africa's biggest stock and bond exchanges and many of the continent's largest companies, has a metropolitan population of about 8 million. The situation is a "national issue" and must be approached in new ways, Sol Masolo, a spokesman for City Power, Johannesburg's electricity distributor, said in an interview. "Now we have a clear focus on projects that we do to mitigate load-shedding," or scheduled cuts, he said. Because the South African government delayed a decision on whether to allow national power company Eskom Holdings SOC Ltd. to build new plants more than a decade ago, electricity is now rationed to businesses and city dwellers with areas often blacked out for four hours. Lynne Brown, the minister responsible for Eskom, has said the country can expect the situation to persist for another three years as generating plants are built.

City Cost

The cuts shut businesses, leave residences without lighting and disrupt transport as traffic lights are taken offline. That has a cost. Eskom, which is based in Johannesburg, curbs power in four stages, according to the severity of the shortage on a given day. Stage 1 cuts 1,000 megawatts nationally, stage 2 reduces supply by 2,000 megawatts and stage 3 by as much as 3,000 megawatts. Stage 4 is the reduction of 4,000 megawatts. A full month of stage 1 costs businesses nationally about 6 billion rand ($509 million) a month, Mike Schussler, chief economist at Johannesburg-based research group Economists.co.za., said in a May 20 interview. Eskom has reached stage 3 on three days this year and regularly announces stage 2 cuts. It increased rolling blackouts to stage 2, expected to last from noon to 10 p.m.

'Zoo Poo'
Johannesburg Mayor Parks Tau this month announced plans to use in-pipe turbines to create energy from the citywide water system, similar to a system used in Portland, Oregon, and to convert sewage to gas by using bio-digesters. The city zoo has a system that uses anaerobic bacteria to convert "zoo poo" into gas.
City Power has over two years installed about 30,000 "smart meters," which warn customers to reduce consumption before potential blackouts and can limit the power they use. Consumers can then prioritize what to unplug to help curb the cuts implemented by Eskom. It plans to double the number, Masolo said. Already that has allowed the city to reduce the scope of some outages. City Power also has a control system that allows it to switch off water heaters in certain areas of Johannesburg and is looking to curb the installation of new units, Masolo said. "By installing solar water heaters, you're basically killing demand for the regular ones," he said. While renewable energy is favored, some of the most effective solutions seen by cities are more traditional ones. The coal-fired Kelvin power plant, owned by two Johannesburg-based banks -- Nedbank Group Ltd. and Investec Ltd. -- is currently supplying about 200 megawatts to City Power, or about 7 % of the metropole's needs. "We are engaging with the private sector to secure investment in Kelvin to push its capacity to at least 600 megawatts," Tau said in a May 6 address. Tshwane, the municipality that includes South Africa's capital, Pretoria, has similar plans to revive two coal-fired plants and plans a 40 megawatt solar power facility. *(Bloomberg)*

South Africa looking at sale of Eskom power stations
South Africa is considering selling some of the state-owned power utility Eskom's stations or an initial public offering of a portion of the cash-strapped utility's shares, the Business Day newspaper said, quoting a Treasury official. The proposal could revive previous plans to raise funds for the struggling power producer, which is battling the worst power supply shortages since 2008 and faces a funding crunch as it races to bring new power plants online.
"The question as to whether portions of state-owned enterprises can be spun off to raise money is on the table. It is decidedly on the table," Treasury Director General Lungisa Fuzile told Business Day. "The Treasury has been asked by a committee of Cabinet to look into how this could be done and whether, in the case of Eskom, it would be more feasible to do it in relation to power stations or the entirety of the balance sheet of the entity." Fuzile said the government had revived a discarded policy of the late 1990s, which stipulated the private sector could take a stake of up to 30 % in Eskom's power-generating assets. Treasury officials told Reuters they would issue a statement on Fuzile's comments later in the day. Eskom spokesman Khulu Phasiwe said the government was looking at a number of funding options, including selling some of the utility's assets. "It could include some of the buildings. Maybe at some point it could be power stations," Phasiwe told Reuters. Suspended Eskom CEO Tshediso Matona said in March the power firm may sell assets to raise capital. Left-leaning elements of the ruling African National Congress and unions have been opposed to privatisation of Eskom, arguing it would lead to job losses and undermine efforts to expand grid access to more black South Africans. Eskom's funding gap to 2018 is estimated at 200 billion rand($17 billion) and the utility expects to receive a 23 billion rand cash injection from the government this year. The utility has applied to the energy regulator to hike electricity prices to 25.3 % from July this year. Its spokesman said this could earn Eskom nearly 40 billion rand if approved. The energy regulator said it would hold public consultations on Eskom's application and a decision will be made by end June, with any price increases likely to come into effect by September. ($1 = 11.9670 rand) *(Reuters)*

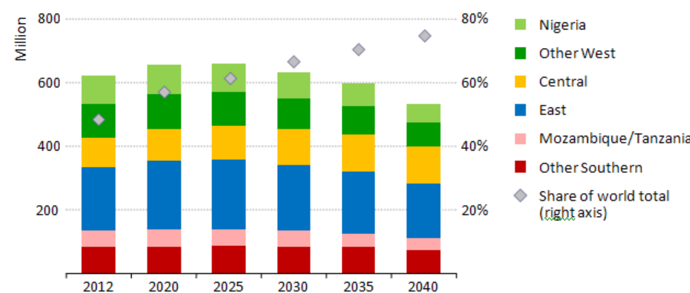
Ghana to promote renewable energy agenda as electricity crisis deepens
Once revered as West Africa's most stable power providing nation, Ghana's has been quick to rid itself of all envy by plunging a significant portion of its citizen into darkness, a situation that has instigated pockets of protests and social unrest. Efforts have been made to remedy the situation, one of which was its alleged purchase of electricity from Ivory Coast to allow citizens watch the African Cup of Nations finals and enjoy Easter celebrations. Those haven't proven sustainable, however, and the country is now keen to explore its renewable energy resources.
Last week, it revealed a plan to transform and promote its renewable energy sector, and has already received significant stakeholder support including a $40 million funding package from the Climate Investment Funds (CIF) reserved for developing regions. The plan is structured around four key projects; renewable energy mini-grids and stand-alone solar photovoltaic (PV) systems, solar PV-based net metering with storage, utility-scale solar PV/wind power generation, and a technical assistance project supported by the Sustainable Energy Fund for Africa (SEFA). The CIF unanimously endorsed the plan at a recent meeting of its governing body and decided to fund it through its Program for Scaling Up Renewable Energy in Low Income Countries (SREP). It has already adopted a set of energy policy targets to ensure universal access to electricity by 2016 and achieve a 10 % contribution of renewables in the electricity generation mix by 2020.
The road to execution will likely be a tough one. Currently, the sector faces inadequate regulatory, contractual and tariff frameworks in addition to limited funding prospects from investors. However, the SREP funds and a $53.5 million support package from the African Development Bank (AfDB) will scale up the potential for success. "We are very pleased to receive this important endorsement from SREP," said John Jinapor, the Ghanaian Deputy Minister of Power. "The potential we see through this plan for scaling-up the country's renewable energy development is

enormous, not only because of the funding to be provided, but because it will help increase investor confidence, reduce regulatory, institutional and contractual barriers, and provide needed technical support and capacity, and ultimately help Ghana's citizens to sustainably access climate-friendly energy." *(Ventures Africa)*

Modern Energy for All

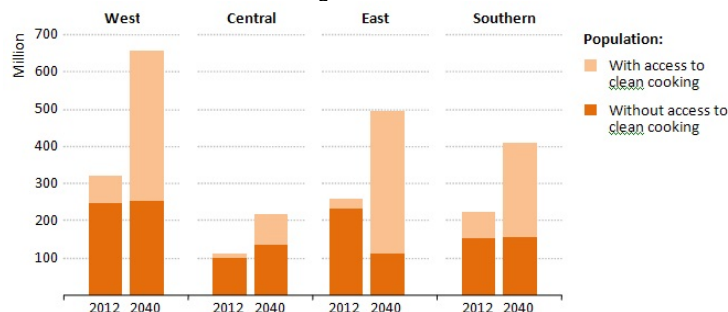
The *Africa Energy Outlook*, a Special Report in the 2014 *World Energy Outlook* series, shows that more than 620 million people in sub-Saharan Africa (two-thirds of the population) live without electricity, and nearly 730 million people rely on dangerous, inefficient forms of cooking. The use of solid biomass (mainly fuelwood and charcoal) outweighs that of all other fuels combined, and average electricity consumption per capita is not enough to power a single 50-watt light bulb continuously. In their projections, one billion people gain access to electricity in Africa by 2040, 950 million of them in sub-Saharan Africa; but population growth in sub-Saharan Africa and progress in other parts of the world means that the remaining global population without electricity access becomes increasingly concentrated in sub-Saharan Africa – this figure reaches 75% in 2040, compared with half. This projection indicates that current efforts to tackle this problem are set to fall well short of the goal of achieving universal access by 2030, the target of the Sustainable Energy for All initiative. Instead, some 635 million people in sub-Saharan Africa are set to remain without electricity by this date, leaving a sombre gap in the global energy system.

Figure 1: Population without access to electricity by sub-region in sub-Saharan Africa in the New Policies Scenario

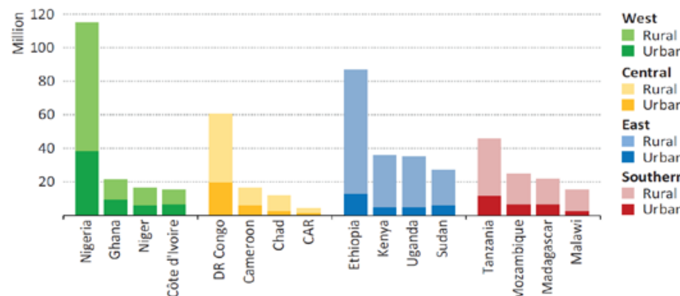


Demand for energy services by households across sub-Saharan Africa continues to rise along with incomes, but the mix of fuels used is relatively slow to change. Solid biomass still accounts for half of total final consumption in sub-Saharan Africa in 2040, this figure rising to almost 60% if South Africa is excluded. Gaining access to clean cooking facilities encompasses not only switching to alternative fuels, but also access to improved biomass cookstoves (fired with fuelwood, charcoal or pellets) that are more efficient and reduce household air pollution. Together, fuel switching and the spread of improved cookstoves lead to a decrease in the number of people in sub-Saharan Africa without access to clean cooking to 650 million in 2040 – a 10% decline in relation to the figure for 2012. Within the overall context of a rising population, this means, more positively, that around 1.1 billion people do have access to clean cooking facilities in 2040, almost two-thirds of them living in urban areas.

Figure 2: Population with and without clean cooking access in sub-Saharan Africa in the New Policies Scenario



Largest populations in sub-Saharan Africa relying on traditional biomass for cooking, 2012



(IEA)

MINING

Private company prospects for rare and precious metals in Angola

The contract signed between iron compant Empresa Nacional de Ferro de Angola (Ferrangol) and private company Ozango Minerals for exploration of rare and precious metals in the Angolan provinces of Huambo and Bié, was approved by the Angolan minister of Geology and Mining. The approval is included in an order from Minister Francisco Queiroz stipulating that prospecting activities by Ozango Minerals will be conducted in an area of 3,670 square kilometres, in the municipalities of Caala, Longonjo, Katabola and Ukama in the provinces of Huambo and Bié.
Once the prospecting and evaluation phase is concluded, which will take place over a period of five to seven years, if there is interest from the private group and state authorisation is given, the exploration phase will follow, the mining rights of which may allow activity for 35 years, the order said. The execution of the Mining Industry Diversification Programme, according to the document cited by Portuguese news agency Lusa, is part of the priorities for governance in Angola until 2017, at a time when Angolan revenues remain focused on the oil sector. *(Macauhub)*

Chinese investors fund graphite exploration in Mozambique

Triton Minerals has secured funding of US$12 million from the sale of shares to a group of Hong Kong investors, which it plans to invest in graphite exploration in northern Mozambique, the Australian company said. One of the investors is associated to Chinese group Shenzhen Zhongjin Qianhai, with which Triton Minerals recently signed a letter of intent with a view to obtaining financing of US$200 million for the development of the project, the company said in a statement sent to Macauhub in Maputo.
The operation involved the sale of approximately 34.3 million shares at a unit price of US$0.35, for a total of US$12 million, and the transaction must be carried out in one instalment by the beginning of next week, the statement said.
With the amount raised, the Australian mining company is planning to complete a definitive feasibility study for the Monte Nicanda project, located on the Balama Norte concession, which Triton Minerals has said contains the world's largest known graphite reserve. Furthermore, the company intends to use part of the money to start construction of infrastructure such as access roads and settlement for project's operational structure and also plans to launch an initial drilling program in Ancuabe, another of the three concessions it has in the province of Cabo Delgado. After obtaining financing of US$20 million in January from Long State Investments Ltd, headquartered in Hong Kong, this is the second deal Triton Minerals has done with investors from this special administrative region of China. Besides the Qianhai Shenzhen Zhongjin group, headquartered in Shenzhen City, Guangdong Province, the Australian company entered into an agreement with another Chinese company, the Yichang Xincheng Graphite Co. (YXGC), and now holds the exclusive rights to supply graphite to Malawi, Madagascar and Tanzania, and Mozambique. Altogether and since the beginning of the year, Triton Minerals has obtained funding from investors in China amounting to US$232 million and its graphite sales contracts are worth an expected US$3.5 billion over the next 30 years. Triton Minerals has an 80-% stake in the three projects it manages in Mozambique – Ancuabe, Balama Norte and Balama Sul – and the remaining 20 % if owned by Grafex Ltd. *(Macauhub)*

Canadian company to mine phosphates in Guinea-Bissau

The Canadian mining company GB Minerals aims to invest US$175 million to begin mining phosphates in Guinea-Bissau starting in 2017, its CEO announced in Bissau. "Our plan is to have the feasibility study submitted to the government this coming July, to wait for financing until the end of this year and to begin producing in 2017," Luís Cabrito da Silva said. The CEO of GB Minerals indicated that the project also involves construction of a new port at Ponta Chungue by the Geba River east of the capital Bissau. "From there the phosphates will be exported to international markets," da Silva said, specifying that the phosphates for use in fertiliser production were expected to be absorbed by countries in the West Africa region, where demand is growing rapidly. The phosphates were discovered in 1980 at Farim, a city north of the capital, though their commercial exploitation was successively postponed, largely due to periods of political instability in the country. *(Macauhub)*

De Beers to Sell Diamond-Recovery Business in South Africa

Kimberley operation pulls stones from old-mine waste
De Beers Group, one of the world's two major diamond-mining companies, said that it intends to sell its Kimberley Mines Tailings asset, its last production operation in the central South African town where it launched the modern diamond-mining business in 1888. The unit, which extracts diamonds from waste from old mines, still makes money but has become too small relative to De Beers' roster of mega-diamond mines. "It'll still be profitable in 10 years," said spokesman Tom Tweedy. "But the scale better suits a smaller, lower-cost operator." The Kimberley operation produced 722,000 carats last year, making it De Beers's second-largest operation in South Africa, but it represents only 2% of the company's overall production. De Beers is a unit of Anglo American PLC and has operations in Canada, Botswana, Namibia and South Africa. Last year it reported revenue of $7.1 billion, up 11%, and produced 32.6 million carats globally, second only to Russia's Alrosa, which produced 36.2 million carats. The two companies usually account each for around a quarter of total global diamond production, far ahead of Rio Tinto PLC, in third place with around 10%.

De Beers sold its last mines in Kimberley in 2006 but continued to pull diamonds from the waste rock in a plant that uses X-ray and other modern technology.
As existing ore bodies get tapped out, mining tailings is a small but increasingly important niche business in the sector. Thanks to technology, it is possible to recover chunks of valuable minerals that were missed during the first go-round using more primitive mining techniques. The process, however, is fraught with risks, such as spilling old chemicals locked in the ground and competition from illegal miners sifting through the waste rock. And it can be too low-volume at a time when big mining companies are seeking to strip down to their core, mass-producing mines. De Beers has an exploration plan in Kimberley that covers the business until 2018. After that, however, it will need to map a new exploration program detailing which tailings piles will be most profitable to exploit. The risk, Mr. Tweedy said, is if production dips, it will be more difficult for De Beers to quickly cut operating costs than it would be for a smaller producer.
De Beers said it is inviting third parties to submit their expression of interest with a view to selling all the assets and associated debt in a single transaction, and hopes to conclude a sale "in a matter of months." Mr. Tweedy declined to comment on a possible price, but said the unit generates several hundred million dollars year in revenue with more than $100 million in profit. By putting the asset on the block now, De Beers is allowing the buyer time to set up a business and exploration plan before De Beers's own expires in 2018, he said. Phillip Barton, chief executive of De Beers Consolidated Mines, a unit of De Beers that owns the mine, said the company was "engaging fully with employees, union representatives" and government, to ensure a smooth transfer of ownership and "facilitate a greater degree of job security." De Beers employs about 320 people in its tailings operations. It will maintain a back-office sorting and selling operation in Kimberley, which employs around 500 people.
The diamond industry's presence in town is a far cry from what it was in the late 19th century, when tens of thousands flocked to Kimberley to dig for diamonds with pickaxes. One of them was Cecil Rhodes, the English colonialist and explorer who founded De Beers and later gave his name to the country Rhodesia, which became Zimbabwe. The deposit was so big that Kimberley gave its name to that type of geological formation, the kimberlite, and the United Nations program for certifying conflict-free diamonds. The juicy clusters are all gone now. Diamond deposits are notoriously difficult to find. A major new one hasn't been discovered anywhere in the world since the 1990s. There are currently 7,000 miners who belong to the local chapter of the National Union of Miners, one quarter of the number 20 years ago. The biggest legacy remaining is the Big Hole, a gigantic, empty cavity, 700 feet deep and 1,500 feet wide, in the middle of a main residential and business neighborhood. "The companies got all the diamonds," said Lucas Phiri, the local union director, said during an interview in February. "What we got is a hole." *(Wall Street Journal)*

OIL & GAS

IMF Sees 7% Growth for Mozambique as Gas Project Decisions Loom

The International Monetary Fund expects Mozambique's economy to grow 7 % in 2015, a year it said could see decisions to develop gas fields in the country and prompt "one of the largest investments ever seen in Africa."
The gas ventures in northern Mozambique could require investment of as much $100 billion, the Washington-based lender said in a report published after a staff mission to the southern African country. Risks to economic growth include declining commodity prices and the need to cut public spending, the IMF said. Mozambique could become one of the world's three largest exporters of liquefied natural gas in the next decade, according to Anadarko Petroleum Corp., which leads one of two gas projects in the Rovuma Basin off the north coast. The IMF mission said it was encouraged by positive developments in the last few months, including new laws that could help bring the projects to a final investment decision, or FID, in 2015. Anadarko, based in Woodlands, Texas, said last month that FID this year is "still doable." Rome-based Eni SpA, which leads the second project, has said it expects to reach FID in the third quarter of this year.
Mozambique appears to be bringing public spending under control after a large fiscal expansion in 2014, the final year of Armando Guebuza's 10-year tenure as president, the IMF said. The country's budget deficit rose last year to exceed 10 % of gross domestic product. Mozambique will reduce public spending by 3 % of GDP this year, the IMF said. Inflation will jump to 5.5 % this year from 1.1 % in 2014, the IMF said, without elaborating. Mozambique's central bank said in its monthly monetary policy statement that inflation in major cities fell below zero in April, with prices declining by almost 1 %. *(Bloomberg)*

Equator Exploration conducts 3D seismic studies in São Tomé and Príncipe

Oil company Equator Exploration is carrying out seismic studies in three dimensions to determine the potential of a block acquired in São Tomé and Príncipe, the archipelago's National Oil Agency said in São Tomé .Studies on the block that was acquired for US$2 million and lies about 70 miles off the coast of Príncipe Island began on 10 April and should be completed by the end of May, said Orlando Pontes. The board of Equator Exploration, which holds the rights to block 5, and the São Tomé authorities who met in São Tomé, agreed in late April that studies should cover an area of 1,400 square kilometres instead of the initially planned 1,200. The results of the seismic studies will be known before May 2016, when the amount of oil in the block will be identified, which will allow the company to drill its first test

well. Equator Exploration's main shareholder (94.6 % of the share capital) is Oando Netherlands Holdings 1 Coöperatief UA, incorporated in the Netherlands, which in turn is 100 % owned by the Canada Oando Energy Resources group. *(Macauhub)*

Anadarko Petroleum selects contractor for natural gas project in Mozambique

US group Anadarko Petroleum has selected the CCS JV consortium for the initial development of the natural gas processing park in Mozambique, the group said in a statement released. The consortium consists of US company Chicago Bridge & Iron, Japan's Chiyoda Corporation and Saipem of Italy. The park to be built for the US group includes two tanks for liquefied natural gas storage, each with a capacity of 180 cubic metres, storage facilities for condensates, one mooring dock and various facilities and infrastructures. The group is the operator with a stake of 26.5 % of the Area 1 block of the Rovuma basin in northern Mozambique, which has as its partners Mozambican state company ENH (15 %), Mitsui E&P Mozambique Area1 (20 %) , ONGC Videsh (16 %), Bharat PetroResources (10 %), PTT Exploration & Production Plc (8.5 %) and Oil India Limited (4 %). *(Macauhub)*

Mitsui & Co Group remains committed to natural gas in Mozambique

Japanese group Mitsui & Co announced it plans to keep its stake in the Area 1 block of the Rovuma basin, in northern Mozambique and that a final investment decision should be taken at the end of the year. "We plan to make a final investment decision later this year and begin liquefied natural gas production in 2019," said Keigo Matsubara, financial director of the group, according to Reuters news agency. The statements from the financial director of Mitsui & Co came after US group Anadarko Petroleum also announced it had no plans to sell its stake in the block. The group controls a 26.5 % stake in the Area 1 block of the Rovuma basin in northern Mozambique on the border with Tanzania, which has as partners Mitsui EP Mozambique Area 1 Limited (20 %), BPRL Ventures Mozambique BV (10 %), Videocon Mozambique Rovuma Area 1 Limited (10 %), PTT Exploration and Production Plc (8.5 %) and state-owned ENH (15%) during the exploration phase. Natural gas reserves discovered so far in the Rovuma basin point to the existence of more than 200 trillion cubic feet, which may put Mozambique in the top five largest natural gas exporters in the world on par with Russia, Qatar and Australia. *(Macauhub)*

São Tomé and Príncipe has earned US$60 million from oil operations

The first report submitted by São Tomé and Príncipe in the scope of the Extractive Industries Transparency Initiative (EITI) indicates that the island state received US$60 million in the 2003/2013 period, the local press reports. The document drawn up to support its application to the EITI, shows that the amount received derives from subscription bonuses, taxes and duties linked to oil exploitation in the São Tomé and Príncipe/Nigeria joint zone from 2003 to 2013, as well as in São Tomé and Príncipe's exclusive zone in the 2011-2013 period. This document is considered a first stage in the process to attain recognition of São Tomé and Príncipe as a country that fulfils the transparency criteria determined by the EITI. A second report should be published this coming October, when it will be possible to better determine whether São Tomé and Príncipe indeed respects the set of standards in place since 2003 and now covering 46 countries. This first report was presented in São Tomé, following a meeting between Finance and Public Administration Minister Américo Ramos with an EITI delegation from Timor-Leste, which was on a working visit to São Tomé and Príncipe. EITI delegations from Timor-Leste and Mozambique were in São Tomé to take part in the ceremony to present the first report on oil activities. *(Macauhub)*

Cairn submits three-year evaluation to Government of Senegal

In its Capital Markets Day presentation, Cairn announced that it has submitted a three-year evaluation work plan to the Government of Senegal which also includes an initial programme of three firm and three optional exploration and appraisal wells, with drilling supposed to start in Q4 2015 for its new basin play offshore Senegal. The company has estimated that the existing two discoveries and the currently identified prospects have estimated mean risked resource base of more than a billion barrels. *(JP Morgan)*

Mozambique GDP could rise by 800% with LNG projects

Mozambique GDP could see a significant lift if the current LNG plants in the country can be upscaled to take advantage of the country's gas reserve. If the planned LNG plants are upgraded to multi-train facilities, it is estimated that Mozambique will become one of the world leading gas exporter by 2022. The significant income set to be generated from the projects could prompt rapid growth in the country's economy and GDP could rise by as much as 800% in the coming decade. Mozambique is estimated to be holding over 150Tcf of gas reserves, only Nigeria and Algeria have higher gas reserves in Africa. Italian Oil giant, Eni is planning an FLNG offshore Mozambique with a final investment decision (FID) expected to be taken later in 2015. However, commercialisation amidst growing competition remains a major concern for potential investors. Australian LNG projects which are expected to come on-stream in 2020 and traditional sources such as Qatar could pose stiff competition. However, China's drive to reduce carbon emission and embrace higher gas consumption could boost ability to secure market share. *(Ecobank)*

Angola end subsidy on gasoline to reduce government cost

The government of Angola is ending subsidy on gasoline and will increase the price of other petroleum products in order to reduce government cost. Angola slashed government spending in its 2015 budget following the sustained drop in oil price. Petrol which constitutes 75% of petroleum product consumption in the country was selected as the ideal candidate to reduce cost in the subsidized downstream sector. A litre of petrol in the capital Luanda cost 115 Kwanza (US$1.06) on May 14th against 90 Kwanza (US$0.83) in April. Over 4% of the budget that would have otherwise been spent on subsidy is now available to the government to spend on capital investment in infrastructure. Furthermore, the positive response to the decision so far is in contrast to what was experienced in Nigeria, Ghana and Mozambique when fuel subsidy were lifted. Price of diesel will remain subsidized but will be increased to a bearable level. *(Ecobank)*

Ghana plans free port for oil and gas companies

The government of Ghana is planning to build a US$600mln free port to accommodate offshore and deep-water exploration, development and production companies at Atuabo 326km from the capital Accra. The port is target at reducing cost of operation and servicing for exploration and production companies operating in Ghana. Construction at the 2,000 acre land is expected to begin during the third quarter of 2015. The project is expected to span 25 months with completion set for end of 2017. Currently IOCs operating in Ghana have to choose between South Africa's Cape Town or Las Palmas in the Canary Islands to carry out repair work on rigs used in operation. Freighting usually takes 20 days to destination and cost IOCs between US$400,000 to US$600,000 per day. The move will save the IOCs an estimated US$10mln per towage on the average. The government plans to attract investors to the port with a 70% duty free and tax free access. The port will be constructedby China Harbours Engineering Company (CHEC) the company won the bid by competing with 19 other companies. The port could also serve companies operating in neighbouring Cote d'Ivoire and Nigeria; a move that can turn Ghana to a regional hub for offshore services. *(Ecobank)*

Mixed outlook for Angola and Nigeria oil output in May

Angola's crude oil output is set to be boosted by production from ExxonMobil operated Kizomba Satellite Phase 2 project on block 15. The project is a subsea development of the Kakocha, Bavuca and Mondo South field. The Mondo South field will be the first of the three fields to come online with the other two expected to follow within the coming month. The project is expected to add 70,000bbl/d to Block 15's output to bring the block's production to 350,000bbl/d. The output will boost Angola's output for the rest of 2015 and augment for the downtime prompted by BP's force majeure on Saturno stream. The force majeure has since been lifted with the resumption of crude lifting from the field's FPSO. Conversely, Nigeria production in May is likely going to be hindered by the declaration of force majeure on the Trans Forcados and Trans Niger pipeline. Shell declared the force majeure in reaction to act of vandalism that resulted in leakages and eventual shut down of the pipeline. The facility is responsible for the 400,000bbl/d export at the Forcados terminal. The shutdown is likely going to affect output from some Shell's onshore fields, SEPLAT's OML 4, 38 and 38 as well as OML 30, 42 and 26 owned by Shoreline as well as operations of Neconde and FHN. Although the Trans Niger Pipeline has been reopened, the TFP remains closed. *(Ecobank)*

Africa Oil's to raise CA$121mln to finance operations in East Africa

Africa focused Canadian company African Oil has announced an arrangement to sell 12.37% stake in the company to Stampede Natural Resources, an entity owned by a fund advised by Africa focused Helios Investment Partner. The company stated that the proceeds of the private placement will be used for ongoing exploration, appraisal and development activities in East Africa. Africa Oil and its partner, Tullow Oil have discovered over 600mmbbl of oil in the South Lokichar Basin in Kenya. The proceeds are likely to be complement existing working capital to enable continuation of further analysis required to upgrade information about their asset and submit a Field Development Plan (FDP) by the end of 2015. The cash injection is likely to hasten development of Block 10BB and 13T complex by African Oil and its partner after an expected delay ensued due to the fall in oil prices. First oil is expected on the field in 2017 with production expected to average 20,000b/d rising to 40,000b/d in 2018.*(Ecobank)*

AGRIBUSINES

African producer concerns mount over EU sugar reforms

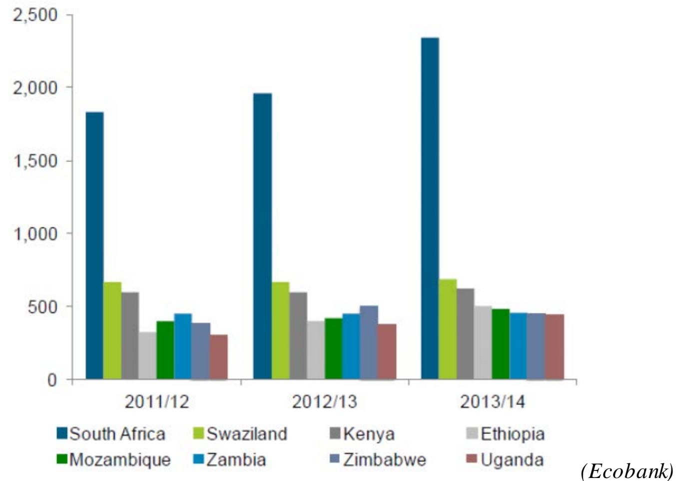
Sugar producers in East and Southern Africa are voicing concerns over EU sugar reforms that will take effect in 2017 , which will bar access for these regio ns' to their key preferential market. The producers—South Africa, Zambia, Malawi, Swaziland, Mozambique and Zimbabwe—export sugar duty-free to the EU, which caps European production at 13.5mn MT of sugar, and permits 3.5mn MT of duty-free imports from ACP countries to make up the balance. However, in 2017 the EU will end this quota, which is expected to boost production of European beet sugar and reduce sugar imports by over 40%. Given their high production costs, African sugar producers will be unable to compete with low cost producers Brazil a nd India, effectively shutting them out of the EU market. The reforms will especially impact Mauritius, the leading exporter (mostly of refined white sugar) to the EU, which has a 19% market share. Swaziland (14%), Mozambique (12%), Zimbabwe (10%), Malawi (4%) a nd Zambia (4%) will also be affected, as they

export raw sugar for refining in the EU. Reform of the EU regime could also disrupt Africa's sugar market, causing a structural glut as producers shift their EU exports onto the regional market. South Africa's sugar giants, Illovo and Tongaat Hulett, could benefit, by virtue of their pan-regional presence in Tanzania, Swaziland, Malawi, Mozambique, Zambia and Zimbabwe , while efficient producers in Sudan, Zambia and Uga nda could expand their market share. The most vulnerable country in th is process is Kenya, which is struggling to reform its sugar sector before its COMESA safeguard expires, and which is under pressure from its neighbours to open up its markets by 2017.

Main sugar importers in SSA, '000 MT

Country	2012/13	2013/14	2014/15
Nigeria	1,523	1,580	1,710
Ghana	628	320	328
Tanzania	210	225	315
Angola	435	325	299
South Africa	572	260	225
Kenya	315	255	225
Uganda	113	190	193
DRC	135	155	176
Senegal	153	155	165
Others	1,849	1,702	1,893
Total SSA	5,933	5,167	5,529

Sugar production, '000 MT



(Ecobank)

Kenya Sugar privatisation advances after long delays

On May 15th the Privatisation Commission announced its intention to push ahead with the disposal of majority stakes in five state-owned sugar firms.

Privatisation of the five heavily indebted, loss-making firms-Chemelil, Miwani, Muhoroni, Nzoia and South Nyanza (Sony)-was first mooted in 2007, but the process faced repeated delays until the sell-offs were finally approved by parliament in February this year. Privatising the parastatal sugar millers has also been a long-standing condition laid down by the Common Market for Eastern and Southern Africa (Comesa), in return for extending the protection (in the form of import quotas) that has been given to Kenya's sugar industry since 2002. Kenya produces about 600,000 tonnes of refined sugar a year, compared with demand of 800,000 tonnes, which is filled by regulated imports from Comesa (as well as by smuggling). Comesa, in March, agreed to a further one-year extension of the quota system but will be reluctant to grant a further reprieve, thereby adding urgency to the privatisation process. Kenya hopes that fresh investment in the struggling firms will enable them to compete more effectively against Comesa rivals when the protective quotas are withdrawn.

The Privatisation Commission's primary target is to find strategic investors willing to buy 51% stakes in each of the five millers within the next 9-12 months. Thereafter, a further 24% will be sold to farmers and employees, while the final 25% stake may eventually be floated on the Nairobi Securities Exchange. The degree of likely investor interest in the millers is hard to ascertain, especially given the high costs of producing sugar in Kenya, which stem from a variety of reasons, including small farm sizes. Even with fresh investment and private control, the firms could still struggle to compete effectively. Nonetheless, investors from Mauritius have been investigating local opportunities in sugar and could emerge as possible buyers of one of more of the millers. To sweeten the deal, the government will write off some of the firms' debts, which may total KSh100bn (US$1.05bn), and convert the rest into equity in advance of the sell-off.
(Economist Intelligence Unit)

Ghana Said to Delay Cocoa Exports as Harvest Set for 5-Year Low

Shipments of cocoa from Ghana, the world's second-largest producer, have been delayed during the country's worst harvest in five years, according to five European cocoa traders and chocolate makers. The majority of the deliveries were for the first quarter, according to the traders, who asked not to be identified because the transactions aren't public. The delays affect shipments of 1,000 to more than 11,000 metric tons, they said.

Dry weather in parts of West Africa, along with less fertilizer and pesticide, have hurt Ghana's crop. Large processors may switch to cocoa from other nations or Ghana could change contracts to use some beans from a later harvest that runs from June through August, according to Derek Chambers, head of cocoa trading at Sucres et Denrees SA in Paris.

"Ghana needs to acknowledge the problem and approach customers to explain what they can deliver and ultimately do a deal on the balance," said Chambers, whose firm trades small amounts of beans from Ghana and is experiencing shipping delays. "The problem is solvable, but uncertainty has to be taken out of the market." Noah Amenyah, a spokesman for the Ghana Cocoa Board, an industry regulator, said he wasn't able to comment.

Crop Estimate

Cocoa gained 5.1 % on ICE Futures Europe last month as the outlook for the Ghanaian crop deteriorated. Ghana may struggle to produce more than 700,000 tons, about 20 % less than the initial target, according to Edward George, head of research at Ecobank Transnational Inc. The Ghana Cocoa Board, known as Cocobod, has probably sold more beans for future delivery than the harvest will provide, according to Jonathan Parkman, co-head of agriculture at London-based broker Marex Spectron Group. Traders estimate 100,000 to 220,000 tons of cocoa have probably been oversold, he said. Ghana borrowed $1.7 billion last year to finance purchases of the crop. While the country will probably be able to repay its loan this season, the slump in production may cause banks to lend less money next time, according to George of Ecobank, which provided part of the financing. The Ghana Cocoa Board has borrowed about $1 billion each season since 2009 to finance purchases of the crop, data compiled by Bloomberg show. “There’s a very clear risk,” George said. “Even if Cocobod is able to repay, you don’t want to lend even more money if you think there will be a shortfall in production.” *(Bloomberg)*

Beer maker East African Breweries Limited (EABL) renew the contracts of about 20,000 sorghum farmers

Beer maker East African Breweries Limited (EABL) is set to renew the contracts of about 20,000 sorghum farmers after reduction of excise duty payable on Senator Keg, which is mainly brewed from the grain. President Uhuru Kenyatta signed into law the Alcoholic Drinks Control (Amendment) Bill 2015, setting the excise tax cut (remission) at 90 per cent from the current 50 per cent for beers manufactured using at least 75 per cent locally-sourced sorghum, millet or cassava. Sales of Senator Keg — an EABL low-cost beer manufactured using sorghum — dipped sharply after introduction of a 50 per cent excise tax in October 2013, forcing the brewer to suspend most contracts it had signed with farmers. “This is really welcome news and a big win for the sorghum farmers in the country,” said Eric Kiniti, the corporate relations director at Kenya Breweries. The brewer, which has been lobbying to have the tax cut raised, says it is now awaiting clarity from the Treasury on implementation of the new law before reviewing the farmers’ contracts from July when EABL’s financial year begins. The excise tax amendment was not made through the Finance Act as is normally the case for new laws that have a financial implication on the national budget. “We are still seeking clarity from the Treasury on this amendment and will closely monitor to gauge the full effect of the new pronouncement. When the new law takes effect, we shall react accordingly as far as contracts are concerned,” said Mr. Kiniti.

The tax protected Senator Keg recorded quick growth on its launch in 2004 as a cheap beer meant to lure low-income earners from consuming illicit and in most cases unhealthy brews. The 50 per cent excise tax charge, through which government sought to raise Sh6.2 billion, led to a doubling of prices and a sudden slump in sales as low-end consumers dropped the beer. Senator Keg’s contribution to EABL’s volumes during its peak was over 10 per cent but this share has since dropped to less than 4 per cent following the higher taxation. The depressed sales saw thousands of Senator Keg outlets shut down with EABL, by August last year, accumulating 13,000 tonnes of sorghum which it said was enough to sustain Senator Keg production for three years. This excess stock led EABL to downscale its demand from farmers and announce that it would not be renewing about 20,000 contracts because it did not have need for the grain. A study conducted by Tegemeo Institute indicates that farmers’ forgone income from sale of sorghum to EABL in the 2013/14 financial year was Sh180 million, while assemblers lost Sh78 million revenue from bulking and sale to the brewer. Following the decision to revise the excise tax, EABL says it will not continue with the current contracts while seeking to recruit more farmers if demand soars. *(Business Daily)*

Angola's blooming banana plantations offer new hope for farming

* 27-year civil war destroyed agriculture
* Angola's economy reliant on oil exports
* Banana, sugar farming set to cut $5 bln/year food bill
* Economists say dos Santos must cut military spend

After decades of civil war destroyed Angola's fertile farmland and a booming oil industry pushed out all other commerce, Santa Rodrigo wondered how she could ever bring up her five children in the poverty that surrounded them. Angola's government spends more on its military than any other department, and is often criticised for failing to answer the needs of its population - there are many like Rodrigo - while industries like manufacturing and food production have collapsed.

So the result of an investment in 2005 to irrigate the land where Santa Rodrigo lives - Caxito, around 60 kilometres from the capital Luanda - is being seized upon by observers and economists as a success story they hope to see repeated.

Banana plantations are thriving again in the tropical plains of Caxito, to such an extent that Angola, which imports 90% of its food at a cost of $5 billion a year, has finally been able to stop importing bananas. And Rodrigo has a job, one of 9,000 Angolans employed on the plantations. It's a rare case of agricultural progress in a country where only 30 % of land is cultivated. "It was very difficult before the bananas returned. No one had jobs, we struggled to eat," said Rodrigo, 34, slashing down the yellow fruit that hangs in bulging clusters beneath a canopy of giant green leaves. "It can't just be oil in Angola. It has only helped the rich people get richer," Rodrigo added. Like most projects in Angola, Caxito's renewal has been paid for with the Chinese money that began pouring in after Beijing and Luanda agreed huge

oil-for-infrastructure deals in 2004. As a result banana production in the Caxito project has risen from 76,000 tonnes in 2012, to 247,000 in 2013, not only ending banana imports but also allowing exports to neighbouring Democratic Republic of Congo. A new processing plant there will soon produce banana chips, sweets and turn leaves into packaging. "This project has made a huge difference to the region, not just the jobs but it provides food and companies have helped with schooling and healthcare," said Joao Mpilamosi, President of agriculture firm Caxito Rega.

Devasted

Under Portuguese rule, Angola was the world's third largest coffee producer and exported sugar, cotton and rubber. But 27 years of civil war devastated the farmland across the southern African country. Ten million land mines were scattered across its terrain and infrastructure was destroyed. By the time the war ended in 2002 the government's priority was its 50 billion-a-year in oil sales, which swiftly took a stranglehold on Africa's third largest economy. Agriculture still accounts for only 10 % of GDP while crude oil exports, around half of which go to China, account for around 95 % of foreign exchange revenues. Other farming projects are in the works, however. A 100,000-acre farm around 300 kilometres east of Luanda owned by public-private partnership Biocom is due to produce 260,000 metric tonnes of sugar by 2018, ending imports. Biocom is owned in a partnership between state-oil company Sonangol, a government investment fund, Brazil's Odebrecht and Damar, an Angolan company owned by Vice President Manuel Vicente and top state security officials.

Deep problems remain

Despite pockets where farmers are flourishing again, Angolan agriculture still has major problems to overcome. The government had to slash a third off its budget and seek $10 billion in foreign loans after a glut in global production caused oil prices to halve and cost the country a big drop in oil revenue. This means already paltry investment in agriculture may slip further still. On top of this external investment remains tough to attract. Angola is still one of the world's most difficult places to do business due to bureaucracy and corruption, while weak infrastructure pushes up costs. The country ranked 181 out of 189 economies in the World Bank's ease of doing business survey. Some feel Angola will only be able to feed itself properly if the government changes its spending priorities. President Jose Eduardo Dos Santos is often criticised for continuing major military spending, the highest in Africa, at a time of peace and when government revenues have dropped. His opponents say the military is used to extend his 36 year rule. "We should acknowledge the government has made progress in agriculture but they must do much more," Angolan economist Manuel Jose Alves da Rocha told Reuters. "With oil revenues down, agriculture spending is falling while defence has not been cut." Farmers in areas like Caxito are hoping dos Santos diverts more oil funds away from defence and into industries that support job creation in the war-wrecked country. "It's better we grow bananas," said Bellita Pasqoul, 20, tossing bunches of fruit into water troughs. "We can't eat the oil." (Aditional reporting by Herculano Coroado; Editing by Sophie Walker) *(Reuters)*

Uganda April coffee exports down 21 pct yr/yr - industry regulator

Uganda's coffee exports fell 21 % year-on-year to 264,065 60-kg bags in April after heavy rains disrupted the drying of beans, industry regulator Uganda Coffee Development Authority said. UCDA said in a report it expected May shipments to be steady at 280,000 bags from 286,668 bags in May 2014. "The rains compromised the quality of the harvested coffee disrupting the drying of the coffee especially in the Greater Masaka Sub-Region," it said. *(Reuters)*

RETAIL

Choppies to use listing to launch Africa foray

Choppies, the Botswana-based grocer, will use its planned JSE listing on May 27 to grow in SA, but more importantly as a springboard into Africa’s faster-growing economies. Fundamentals for a listing are hardly favourable with consumer confidence in SA muted as living cost pressures and debt slash household budgets. Choppies plans to raise R574m through the issue of 117-million new shares, which will be used to fast-track the continued roll-out of new stores, unlock opportunities in new markets and fund acquisitions. "It is important for us to have greater liquidity and sources of capital to pursue these opportunities now," CEO Ramachandran Ottapathu said. "Most of our business — 75% — is outside SA. We believe we have competitive fundamentals ... that will see us through bumps in the economy."

With 125 stores, Choppies is listed on the Botswana Stock Exchange with a market capitalisation of about 4.5-billion pula ($0.4bn). The price of the shares will be determined after a road show to selected investors.

While metrics such as its operating margin and return on equity were much in line with Shoprite and SA’s other food players, Choppie’s price-earnings ratio was too "rich", Sasfin Securities senior retail analyst Alec Abraham said. "I’m basing it purely on what’s going on in Botswana at the moment, they’re on 28 … not a bargain at all. Within that LSM (living standards measure) 3-6 space, they have a lot of competition. Shoprite is strong there, Massmart through Cambridge and Pick n Pay with Boxer are trying to get in there. "No macro-economic factors — gross domestic product growth or real wages — suggest to me that those consumers are going to be any better off than they were in the last two years. It’s just a very tough space," Mr Abraham said. Choppies is aiming for 200 stores by the end of next year and will be opening its first stores in Zambia and Tanzania by the middle of this year. "They have the two DCs

(distribution centres) in SA, but it's going to take them a long time to grow into capacity, also to leverage their margin they say they want to get to 25% private label here. I don't think they can because the supplier base is limited, maybe in Botswana but its doubtful here," he said. *(BDLive)*

Portuguese brewery reviews business plan in Angola

The announcement of import quotas, meanwhile postponed, and a shortage of foreign currency are hurting beer sales in Angola, forcing Central de Cervejas to revise its business plan, said a director of Sociedade Central de Cervejas (SCC).
SCC's director of communication and institutional relations, Nuno Pinto de Magalhães, explained that the company, which owns the Sagres beer brand, is reviewing its business plan for Angola and that "we are trying to compensate with new markets." There is a "widespread decline for all categories in Angola," affecting not just exporters but also local producers, Pinto de Magalhães said. He recalled that nearly 20 % of SCC's sales in 2014 originated in the external market, of which Angola accounts for 10 %. Nearly 30 million of the 294 million litres of beer produced at Vialonga in Portugal were destined for the Angolan market. Given the uncertainty about Angola, SCC is "seeking other markets that can minimise the ongoing downturn." European markets and African markets such as Guinea-Conakry and Guinea-Bissau "which have gone well," along with the Arab countries and Brazil, are other possibilities being considered, said Pinto de Magalhães, cited by the newspaper Diário Económico. *(Macauhub)*

Investment firms backing retail developments in East Africa

East Africa's shopping landscape is slowly changing with the construction of multi-million dollar centres in prominent cities. Many projects are being developed by investment firms and private equity funds eager to cash in on the region's burgeoning consumer markets.
In Nairobi, London-based private equity firm Actis is set to open its $250m Garden City mall on May 28th. The first phase of the project will include 33,000m2 of retail space, residential units and a parking area. Garden City is located along the Thika highway, a multi-million dollar road completed in 2012 that connects Nairobi with the town of Thika, about 40km north-east of the capital. The development has attracted leading retailers, including South Africa's Game and US fast-food chain KFC.
Although Nairobi is already relatively well serviced in terms of modern retailspace, Koome Gikunda, investment principal at Actis, says it identified a gap in the eastern suburbs which "were severely under-served" at the time. "There was an area where about 1.5 million people had no access to any formal retail. [Secondly], a two-lane road was being converted to a multi-lane highway. In other markets we have seen the effects of transformational infrastructure on middle class growth. This is by far the fastest growing node in Nairobi." Other mall developments in the region include Mara Group's $300m Oysterbay City project in Tanzania's commercial capital Dar es Salaam, which will include the country's largest shopping mall.
In Rwanda's capital Kigali, private equity firm Fusion Group is putting up the $34m Kigali Heights mixed-use development which also features a retail component. "We will have the anchor tenant setting up by November, and hope to open our doors to the public in March 2016. We have already let 52% of the space in the retail side of the project," says Daniel Kamau, head of real estate at Fusion Capital.
In October Kenyan investment firm Centum will open the largest shopping mall in East Africa. Located in Nairobi's diplomatic zone and near four affluent neighbourhoods, the Two Rivers development will feature retail, residential, office, leisure and hospitality components. The shopping centre will have 62,000m2 of lettable space. Centum CEO James Mworia notes that adequate financial resources enabled Centum to start the Two Rivers project without having to wait for joint venture partners who were hesitant because of their risk perceptions. "We had the equity to be able to start the project, and to start the project alone. Sometimes when you get joint venture partners at the onset [of the project] you need to be careful as to whether there is alignment, and particularly alignment around your risk perception. Some of the joint venture partners who had approached us in the early stage were not comfortable. But now, having progressed 12 months, we recently brought in partners," says Mworia.
But even with the financial resources, sophisticated developments come with numerous challenges. For Centum, managing a big team of local and international consultants was too much of a headache so it decided to start a subsidiary to handle the development of its real estate projects. Mworia says the company also made the mistake of not concentrating on its anchor development right from the early stages.
"If we had done that perhaps we would have shaved a year off. We had so many options that we spent a lot of time with the master [planning]. If I was to do a second development I would focus first [on the anchor development] and then build everything else around it." But ultimately private equity investors will at some stage have to exit their investments by selling their shares. "Our investor horizon happens to be zero to seven years, so within the eighth, ninth and 10th year we will be looking to exit our investment," says Kamau about Fusion Capital's investment in Kigali Heights. In West Africa Actis developed and exited The Palms shopping centre in Lagos and Accra Mall in Ghana, but it still owns The Ikeja City Mall in Lagos and the yet-to-open Jabi Lake Mall in Abuja. *(How we made it in Africa)*

Spar close to signing deal in Zambia

Having recently bedded down an Irish acquisition, Spar Group said it was close to signing a deal to expand into Zambia. Retailers are eyeing additional revenue streams as poor economic growth, household debt and unemployment crimp spending in SA. The market was in a difficult space, Graham O'Connor, Spar Group CEO, said. "Consumers are under pressure and it will continue to be the case, especially with no job creation here … there's load shedding and all these negative elements," he said. "We thought we might be seeing some improvement but it proved short-lived." The company reported a 21.9% rise in first-half profit, largely propped up by its acquisition of BWG Group, the Spar brand owner in Ireland and southwest England. "We're trying to do a deal in Zambia with local Spar partners in the next few months and then we're also in discussions in Ghana and Kenya as well … we would like to do something in Africa, it's just not that easy though," Mr O'Connor said. The Spar brand has been present in Zambia since late 2003. The wholly Zambian owned and managed company operates about 17 stores across the country through corporate and franchised outlets. Expansion into the rest of the continent is not devoid of challenges as bureaucracy, currency volatility and poor infrastructure often hinder growth. Pepkor, which sells clothing, aims to have 31 stores in Nigeria by July. Pick n Pay will open its first store in Ghana next year. In SA, Spar Group, like Shoprite and Pick n Pay, has pushed discounting and promotions to drive sales. For the six months ended March 31, net income rose to R783.6m from R642.9m a year earlier. Turnover growth of 40.7% to R36bn was achieved. "Their real like-for-like were very, very strong," said Alec Abraham, senior retail analyst for Sasfin Securities. The group was "ahead of their peers". With price-sensitive local shoppers looking to economise, the group has also been pushing its private-label products. Sales of Spar brand products increased 20.8% to R3.2bn.

Private labels, also known as house or store brands, in SA are often seen as a no-frills, lower-cost alternative. A boon for retailers, private-label products generate higher average price margins as they require lower research and development costs and reduced packaging costs.

Despite the highly competitive operating environment, like-for-like growth of 7.7% was seen in Spar Southern Africa.

Spar Ireland contributed turnover of R7.7bn, or 21.3% of total group turnover. "In Ireland consumer spending has improved dramatically, (gross domestic product) growth will be around 5% this year … that's still to flow through to the retail sector but it will in the next six months. It's much more positive than here," he said.

The company declared an interim dividend of 239c a share, a 22.6% increase. Annabel Bishop, Investec's chief economist, said middle-to upper-end income earners would face pressure on spend this year and next from higher interest rates and taxes, rising utility bills and fuel prices. "Consumption of durable and semi-durable goods will see the biggest impact, although easing credit standards could ease some … but not all … of the pressure," she said *(BDLive)*

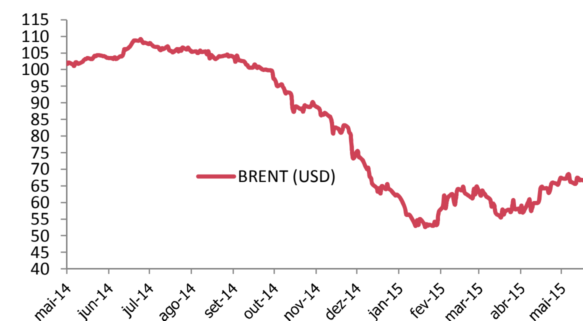
MARKET INDICATORS
25-05-2015

STOCK EXCHANGES		
Index Name (Country)	25-05-2015	YTD % Change
Botswana Gaborone Domestic Index (Botswana)	10.451,65	10,00%
Bourse Régionale des Valeurs Mobilières (Ivory Coast)	265,91	3,03%
Case 30 Index (Egypt)	9.050,76	1,39%
FTSE NSE Kenya 15 Index (Kenya)	218,49	1,39%
Morocco Casablanca Stock Exchange CFG 25 (Morocco)	20.461,34	1,11%
Nigerian Stock Exchange All Share Index (Nigeria)	34.154,76	21,64%
FTSE/JSE Africa All Shares Index (South Africa)	53.981,67	8,46%
Tunindex (Tunisia)	5.648,30	10,97%

Source: Bloomberg and Eaglestone Securities

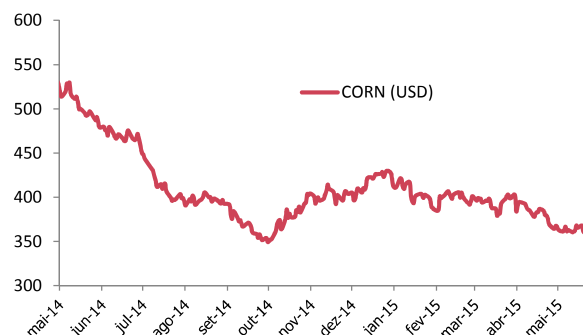
METALS	Spot	YTD % Change
Gold	1.205	1,71%
Silver	17	8,83%
Platinum	1.148	-4,97%
Copper $/mt	6.162	-2,20%

Source: Bloomberg and Eaglestone Securities



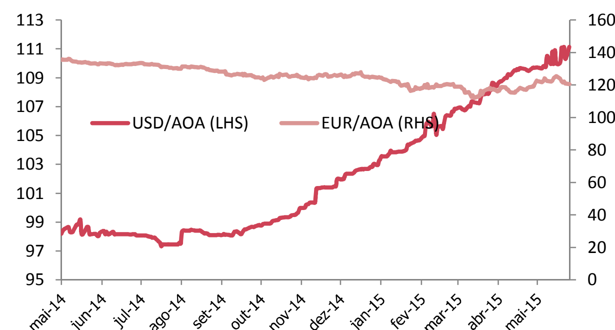
ENERGY	Spot	YTD % Change
NYMEX WTI Crude (USD/barril)	59,3	9,20%
ICE Brent (USD/barril)	65,2	10,14%
ICE Gasoil (USD/cents per tonne)	596,3	12,55%

Source: Bloomberg and Eaglestone Securities



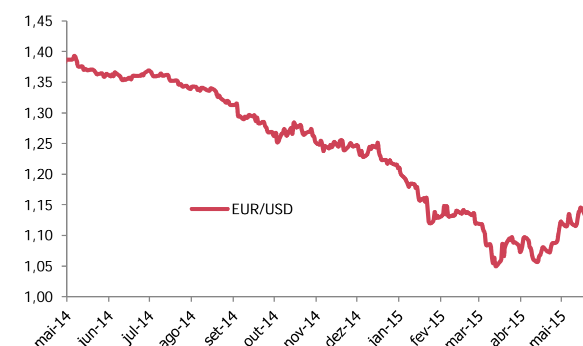
AGRICULTURE	Spot	YTD % Change
Corn cents/bu.	360,0	-10,17%
Wheat cents/bu.	515,3	-13,33%
Coffee (KC) c/lb	127,0	-25,01%
Sugar#11 c/lb	12,3	-17,49%
Cocoa $/mt	3153,0	9,02%
Cotton cents/lb	63,3	3,65%
Soybeans c/bsh	924,3	-10,31%

Source: Bloomberg and Eaglestone Securities



CURRENCIES	Spot
KWANZAS	
USD	110,638
EUR	120,610
GBP	169,846
ZAR	9,204
BRL	35,142
NEW MOZAMBIQUE METICAL	
USD	36,201
EUR	39,764
GBP	55,997
ZAR	3,035
SOUTH AFRICAN RAND SPOT	
USD	11,930
EUR	13,105
GBP	18,454
BRL	3,819
EUROZONE	
USD	1,10
GBP	0,71
CHF	1,04
JPY	133,45
GBP / USD	1,55

Source: Bloomberg and Eaglestone Securities



UPCOMING EVENTS

AFRICAN BANKER AWARDS 2015 – 27th May 2015 *http://ic-events.net/event/african-banker-awards-2015/*

Connected Africa: 26–27 May 2015, The Sandton Convention Centre, Johannesburg, South Africa. Connected Africa is the leading marketplace and ideas exchange for African enterprises, ISP's telcos, government, leading consultants and solution providers. *http://www.terrapinn.com/connectedafrica*

The Bank's 50th Annual Meeting will take place in Abidjan, Côte d'Ivoire, from May 25-29, 2015. The Meetings will see the election of a new Bank President, one of the most important decisions for the institution and the continent. The 50th anniversary of the Bank will also be marked.

Washington: Discussion on Doing the Deal in Africa: 28 May 2015
http://www.africatlf.com/public/conference-on-doing-the-deal-in-africa-2.cfm

World Economic Forum on Africa 2015, Cape Town, South Africa 3-5 June 2015
Then and Now: Reimagining Africa's Future
In 2015, the World Economic Forum on Africa will mark 25 years of change in Africa. Over the past decade and a half, Africa has demonstrated a remarkable economic turnaround, growing two to three percentage points faster than global GDP. Regional growth is projected to remain stable above 5% in 2015, buoyed by rising foreign direct investment flows, particularly into the natural resources sector; increased public investment in infrastructure; and higher agricultural production. *http://www.weforum.org/events/world-economic-forum-africa-2015*

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

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

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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