INSIDE AFRICA

29 August 2016

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EAGLESTONE SECURITIES

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In-depth:

Angola: Economic Overviews

POLITICAL STABILITY: There is a danger of increasing protests given the country's continued fiscal difficulties in the current environment of low oil prices. The ruling Movimento Popular de Libertação de Angola (MPLA) appears increasingly aware of the risk that heavy-handed crackdowns on critics will act as a catalyst for more sustained instability. This is likely to lead to a slightly more nuanced approach by the authorities--as underscored by the conditional release of 17 jailed political activists in July. Nonetheless, The Economist Intelligence Unit continues to expect the MPLA (via the security services) to act strongly to suppress anything that it perceives as a serious threat to its hegemony.

ELECTION WATCH: The next legislative election is scheduled to take place in 2017. An increasing number of voters--especially young people--feel excluded from the country's post-war oil boom (which is in any case now in abeyance). Thus far, however, the fractious nature of political opposition, coupled with its inability to provide an alternative to the current ruling establishment, means that opposition groups have struggled to capitalise on this public discontent. A lack of dynamism within the main opposition party, União Nacional para a Independência Total de Angola (UNITA), is one factor, but much of this is because the MPLA in effect restricts the political space and exploits its grip on power. Comments by the president and others on the need for curbs on social media must also be seen in this context, since opposition groupings have made substantial use of such channels, in an attempt to circumvent MPLA domination of the traditional media. Equally, opposition parties continue to claim that the MPLA is postponing local elections--once scheduled for 2014, but now possibly deferred until 2021 or later--in order to avoid devolving power for fear that its influence and control will be weakened.

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

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

ECONOMIC GROWTH: In mid-July the government more than halved its 2016 growth forecast to 1.3%, from 3.3% previously, the same as our current forecast. It continues to forecast relatively robust agricultural expansion--although this seems over-optimistic given weak infrastructure and poor supply-chain management--but overall non-oil growth is set to remain weak. The performance of the hydrocarbons sector thus remains crucial, but with increases in local production remaining below even revised official expectations--and the Ministry of Finance also cutting its oil reference price assumption to US$41/barrel from US$45/b in the 2016 budget--GDP per head is set to shrink for the third successive year. Slightly more solid government and private consumption growth as oil prices recover should see growth accelerate, to 3.5% in 2018, before a renewed dip in oil prices and more moderate local output increases lead growth to ease to 2.6% in 2020.

INFLATION: Inflation again accelerated in June, with the year-on-year rate rising to 31.8%, the highest rate since November 2004, and nearly three times the level forecast by the government in its 2016 budget. This reflects inflationary pressures arising from the successive reductions in fuel subsidies (since September 2014) and the kwanza's continued weakness against the US dollar, which is pushing up the cost of imported goods. We expect the central bank's monetary policy committee to maintain a relatively tight policy stance, as underscored by five interest-rate rises during 2015, and two 200-basis-point increases thus far in 2016, while the government has announced some measures to combat inflation, including the introduction of price controls on some goods. Taken together, these factors should help to put inflation on a downward trend in 2017-20, after a sharp spike to an average rate of 26.9% in 2016. More substantial reductions are unlikely, given that inflationary pressures are likely to be sustained by high government spending in the run-up to elections in 2017 and higher international commodity prices in 2017-18.

EXCHANGE RATES: As of mid-July the Banco Nacional de Angola (BNA, the central bank) was selling the kwanza at Kz166.7:US$1--the same rate as in mid-May, but down from Kz97.5:US$1 in mid-2015 (and Kz135.98:US$1 in

December 2015). The formal rate of the kwanza remains at an all-time low against the dollar, but amid continued shortages of US currency the gap with the black-market rate remains substantial, with the latter running at around Kz570:US$1--slightly stronger than the record low of Kz600:US$1 in mid-June but still more than three times the official rate.
The BNA's ability to support the kwanza through market intervention in 2016 and beyond will depend on the level of foreign-exchange reserves. According to official data, international reserves increased by some US$440m between March and April, reaching US$24.11bn--equivalent to around eight months of import cover, but still well down on the end-2014 figure of US$28bn.
EXTERNAL SECTOR: Angola is expected to run current-account deficits throughout 2016-20. With oil prices remaining depressed by 2011-14 standards, total export earnings--dominated by oil--will shrink again in 2016; they will bounce back in line with prices in 2017-18, but remain well below their 2012-13 peak. Imports will also shrink in 2016, reflecting a moderation of government-led capital investment owing to the low oil price environment and the ongoing devaluation of the kwanza limiting consumer demand. However, the trade surplus as a percentage of GDP will remain low in 2016 by historical standards--at 11.2%. It will recover slightly to an annual average of some 19.5% in 2017-18 (as oil prices recover)--although this is only around half the 2010-14 average--and then deteriorate again in 2019-20, reflecting strong import growth and a renewed downturn in oil prices. The services deficit will rise in 2017-18, averaging 17.8% of GDP, reflecting greater activity in the oil sector, before narrowing again in 2019-20 as oil prices moderate.
Overall, the current-account deficit will rise from an estimated 8.3% of GDP in 2015 to 9.4% of GDP in 2016, because of depressed oil prices and only modest increases in oil export volumes. The deficit as a percentage of GDP will narrow in 2017-18, before widening again in 2019-20, as a slowdown in the US has a negative impact on oil prices, ending the forecast period at 6.8%.

	2014			2015				2016
	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr
Prices								
Consumer prices (2005=100)	144.6	147.2	150.0	153.2	157.5	163.5	170.0	184.5
Consumer prices (% change year on year)	7.0	7.1	7.5	7.7	8.9	11.0	13.3	20.4
Financial indicators								
Exchange rate Kz:US$ (av)	97.62	97.53	100.45	105.31	112.08	127.54	135.31	157.52
Exchange rate Kz:US$ (end-period)	97.65	98.32	102.86	107.99	121.36	135.30	135.32	160.67
Deposit rate (av %)	4.0	4.0	2.7	1.1	3.4	3.9	4.9	5.0
Lending rate (av %)	16.0	16.2	17.4	18.0	18.0	15.9	15.7	15.8
3-month money market rate (av %)	7.6	7.3	7.7	8.3	8.7	11.3	11.7	12.8
M1 (end-period Kz bn)	2828.6	2844.2	3096.9	3152.8	3082.7	3210.5	3419.8	3872.1
M1 (% change year on year)	18.2	18.2	19.7	13.0	9.0	12.9	10.4	22.8
M2 (end-period Kz bn)	4,678.3	4,756.3	5,103.5	5,127.3	5,235.1	5,739.7	5,703.7	6,304.5
M2 (% change year on year)	16.9	16.5	16.1	11.6	11.9	20.7	11.8	23.0
Sectoral trends								
Crude oil production (m barrels/day)^a	1.63	1.71	1.72	1.77	1.76	1.77	1.76	1.77
Foreign trade (US$ m)								
Exports fob	16,163.3	15,604.0	11,705.1	8,237.5	10,063.5	8,175.0	6,681.8	5,223.2
Imports fob	-6,679.7	-7,766.8	-7,198.9	-7,056.9	-4,959.9	-4,397.9	-3,639.2	-3,086.9
Trade balance	9,483.6	7,837.2	4,506.2	1,180.6	5,103.6	3,777.1	3,042.6	2,136.3
Foreign payments (US$ m)								
Reserves excl gold (end-period)	31,014	28,047	28,13	26,342	24,55	23,367	24,075	23,672

[a] Including production

Sources: Banco Nacional de Angola

(c) The Economist Intelligence Unit 2016

South Africa: Economic Overviews

POLITICAL STABILITY: The ruling African National Congress (ANC) will remain in power until the next election, in 2019, although its performance in the municipal elections in August represents a significant setback for the party and for the president, Jacob Zuma. The ANC's share of the national share dropped to 53.9%, and it lost control of some key metropolitan areas to the opposition. The Democratic Alliance (DA) took a record 26.9% of the vote, tightened its grip on Western Cape municipalities, and emerged as the leading party (albeit without a majority) in Nelson Mandela Bay in Eastern Cape and Tshwane (including Pretoria, the executive capital) in Gauteng. Julius Malema's radical Economic Freedom Fighters (EFF)--contesting the municipal elections for the first time--captured 8.2% of the vote and holds the balance of power in some locations. The EFF will not participate in coalitions but will support the formation of opposition-led administrations nationwide. The DA, in alliance with four smaller parties, may therefore take control of Nelson Mandela Bay, Tshwane and Johannesburg.

ELECTION WATCH: The ANC typically does better in national elections than in municipal polls, helped in part by higher turnouts: supporters who rejected the party or stayed away could return to the fold in 2019. The outcome will also depend on the performance of the DA (and its coalition partners) over the next three years in newly captured metropolitan areas. Strengthening service delivery would work in the opposition's favour, but expanding into new areas, and running minority administrations, will test the DA's reputation for stronger governance. The Economist Intelligence Unit currently believes that the ANC will retain a small national majority in 2019 (with a similar voting share to that of 2016), although the opposition is well placed to capture Gauteng, to add to its control of the Western Cape. The period of ANC hegemony is coming to an end, although the speed of the process and the resulting outcome are far from certain.

INTERNATIONAL RELATIONS: South Africa, with the most advanced economy in Africa, will play an important role in regional and world affairs. The country will remain deeply engaged with Africa, particularly Southern Africa, and will continue to support peacekeeping operations in the continent's conflict zones. Alongside fellow members of the Southern African Development Community, South Africa will also seek to build closer "South-South" ties, especially with fellow members of the BRICS grouping (Brazil, Russia, India and China) and with other African trade blocs. South Africa will also prioritise the maintenance of close relations with the EU and the US.

POLICY TRENDS: Policymakers face the difficult task of facilitating economic growth within a context of global uncertainty, while avoiding macroeconomic imbalances. Adding to the challenge, monetary policy will become tighter, to curb inflationary pressures, while the pace of fiscal consolidation will be accelerated, to guard against the loss of South Africa's investment-grade credit rating. Spending curbs and additional possible tax increases have negative implications for growth, although targeted industrial incentives will remain in place and infrastructure investment will continue to be a priority. To limit the fiscal risk posed by troubled parastatals, the government will seek injections of private-sector capital, although the details have still to be finalised. The main medium-term growth challenge is to overcome structural constraints such as inadequate infrastructure and skills shortages. The expected completion of major infrastructure projects will boost business activity later in the forecast period, but costlier electricity tariffs will pose a challenge.

ECONOMIC GROWTH: South Africa's growth outlook remains fairly bleak, amid an array of domestic and global constraints; we forecast real expansion of just 0.5% in 2016, informed by a 0.2% year-on-year contraction in the first quarter. The main current challenges are a severe drought, a downturn in demand and prices for key mineral exports (stemming from a slowdown in China), tighter fiscal policy, rising interest rates, and policy uncertainty (which is inhibiting private investment).

Uncertainties surrounding the UK's vote to leave the EU (Brexit), may also weigh on confidence, although the initial impact on overall economic growth will be modest. Improved power supplies, helped by new plant openings, will minimise the risk of load-shedding, but water shortages will intensify because of drought and perhaps extend beyond agriculture. The risk of strikes will remain high, as will the unemployment rate (26.6% in the second quarter), thereby depressing aggregate demand. More positively, tourism is rebounding, with overseas visitor numbers rising by 18.5% year on year in the first five months, helped by the relaxation of tighter visa restrictions imposed in 2014-15.

In addition, higher real wages for those in work will help to support household consumption. Cheaper oil will also facilitate growth in 2016, but rising electricity tariffs will offset some of the benefits.

INFLATION: We expect a severe drought to push up average annual inflation to 6.5% in 2016, a seven-year high and in excess of the 3-6% target range of the South African Reserve Bank (SARB, the central bank). A sharp rise in food prices will be the main inflationary driver, alongside the depreciation of the rand and a 9.4% rise in electricity tariffs. Lower oil prices will afford some relief, and monetary tightening will constrain demand-side pressures, but the drought will leave the SARB unable to meet its target in 2016. Thereafter, in 2017-20 we expect annual inflation to move in the 5.5-5.8% range--barring further drought--thereby meeting the SARB's target, despite intermittent temporary breaches. Factors that will constrain price rises include prudent monetary policy, efficiency gains arising from infrastructure investment, stricter competition laws and a progressively slower pace of rand depreciation. However, stronger oil prices (in 2017-18) and additional real-term annual increments in electricity tariffs will both feed through into other price categories and prevent inflation from declining more rapidly. Higher real wages, driven by labour militancy, may be inflationary, although demand-side pressures will remain muted.

EXCHANGE RATES: The rand strengthened to an average of R14.43:US$1 in July, its strongest level since last November, trimming the year-on-year rate of depreciation to 15.9%. The rebound in June and July (from a recent low of R15.36:US$1 in May) stems from South Africa's retention of an investment-grade credit rating by Standard & Poor's/Moody's, coupled with heightened global uncertainty, although the rand remains subject to significant daily volatility. The slowdown in China, uncertainties surrounding the impact of Brexit on the UK and the EU, a cut in UK interest rates and delays to the next expected rise in US rates are boosting the appeal of high-yielding emerging markets, such as South Africa. Nonetheless, the rand remains vulnerable to shifts in confidence and to a rise in US rates, meaning that the rebound will not be sustained, especially in view of domestic challenges such as sluggish GDP growth, a persistent current-account deficit and policy uncertainty.

Sentiment will also become more fragile ahead of the next ratings review in December. We therefore expect the rand to resume a trend of depreciation, although our projected exchange rates for 2016 of R15.09:US$1 (revised from

R15.34:US$1) and 2017 of R16.72:US$1 are now stronger. Thereafter, the currency will record a gradual retreat to R20:US$1 in 2020.

EXTERNAL SECTOR: The current-account deficit fell to 4.3% of GDP in 2015, because of a smaller merchandise trade shortfall in the wake of lower oil prices, and we expect the same, 4.3% of GDP, outcome in 2016. Demand and prices for most minerals--which account for about half of export earnings--will remain subdued because of the slowdown in China and global fragilities.

Non-mineral exports (such as cars) will nonetheless benefit from rand depreciation and from South Africa's retention of trade preferences under the US African Growth and Opportunity Act.

Import growth will be driven by food (in 2016), costlier oil (in 2017-18) and capital equipment for infrastructure projects, although consequent improvements in logistics capacity and power supply will facilitate exports in the medium term. Notably, the invisibles deficit (on services, income and current transfers) will remain far wider than the goods deficit, and will account for most of the current-account shortfall throughout the forecast period. *(Economist Intelligence Unit)*

	2014		2015				2016	
	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr
General government finance (R m)								
Revenue	228,546	264,593	286,692	247,387	263,225	297,564	320,997	n/a
Expenditure	305,911	285,035	303,161	277,198	342,216	303,402	341,279	n/a
Balance	-77,365	-20,442	-16,469	-29,811	-78,991	-5,838	-20,282	n/a
Output								
GDP at constant 2000 prices (R bn)	3,019.2	3,050.0	3,065.1	3,049.5	3,051.4	3,054.8	3,045.3	n/a
Manufacturing index								
Durable goods	101.7	105.3	106.1	103.2	103.2	100.1	101.2	n/a
Non-durable goods	106.8	109.3	108.4	107.0	109.3	110.3	109.9	n/a
Employment & prices^a								
Employment private (2000=100)								
Mining	99.7	98.4	98.1	97.9	95.4	92.6	n/a	n/a
Manufacturing	96.8	96.9	97.5	97.0	96.8	96.5	n/a	n/a
Construction	121.5	119.7	118.1	117.8	117.2	115.0	n/a	n/a
Consumer prices (2008=100)	110.5	111.4	111.9	114.1	115.6	116.8	119.3	121.5
Consumer prices (% change year on year)	6.3	5.7	4.1	4.5	4.6	4.9	6.6	6.5
Production prices (2000=100)	129.7	130.1	129.5	133.1	134.2	135.9	139.4	139.4
Production prices (% change year on year)	7.3	6.3	3.1	3.4	3.4	4.5	7.6	4.7
Financial indicators								
Exchange rate R:US$ (av)	10.8	11.2	11.7	12.1	13.0	14.2	15.8	15.0
Exchange rate R:US$ (end-period)	11.3	11.5	12.1	12.1	13.8	15.6	14.7	14.8
Deposit rate (av %)	6.0	6.1	6.1	6.1	6.1	6.3	6.9	n/a
Lending rate (av %)	9.3	9.3	9.3	9.3	9.5	9.7	10.3	n/a
3-month money market rate (av %)	5.6	5.7	5.7	5.7	5.8	6.1	6.6	n/a
Long-term gov bond yield (av %)	8.2	7.9	7.6	8.1	8.3	8.7	9.4	n/a
M2 (end-period R bn)	2,216	2,227	2,271	2,308	2,386	2,442	2,458	n/a
M2 (% change year on year)	10.2	8.6	7.7	9.0	7.7	9.7	8.2	n/a
JSE all items (Dec 1960=100)	49,336	49,771	52,182	51,807	50,089	50,694	52,25	52,218
JSE all items (% change year on year)	-0.4	-2.3	-5.3	-11.0	-16.9	-24.5	-17.4	-17.2
Gold mining share prices (2000=100)	54.8	41.2	51.7	44.5	34.6	38.0	66.8	n/a
Gold mining share prices (% change year on year)	15.7	-8.1	-1.6	-19.1	-36.9	-7.8	29.1	n/a
Sectoral trends								
Gold mining (volume of production)	79.1	79.7	73.9	76.5	77.7	77.5	79.9	n/a
Other mining (volume of production)	103.4	106.3	113.5	109.4	105.0	103.9	97.1	n/a
Retail sales volume	105.3	105.8	107.1	107.6	108.7	109.9	110.3	n/a
Foreign trade (US$ m)								
Exports fob	23,849	23,319	20,227	21,676	20,86	18,732	16,18	n/a
Imports cif	-25,977	-25,041	-22,786	-21,137	-21,946	-19,89	-17,356	n/a
Trade balance	-2,128	-1,722	-2,559	540	-1,086	-1,158	-1,176	n/a
Foreign payments (US$ m)								
Merchandise trade balance	-1,948	-215	-1,846	582	-746	-710	-1,02	n/a
Services balance	-101	271	170	-424	-263	40	227	n/a
Primary income balance	-2,89	-2,795	-1,668	-1,401	-2,802	-1,93	-2,489	n/a
Net transfer payments	-835	-824	-718	-725	-621	-582	-564	n/a
Current-account balance	-5,773	-3,563	-4,061	-1,968	-4,432	-3,182	-3,847	n/a
Reserves excl gold (end-period)	44,267	44,267	41,657	42,112	41,611	41,62	41,798	40,945

[a] Seasonally

Sources: South African Reserve Bank, Quarterly Bulletin; Statistics South Africa; IMF, International Financial Statistics.

(c) The Economist Intelligence Unit 2016

SOVEREIGN RATINGS

Eurozone

29-08-2016	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Austria	Aa1	AA+	AA+	P-1	A-1+	F1+
Belgium	Aa3	AAu	AA	NR	A-1+u	F1+
Cyprus	B1	BB-	B+	NP	B	B
Estonia	A1	AA-	A+	NR	A-1+	F1 +
Finland	Aa1	AA+	AA+	NR	A-1+	F1+
France	Aa2	AAu	AA	NR	A-1+u	F1+
Germany	Aaa	AAAu	AAA	NR	A-1+u	F1+
Greece	Caa3	B-	CCC	NP	B	C
Ireland	A3	A+	A	P-2	A-1	F1
Italy	Baa2	BBB- u	BBB+	P-2	A-3u	F2
Latvia	A3	A-	A-	NR	A-2	F1
Lithuania	A3	A-	A-	NR	A-2	F1
Luxembourg	Aaa	AAA	AAA	NR	A-1+	F1+
Malta	A3	BBB+	A	NR	A-2	F1
Neherlands	Aaa	AAAu	AAA	P-1	A-1+u	F1+
Portugal	Ba1	BB+u	BB+	NR	Bu	B
Slovakia	A2	A+	A+	NR	A-1	F1 +
Slovenia	Baa3	A	BBB+	NR	A-1	F2
Spain	Baa2	BBB+	BBB +	P-2	A-2	F2
United Kingdom	Aa1	AAu	AA+	NR	A-1+u	F1+

Sources: Bloomberg, Eaglestone Advisory (Rating: Up , Down , No Change, Initial)

North and South America - Asia

29-08-2016	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Argentina	B3	B-	B	NP	B	B
Australia	Aaa	AAAu	AAA	NR	A-1+u	F1+
Brazil	Ba2	BB	BB	NR	B	B
Canada	Aaa	AAA	AAA	NR	A-1+	F1+
China	Aa3	AA-	A+	NR	A-1+	F1 +
Colombia	Baa2	BBB	BBB	NR	A-2	F2
Cuba	Caa2	NR	NR	NR	NR	NR
Hong Kong	Aa1	AAA	AA+	NR	A-1+	F1+
India	Baa3	BBB-u	BBB-	NR	A-3u	F3
Japan	A1	A+u	A	NR	A-1u	F1
Macau	Aa3	NR	AA-	NR	NR	F1+
Mexico	A3	BBB+	BBB+	WR	A-2	F2
Singapore	Aaa	AAAu	AAA	NR	A-1+u	F1+
Uruguay	Baa2	BBB	BBB-	NR	A-2	F3
Venezuela	Caa3	CCC	CCC	NR	C	C
United States	Aaa	AA+u	AAA	NR	A-1+u	F1+

Sources: Bloomberg, Eaglestone Advisory (Rating: Up , Down , No Change, Initial)

Region - Africa/Middle East

29-08-2016	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Angola	B1	B	B+	NR	B	B
Bahrain	Ba2	BB	BB+	NR	B	B
Benin	NR	NR	WD	NR	NR	WD
Botswana	A2	A-	NR	NR	A-2	NR
Burkina Faso	NR	B-	NR	NR	B	NR
Cameroon	B2	B	B	NR	B	NR
Cape Verde	NR	B	B	NR	B	B
Egypt	B3	B-	B	NR	B	B
Emirate of Abu Dhabi	Aa2	AA	AA	NR	A-1+	F1+
Ethiopia	B1	B	B	NR	B	B
Gabon	B1	NR	B+	NR	NR	B
Ghana	B3	B-	B	NR	B	B
Iran	NR	NR	NR	WR	NR	NR
Iraq	NR	B-	B-	NR	B	B
Israel	A1	A+	A	NR	A-1	F1
Ivory Coast	Ba3	NR	B+	NP	NR	B
Jordan	B1	BB-	NR	NR	B	NR
Kenya	B1	B+	B+	NR	B	B
Kuwait	Aa2	AA	AA	NR	A-1+	F1+
Lebanon	B2	B-	B-	NP	B	B
Lesotho	NR	NR	B+	NR	NR	B
Libya	NR	NR	WD	NR	NR	WD
Mali	NR	NR	WD	NR	NR	NR
Mauritius	Baa1	NR	NR	NR	NR	NR
Morocco	Ba1	BBB-	BBB-	NR	A-3	F3
Mozambique	Caa3	CCC	CC	NR	C	C
Namibia	Baa3	NR	BBB-	NR	NR	F3
Nigeria	B1	B+	B+	NR	B	B
Oman	Baa1	BBB-	NR	NR	A-3	NR
Qatar	Aa2	AA	AA	NR	A-1+	F1+
Republic of Congo	B3*-	B-	CCC	NR	B	C
Republic of Zambia	B3	B	B	NR	B	B
Rwanda	B2	B+	B+	NR	B	B
Saudi Arabia	A1	A-	AA-	NR	A-2	F1+
Senegal	B1	B+	NR	NR	B	NR
Seychelles	NR	NR	BB-	NR	NR	B
South Africa	Baa2	BBB-	BBB-	P-2	A-3	F3
Tunisia	Ba3	NR	BB-	NR	NR	B
Uganda	B1	B	B+	NR	B	B
United Arab Emirates	Aa2	NR	NR	NR	NR	NR

*Sources: Bloomberg, Eaglestone Advisory (Rating: **Up**, **Down**, No Change, **Initial**)*

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, World Bank strategic alliance positions Africa to attract Japanese investors

African Development Bank (AfDB) President Akinwumi Adesina and World Bank President Jim Yong Kim, leading two development institutions at the Sixth Tokyo International Conference on African Development (TICAD VI) in Nairobi, started a big push to enable African states to attract foreign capital.

President Adesina told a high-level gathering of world leaders and the business community from both Africa and Japan the subject of discussion at the sixth TICAD summit in Nairobi were “critically important” for Africa’s private sector to drive economic growth across in the continent.

President of the AfDB regretted the recent signs showed Africa’s growth towards industrialisation was rapidly drawing backwards, but urgent steps were required to double the economic growth rate and the continent’s Gross Domestic Product (GDP) in the next 10 years to address poverty.

"The subject of discussion is critically important for Africa. The private sector in Africa is responsible for 5 % of the economic growth in Africa in the past 10 years," Adesina said during presentation made at a Presidential roundtable on the "Role of Private Sector in Africa's Economic Transformation".
The World Bank convened the session to discuss ways of transforming the African economies.
World Bank President Jim Kim said the bank was prepared to support foreign investors to engage in Africa by providing them with the financial backing required to keep their investments safe from political risk.
"We have tools to encourage you to invest," the World Bank President said, talking about measures aimed at providing investors with guarantees to shield their financial capital from erosion as a result of policies adopted by the states in which they invest, which might lead to losses.
Amongst the issues raised by Japanese investors attending the TICAD summit was the difficulty in recouping investments into sectors like water, which are managed mostly by local authorities. This was seen to be due to the fact that local governments were not always able to collect back the revenues to pay for the cost of investment.
In some cases, investments were said to be left to accumulate losses after initial capital injection as investors such as those engaged in the power projects wait for the governments to put in place the right policies.
Discussing the role of the private sector in delivering economic transformation through diversification and industrialisation, President Adesina regretted the lack of coherent investment policies. He said this had pushed Africa onto a path of unpredictable industrialisation growth.
"There is no doubt the African economies are resilient. Africa needs investors. What Africa needs is investment," Adesina told the audience, which included representatives from major industrial corporations and banks, and leading African entrepreneurs investing in diverse fields across Africa.
To reverse the negative industrialisation growth trend, the AfDB announced a US $125-million facility to provide credit to small and medium entreprises (SMEs) operating in Africa. The new fund enables the smaller firms to access US $1 million to US $10 million credit for business expansion.
"The size of the African manufacturing sector is on the decline from 12 % of the GDP in 1980s to 10 % today. Africa is de-industrialising. We must work to double our GDP in 10 years," Adesina warned.
Speaking during the event, President Uhuru Kenyatta of Kenya said all efforts have been put in place by African investors to attract foreign capital.
The World Bank President pledged his support towards efforts to attract investors to Africa. President Kenyatta said the case of investments in Africa was well-known to Africa's international friends and there was no need to re-emphasise the need for investments into Africa.

AfDB and Japan Announce US$3 Billion Private Sector Development Initiative to Boost Growth and Reduce Poverty in Africa

The African Development Bank (AfDB) and the Government of Japan announced they have set a joint target to provide US$ 3 billion for private sector development in Africa during the next three years, substantially increasing the resources devoted to boosting economic growth and fighting poverty in the region. The resources will be provided under the third phase of the Enhanced Private Sector Assistance for Africa (EPSA) initiative.
Japan will target to provide US$ 1.5 billion over 3 years through the Japan International Cooperation Agency (JICA). The AfDB expects to finance at least an equal amount. On top of this, Japan is ready to provide an additional special allocation of US$ 300 million for co-financing with the AfDB to help African countries access the best low emitting clean coal technologies available.
"AfDB and Japan have agreed to upgrade the joint EPSA initiative, which has been at the core of our long-standing partnership, helping boost private sector-led growth in Africa", said Japan's State Minister of Finance Taku Otsuka. "We look forward to continued close collaboration with the AfDB so as to further accelerate the development of the African private sector, by delivering resilient and high-quality infrastructure and strengthening the health system."
"This is a significant expansion of our support to the private sector, which will play a critical role in Africa's economic transformation," said AfDB President Akinwumi Adesina. "The scaling up of the Enhanced Private Sector Assistance for Africa Initiative will help increase access to electricity, boost the industrialization of the continent and improve the quality of millions of lives in Africa. These are all key components of our High 5s. We are proud to partner with Japan, one of our key strategic partners, in this endeavor." The High 5s are the Bank's five areas of focus to advance the agenda of Africa's economic transformation over the next 10 years: Light up and Power Africa, Feed Africa, Integrate Africa, Industrialize Africa, and Improve the quality of life for the people of Africa.
Announced at the first-ever TICAD Summit held on African soil, the third phase of EPSA will focus on economic infrastructure (transport, energy, etc.) as well as social infrastructure (health, education, nutrition). EPSA was launched at the G8 Summit in Gleneagles in 2005. Its scope has been expanded to include sectors such as education and health, which also contribute to promoting private sector development. Japan provided the equivalent of US$ 1 billion of concessional loans under EPSA-1 (2005-2011) and is providing US$ 2 billion under the current EPSA-2 (2012-2016).
The Enhanced Private Sector Assistance for Africa Initiative has played a key role in the development of regional infrastructure. It has helped increase the AfDB's private sector operations, which have expanded nearly ten-fold over the lifespan of the first phase and almost doubled since the start of EPSA 2.

Background
The Enhanced Private Sector Assistance for Africa (EPSA) Initiative is a framework to support implementation of the AfDB's Strategy for Private Sector Development. Designed in partnership with the Government of Japan, it draws on successful experiences in Asia and around the globe. It is built around three components:

- The Accelerated Co-Financing Facility for Africa (ACFA) is a sovereign co-financing arrangement between AfDB and JICA, where JICA lends on preferential terms to borrowers under this scheme.
- The Non-Sovereign Loan (NSL) is a line of credit from JICA to AfDB on concessional terms to help fund the Bank's private sector operations.
- The Fund for African Private Sector Assistance (FAPA) is a Multi-Donor Trust Fund for technical assistance and capacity building for the Bank's public and private sector clients. The Government of Japan is the major contributor to the Fund, which is managed by the AfDB.

AfDB.

The African Development Bank Group and JETRO to sign an MOU for increased collaboration in infrastructure and private sector development
The African Development Bank Group (comprised of the African Development Bank and the African Development Fund; AfDB/ADF) and the Japan External Trade Organization (JETRO) will sign a Memorandum of Understanding (MOU) on August 26, 2016 at the Sixth Tokyo International Conference on African Development (TICAD VI) in Nairobi, Kenya.
The objective of the MOU is to establish a general framework to promote collaboration between them in matters of common interest such as infrastructure development in the African continent and participation of Japanese companies in the projects. The cooperation is intended to contribute to assisting African countries in their development efforts in particular by promoting trade and investment between Japan and Africa. At the signing ceremony, the AfDB/ADF will be represented by Dr. Akinwumi Adesina, President of the African Development Bank Group, and JETRO will be represented by Mr. Hiroyuki Ishige, Chairman and CEO.
Areas of Cooperation
1. AfDB/ADF and JETRO intend to collaborate with each other in developing and implementing programmes and projects. Priority areas of such cooperation will include:
a) Power and energy;
b) Industrialization; and
c) Private sector development including quality infrastructure.

2. AfDB/ADF and JETRO will further strengthen cooperation through knowledge partnership including research, staff exchange and knowledge sharing in the areas of common interest. Such partnership will include:
a) Region-wide partnership with Regional Economic Communities; and
b) Collaboration to foster systematic knowledge transfer between Japanese and African companies that creates significant value addition to African agricultural exports to Japan and the world.
3. AfDB/ADF and JETRO will exchange relevant information and data on matters of common interest and collaborate in the collection, analysis and dissemination of such information and data.

NEPAD-IPPF strengthens capacity to improve stock of well-prepared bankable infrastructure projects
The NEPAD Infrastructure Project Preparation Facility, NEPAD-IPPF, has concluded a two-day workshop that brought together over 20 staff members, representatives from the African Development Bank's Departments of Transport, ICT, Energy, Environment and Climate Change, Resources Mobilisation and External Finance.
The two-day seminar, held in Abidjan, was also attended by other AfDB Infrastructure Specialists in energy from field offices covering Zambia, Mozambique, Rwanda and Angola, and was aimed at defining modalities for improved delivery aligned to the new NEPAD-IPPF Strategic Business Plan (SBP) covering the five-year period 2016-2020. The SBP seeks to increase the stock of well-prepared bankable infrastructure projects across Africa which can attract financing
The first day of the retreat focused on translating the newly approved five-year Strategic Business Plan (SBP), into actionable goals. Under the new SBP, NEPAD-IPPF seeks to prepare between 60 to 80 regional infrastructure projects in energy, transport, trans-boundary water and ICT with reparation costs of between US$150 million to US$250 million over the five-year period and this will require additional resources from existing and potential donors.
NEPAD-IPPF, supports African governments, Regional Economic Communities (RECs) and African infrastructure-related institutions such as Power Pools and to prepare bankable, investment-ready projects that can attract financing for implementation.
Since inception, NEPAD-IPPF has awarded 67 grants for preparation of regional infrastructure projects in Energy, Water, Transport and ICT, resulting in investment financing of over US$ 7.78 billion, thusresponding directly to Africa's integration and development efforts.

Discussions at the retreat also focused on strengthening internal capacity of NEPAD-IPPF with new working clusters based on defined roles and value addition through enhanced collaboration and synergies to improve operational effectiveness, efficient delivery and enhanced interface with clients. The four clusters are Project Delivery; Financing and Partnerships; Portfolio Management; and Communications and Outreach. As a means of augmented its capacity, NEPAD-IPPF has recently recruited four new staff. These are, Alex Ndiku Mbaraga, Project Preparation Specialist in charge of transport projects; Karine Mbengue-Maingé, Resource Mobilisation Specialist; Monde Nyambe, Infrastructure Project Finance Specialist and Binny Prabhakar, Project Preparation Specialist in charge of energy projects. The new additions to the existing NEPAD-IPPF team is expected to further enhance the operational effectiveness of the Facility so that it is better able to respond to the needs of its primary clients and ultimate beneficiaries, the African countries.

"Bringing together our staff and partners gave us the opportunity to take part in stimulating conversations and ensure the New Strategic Business Plan is delivered into actionable goals with key performance indicators," said Shem Simuyemba, Manager for NEPAD-IPPF, who added: "A project is not a project until it is bankable and can attract financing for implementation. Our ambition for the next five years is to accelerate our project delivery, strengthen our performance and results."

NEPAD-IPPF is a multi-donor Special Fund hosted by the African Development Bank and supported by a number of donors, including Canada, Germany, the UK, Spain, Norway and Denmark.

Q&A with Shem Simuyemba, Division Manager, NEPAD Infrastructure Project Preparation Facility

Why is NEPAD-IPPF a critical instrument to bridge Africa's infrastructure financing gap?

NEPAD Infrastructure Project Preparation Facility, NEPAD-IPPF, was established in response to a call of the G8 countries in Kananaskis, Canada, to address one of the weaknesses of infrastructure development in Africa: the lack of investment-ready, viable projects. NEPAD-IPPF is a multi-donor Special Fund hosted by the African Development Bank (AfDB), which supports African countries, to prepare regional infrastructure projects in energy, transport, ICT and transboundary water to make them bankable for investment. It is aligned to major continental initiatives such as the Programme for Infrastructure Development in Africa (PIDA), the priority framework to bridge Africa's infrastructure gap. We allocate grants to the AfDB's regional member countries (RMCs) through Regional Economic Communities (RECs), specialized infrastructure institutions such as power pools, river basin organizations and corridor authorities. Our core business is to prepare pre-feasibility, feasibility, environmental and social impact assessment studies, engineering designs, and provide transaction advisory services to make infrastructure projects across Africa bankable to attract the necessary investments. NEPAD-IPPF therefore responds directly to the African Union's Agenda 2063, and major continental initiatives such as PIDA, and the African Development Bank's High 5s.

How effective has NEPAD-IPPF been?

Our role as a Project Preparation Facility is critical in that without upstream technical support to help countries turn project ideas into bankable projects, which can attract public and private capital, bridging Africa's infrastructure would take much longer. NEPAD-IPPF therefore bridges the critical and often overlooked gap between a project idea and translating that idea into a bankable project proposition. The goal is to attract financing for implementation to achieve the desired development impact, which is ultimately to support sustainable growth and improve people's lives. Since its inception in 2005, NEPAD-IPPF has prepared over 67 regional infrastructure projects, half of which have reached financial closure resulting in financing of over US $7.78 billion and thereby responding directly to increasing Africa's infrastructure stock which, in turn, is a pre-requisite to Africa's regional integration efforts.

However, project preparation requires resources and currently, across the continent, not enough resources are being committed to this important function. For example, PIDA alone has projected investments of US $68 billion up to 2020 and this will require considerable resources to turn the PIDA Priority Action Plan (PIDA PAP) into a package of investment-ready projects attractive to financiers.

What are some of NEPAD-IPPF's success stories and what has been their impact on the lives of African people?

A total of 18 projects have successfully reached financial close and are being implemented, among them three have been built. We are very proud of our involvement in the Kariba North Hydropower construction project in Zambia, which supports the local grid and also feeds into the Southern African Power (SAPP) the regional electricity market. A US $600,000 grant from NEPAD-IPPF in 2008 helped launch the development of this ambitious US $430-million energy project on the Zambezi River, some 165 kilometres from Lusaka, with additional preparatory support from the Development Bank of Southern Africa (DBSA), KfW/Germany and the Zambian National Electrical Supply Corp. (ZESCO).

Since 2014, Kariba North has increased the power generated by the existing Kariba Bank Power Station by 360 MW, through two new 180 MW generating units. For local communities in Zambia, Kariba North has improved capacity at peak times, thereby minimizing power outages. This, in turn, is bringing improved tourism to the Lake Shore areas, including the world-famous Victoria Falls and contributing to the mining sector, which constitutes 10-12% of Zambia's GDP.

NEPAD-IPPF has also been very instrumental in the preparation of bankable road construction projects. The facility contributed US $746,000 towards a feasibility study for a new road linking Burundi and Rwanda. The road includes a

One-Stop Border facility and was officially opened in July 2013 by the Ministers of Transport of the Governments of Rwanda and Burundi. The road provides a secure overland link, one with safer traffic conditions, and reduced travel time. It has also improved living conditions around the project area by facilitating better access to basic services, schools and health centres.

Other examples include the Ethiopia-Kenya Power Interconnector Project, which will link to the Zambia-Tanzania-Kenya Power Interconnector and will enable interconnection between the East African Power Pool and the Southern Africa Power Pool grid. This interconnection will result in an expansion of the power market in Eastern and Southern Africa.

It should be noted that increased power availability does not just support large industries, but also medium and small enterprises and households with increased access and reliability to electricity. Ruzizi III Hydro Power Project involving Burundi, DRC and Rwanda is another example of a project where NEPAD-IPPF provided preparation support and the project has reached financial close to move to implementation. By virtue of its work, NEPAD-IPPF generates a lot of direct and indirect business opportunities along the infrastructure value chain, ranging from consulting/engineering services, transaction advisory, to construction and equipment supply. This is an area where there is major potential for African companies as currently, most of these services are provided by international companies from outside Africa.

What are the challenges in developing continent-side projects?

Early stage regional project preparation can be costly and complex as it involves multiple countries, multiple stakeholders, with legal, financial, and regulatory environments that are not always harmonized. At NEPAD-IPPF, we have the ability to work on large-scale multi-country projects, ensuring they are better designed, packaged and delivered.

We have to admit that despite our huge potential and the pressing need to translate infrastructure projects into investment opportunities and attract private sector investors at the early stage, the facility is relatively under-resourced. What we need today are additional funds and allocations to achieve higher development impact and help change the lives of Africa's most vulnerable.

The Policy Brief released in March 2016 by the Koffi Annan led Africa Progress Panel (APP) on Financing and Banking in Africa cites project development as the weakest link in Africa's infrastructure development. The report states that, "Current approaches to new and innovative financing are not achieving their aims partly because they are failing to address what may be the single greatest barrier to infrastructure financing in Africa – a shortage of bankable projects."The APP recommends the building of a "Hub-and-Spoke" Model for Project Preparation under the leadership of the AfDB, by turning NEPAD-IPPF into a US $500-million Facility.

Who are NEPAD-IPPF's donors and what are the opportunities to strengthen the facility?

Over the past 10 years from 2005, resources mobilized for project preparation by NEPAD-IPPF amounted to US $110 million and this has largely been from donors. The donors are Canada, Germany, the UK, Spain, Norway, Denmark and Norway.

The opportunities for scaling-up capacity for project preparation are many and they are at three broad levels. The first is to commit more resources to project preparation at all levels; the second is to strengthen the quality of projects submitted for preparation; and the third is to more directly link prepared projects to potential financiers. In terms of the first action, more donors are needed to come to the table so as the help transform NEPAD-IPPF into the centre of the Hub-and-Spoke for infrastructure project preparation in Africa as recommended by the APP.

But the resources should not just come from donors: African countries themselves, through domestic resource mobilization, should commit more resources to support project preparation not least because they are the beneficiaries.

On the second aspect, regional infrastructure projects involving two or more countries are complex requiring negotiations and agreement on coordination and implementation arrangements. In the case of power projects, for example, apart from the concerned Governments, respective power utilities in the countries need to be involved as do power pools. Ideally, these issues of implementation arrangements should have been addressed before projects are submitted to NEPAD-IPPF for preparation to reduce the lead time between project concept and bankable project.

Lastly, there is need for a more deliberate linkage between project preparation facilities such as NEPAD-IPPF and potential financiers. This will help to expand the scope of possible financing from traditional sources to new sources, such as equity funds in Asia, Europe, the Americas which may not be so familiar with Africa's infrastructure landscape. To bridge Africa's infrastructure financing of US $100 billion annually, concerted efforts will be required from all concerned.

With Fashionomics, the AfDB plans to raise the profile of African fashion and textiles on the international stage

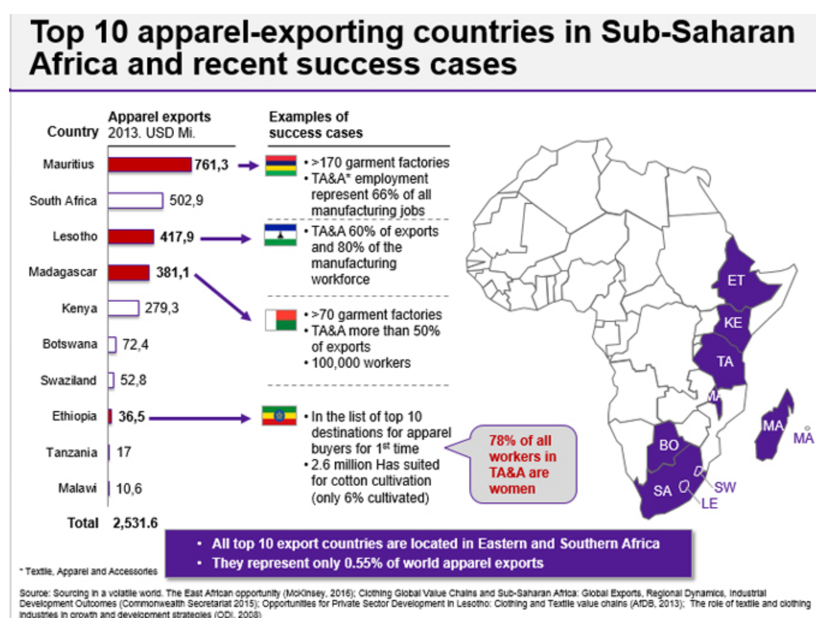
The African Development Bank's (AfDB) Special Envoy on Gender, Geraldine Fraser-Moleketi, unveiled a new project within the Fashionomics initiative, launched last year under her leadership: a B2B website dedicated to fashion and textiles in Africa that is ready to launch.

Whether in New York, London, Milan or Paris, the fashion runways all agree: African fabrics are inspiring more and more famous designers. Fashion is not just about design or inspiration. It's also a multi-million dollar industry that creates millions of jobs, including in textile and clothing manufacturing.

In Africa, the fashion industry could generate €15.5 million in the next five years. Of course, that's a far cry from the €1.3 billion that it generates worldwide. The entire textile/clothing market is already worth more than €31 billion in Sub-Saharan Africa and accounts for the second largest number of jobs in developing countries, following agriculture. What's more, the vast majority of workers are women and young people.
Based on these figures, the AfDB's Office of the Special Envoy on Gender launched the Fashionomics ("the economy of fashion") initiative during the Bank's 2015 Annual Meeting in Abidjan. This initiative will offer the Bank's support to micro, small and medium-sized businesses (MPME) in the fashion and textile industry in Africa (see report summary). The Bank has already invested €10 million in Madagascar, in the support project for investment promotion (PAPI), focused on MPME in these industries and in particular on women and young people.

Two studies unveiled: the industry in Côte d'Ivoire and Ethiopia

On Tuesday, August 23, 2016, in Abidjan, a new phase began with the presentation of the conclusions of two case studies, conducted in Côte d'Ivoire and Ethiopia, respectively, on the textile and fashion industry. Several creators and designers, well known in Côte d'Ivoire and beyond (Pathé'O, Nadia Druide, AngyBell, Ananine), responded to Geraldine Fraser-Moleketi's invitation, which was also extended to representatives of the Ivoirian Government, including Esther Kouassi, the Director of the Creative and Cultural Industries Department in the Ministry of Culture and the French Language, and Diamande Moussa, representing the Ministry of Crafts and SMEs.
Côte d'Ivoire and Ethiopia were chosen for this large benchmarking study for Fashionomics in Africa because the differences in their textile/clothing industries and markets illustrate the disparities and unique characteristics typical of the entire continent. One is the French version and is located in West Africa, the other uses English as its official language and is in East Africa; their fashion industries have not achieved the same level of sophistication; issues of access to technology affect both countries (Internet, digital mobile telephony, smartphones, etc.) Available data and statistics were gathered, dozens of creators and participants in the value chain were interviewed in both countries, and detailed results were presented.



A few statistics provide a snapshot of the sector in these two countries, and illustrate their differences. In Côte d'Ivoire, women own 80% of businesses in the industry and close to half of the entrepreneurs are under the age of 35. These are also mostly SMEs, since 65% have fewer than 10 employees. Only 33% work with local suppliers. In Ethiopia, a pioneer in the textile industry in the region with more than 40,000 employees in the country, salaries are three times lower than in Côte d'Ivoire, the cost of electricity remains low due to the availability of hydroelectricity, and inputs are affordably priced. This country, where 36% of the businesses in the industry have over 500 employees, exports its products primarily to the United States and the European Union. Most of all, it receives institutional support, while the Ivorian industry does not.

A booming industry…

In both Côte d'Ivoire and Ethiopia, a large percentage of the businesses in the industry are still young, mostly less than 10 years old (46% and 51%, respectively). The average growth in the Ethiopian textile/clothing industry has been at 51% over the past six years and 60,000 jobs have been created since the H&M chain began operations in the country in 2013, subcontracting part of its production.
This illustrates the sector's potential and the boom it is experiencing. These findings are confirmed in several other Sub-Saharan African countries. For example, Mauritius, with over 250 businesses and US $761.3 million in revenue, is the leading clothing textile exporter in Sub-Saharan Africa. Another example is Lesotho, where the number of textile/clothing businesses has more than doubled since 1999. The sector, which represents 60% of the country's exports, employs 80% of the manufacturing labour.
During the August 23 presentation, the Fashionomics team reported that, in total, the clothing textile industry could generate 400,000 jobs in Sub-Saharan Africa and exports could double in the next 10 years.

…But still in its infancy

However, this boom is just beginning. The 10 largest African exporters in the textile/clothing industry only represent 0.5% of worldwide textile production. And although Africa produces 10% of the world's cotton, "we have very few textile factories," Geraldine Fraser-Moleketi emphasised during the presentation. Without sufficient industrialisation,

much of the fabric is imported from Asia. In Côte d'Ivoire, for example, inputs can represent up to 50% of the product's cost. In Ethiopia, the sector has been focused on basic products (T-shirts, polos, etc.) with low production costs. Only 5% of land that could be used for cotton production is cultivated in that country.

The sector's challenges in Africa are many: problems with skills, financing that is difficult to obtain, expensive real estate, lack of value added, supplier locations, competitiveness, administrative burdens, insufficient infrastructure and production capacity, access to markets, marketing, online payment issues in a region where banks are scarce, and so on.

How should these challenges be met to help the textile and fashion industry in Africa become part of the worldwide value chain? Answering this question is precisely why the AfDB launched Fashionomics: to focus on the value chain. The goal is to connect and strengthen each link in the chain, from producers and suppliers of primary materials, to manufacturers and distributers, and of course including investors. The sector must be developed to open up its potential for revenue and job creation.

Fashionomics' goal: strengthen the sector's value chain

Each year, 13 million Africans enter the job market, on a continent where problems of unemployment and youth employment have become even more acute through a demographic boom. For its part, the textile industry requires intensive labour.

The Fashionomics initiative fits in line with the Bank's High 5 priorities (see the infographic), and with the new 2016-2025 strategy for youth employment in Africa (Jobs for Youth).

A first in Africa: the creation of a B2B platform dedicated to the industry

Fashionomics and the High-5 Agenda

Power Africa
Possibility of renewable energy powered businesses in agribusiness (e.g. cotton) and textile facilities

Feed Africa
Close to 10% of world's cotton comes from Africa, but most of this cotton is taken to Asia for manufacturing

Industrialise Africa
The fashion industry allows the transformation of raw materials instead of just exporting them

Integrate Africa
The fashion industry needs reliable high-quality supply chains to grow into viable economic sectors

Improve the quality of life for African people
Building the industry requires investments in people's skills and qualifications.

The two case studies on Côte d'Ivoire and Ethiopia are just the start of a large-scale market study that will eventually include the entire continent. This initial feasibility study has led to the creation of an ambitious project: building a dedicated website, a networking platform for all the links in the value chain (designers, suppliers, brokers, distributors, as well as investors) and a place to share knowledge (data, tutorials, market opportunities, etc.) in the textile and fashion sector. The final objective: to help members of the industry develop and grow their plan/business.

This website, presented on Tuesday, August 23, was named Fashionomics after the initiative from which it came and is operational and bilingual (French/English). Following a working session called by the Office of the Special Envoy on Gender for members of the industry on Wednesday, August 24, to provide more details on this online platform, several designers-entrepreneurs and others will test it across the continent as a part of Fashionomics. The plan is to finalise it in the coming months.

INVESTMENTS

Entrepreneurs from Macao are seeking out business opportunities in Mozambique – "a country with everything, for everyone"

The recent state visit of the President of the Republic of Mozambique Filipe Jacinto Nyusi to Beijing this past May confirms the commitment of both countries to strengthening their relationship. The two countries have agreed to increased bilateral cooperation in areas such as politics, security, economy, trade and culture.

How will this partnership affect Macao's entrepreneurs?

Macao has recently taken measures to ensure promoting and supporting investments, especially in Portuguese-speaking countries: establishing increasingly strong relations with Mozambique is a practical example of this objective.

Several local enterprises have been keeping abreast of Mozambique's market and are already establishing business developments. According to Danilo Cândido, a Mozambican businessman who has resided in Macao for over 20 years, "Mozambique is a country that currently has something for everyone."

Cândido, the director of Alcançar Moçambique Sociedade Comercial Limitada (AMS) was among the Macao delegation accompanying President Nyusi's state visit to Beijing. AMS provides consulting services; wholesale import of agricultural, marine and mineral products from Mozambique to Asia; and export of various products produced in Asia: building materials and equipment, clothing and footwear, stationery, among others. Cândido travelled to Beijing with a goal to exchange views with Mozambican entrepreneurs and to seek out potential business partners.

“The trade balance in Mozambique is very unequal at this point in time. Import is clearly higher than export. It needs to be balanced,” claims Cândido. “If we think of agricultural products, for example, the land is fertile and there is often big waste because there is no consumption or export. It would make sense to bring these products to the Asian market. But the pace in Mozambique is very slow.”

Cândido sees great potential in Mozambique, but he also anticipates great challenges, especially when it comes to trade.

Housing: A signature of Macao

Afonso Chan, vice-president of Charlestrong Infrastructure and Building Materials Development Ltd, a Macao construction company established in 2012, believes that Mozambique’s business growth is moving at a satisfactory pace. The company’s investment plan aims to develop the markets of East Timor and Mozambique. Of the two, “Mozambique has proved to be a country with the greatest potential in the enterprise segment,” asserts Chan, who is fluent in both Chinese and Portuguese.

On 26 August 2014, a memorandum of understanding between Charlestrong and Fundo de Fomento de Habitação de Moçambique (the Mozambique Housing Development Fund) was signed to develop the second phase of the Olympic Village in the neighbourhood of Zimpeto, on the outskirts of Maputo. A consortium led by the Portuguese company Mota-Engil built the first phase of the project. “It was a small project; we only had to build 240 apartments. It was completed in 12 months, and the apartments are already for sale.”

In addition to financial returns, this project has yielded something Chan considers even more crucial: the trust of the Government of Mozambique. “The success of this project made it possible to sign an agreement in January 2015 to build 35,000 housing projects in Mozambique.” Construction will begin later this year.

Afonso is confident that the project will be completed by 2019. “Since this is part of the Government of Mozambique’s five-year plan, it’s not only a commercial project but also a political project.”

To finance the project, Charlestrong will partner with two Chinese enterprises with existing interests in Africa – BNBM Group and China Machinery Engineering Cooperation – utilising Macao as a platform for all negotiations. “Entrepreneurs from Macao should take advantage of financing from Chinese state-owned enterprises and leverage their geographical positioning to bid on projects,” encourages Chan.

Chan acknowledges that there are some aspects that could be improved. “A Macao entrepreneur has great difficulty in obtaining financing. There is a general understanding that commercial banks feel that an investment in an African country is a risky investment, and everything has to be carefully evaluated from a commercial point of view. This makes the processes time-consuming, and time is money.”

Another major challenge lies with the difficulty in finding bilingual professionals fluent in both Portuguese and Chinese. “Contrary to the assumption that these two languages co-exist in Macao, we [businessmen] often have to find [such professionals from] outside, because they actually are difficult to find in Macao,” says Chan.

Charlestrong recently signed an agreement with the Polytechnic Institute of Leiria in Portugal establishing an internship within their Mozambique offices for three final-year students studying translation.

Investing in Good Health

One of the major investments made by Chinese companies in Mozambique pertains to professional training. In addition to creating jobs, entrepreneurs have brought “know-how” to young Mozambicans.

The need for training drew the attention of Guangdong’s Macao Traditional Chinese Medicine Technology Industrial Park Development who saw an opportunity to transmit knowledge in the field of traditional medicine. According to Yuki Hong Lu, president of the park, “Nowadays there is great demand in African countries for traditional medicine; Mozambique has even established its own Institute of Traditional Medicine and has begun training professional practitioners in the field.”

However, “Traditional Chinese medicine (TCM) in Mozambique is still in the phase of establishing quality standards and thus requires technical support and preparatory experience.”

Lu believes that the legislative experience, technical support, training and resources that exist in laboratories in Macao and mainland China can promote and enhance the industrial base of TCM in Mozambique.

“Mozambique has abundant medicinal plant resources such as moringa and African potatoes, and some medicinal plants are already being exported to other countries,” says Lu.

In April 2016, the Industrial Park visited Mozambique and conferred with the Ministry of Health, concluding “bilateral cooperation in the sector of industrial capacity is possible.”

Macao: An important economic and trade link

During President Nyusi’s state visit to Beijing, entrepreneurs who joined the Macao delegation arranged by the Macao Trade and Investment Promotion Institute (IPIM) also had the opportunity to participate in an organised seminar: “China-Africa Industrial Capacity Cooperation Forum – Mozambique Business Opportunities.”

Gloria Ung, an executive member of IPIM, recalls some seminar key points: “Mozambique is an important channel at the entrance to the South African market and is considered one of the important ancient commercial maritime routes of the ‘Maritime Silk Road’ and an important trade port linking China to the West and African regions across the sea.”

“As an important link of the ‘Maritime Silk Road’ of the 21st century, Macao plays a unique role as a service platform for economic and trade cooperation between China and Portuguese- -speaking countries. We have reason to believe that, following the implementation of the national strategy ‘One Belt, One Road’, the economic and trade cooperation

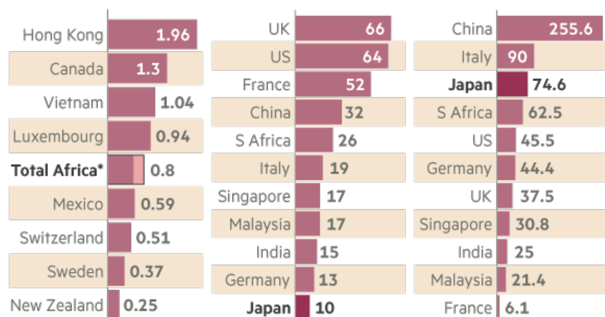
between Macao and Mozambique will be greatly enhanced, especially in the fields of infrastructure, engineering, construction and tourism," she concludes. *(Macauhub)*

Japan looks to boost trade with Africa

For many years, the motorcycles on the streets of Dar es Salaam were almost exclusively Japanese. Now it is hard to find a Japanese model and most are at least five years old. "They're being driven out by the Chinese," said Caroline Mwazapi, a resident of Tanzania's commercial capital. "The Chinese bikes are often less than half the price but people don't mind if they don't last as long. They'll just buy another and still save money."

Such trends are largely the result of Beijing's aggressive approach to capturing African markets as it has flooded the continent with affordable goods. But Shinzo Abe, Japan's prime minister, is hoping that Japanese corporates will shake up Africa's trade dynamics as Tokyo embarks on a new charm offensive with the continent.

Mr Abe arrived in Nairobi this week accompanied by 75 business leaders to launch the sixth Tokyo International Conference on African Development, Japan's premier African investment initiative that is being held on the continent for the first time. "Japan will work hand in hand with Africa to realise the African dream," Mr Abe said. "This is exactly what Ticad is all about."



Japanese officials acknowledge that emerging economies such as India and Turkey, as well as China, have been more proactive in building business ties with Africa, which is rich in natural resources but underdeveloped.

Tokyo's engagement with the continent has traditionally been aid-led, and health and peacekeeping will be on Ticad's agenda. But its investment has been relatively limited, focusing on infrastructure and consumer goods.

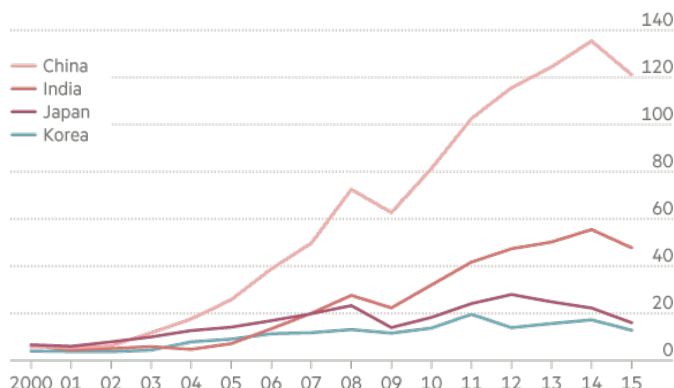
Japanese investment into Africa declined from $17bn in 2014 to $14bn in 2015, according to the African Development Bank.

But Tomohiko Taniguchi, a special adviser to the Japanese government, said the number of top Japanese executives joining the Africa conference was "testament that finally otherwise risk-averse Japanese companies have finally come to be aware that Africa can provide them with real growth opportunities". He added: "For a long time Africa meant little for Japan economically, but a lot for Tokyo to showcase its commitment in universally shared value."

Dating from 1993, the Ticad conferences were held every five years in Japan. In contrast, China — Africa's biggest trading partner — holds its equivalent event every three years and rotates it between China and Africa.

The fact that this Ticad is in Africa and comes only three years after the last one speaks volumes about Mr Abe's heightened interest in the continent — and a willingness to take on Beijing at its own game.

There is also a richer diversity of Japanese companies attending than usual. In addition to groups such as Toyota and Fuji, producers of cosmetics, noodles, sweets, artificial hair and medicines have also made the trip to Nairobi.



The conference comes at a time when many African nations are enduring their toughest economic challenges in years. The International Monetary Fund forecasts that sub-Saharan Africa's growth will dip to 1.6 per cent this year, from 3.5 per cent in 2015.

As a result, much attention will be paid to the amount of money Japan pledges at its conference.

At the last one in 2013, Tokyo committed $32bn. This compares with $60bn Beijing promised at its Africa conference in December.

Japanese officials insist they are not competing with other Asian economies or western nations for African pre-eminence. "It's synergy rather than competition or a race," said Yasuhisa Kawamura, Japan's foreign ministry spokesman. "China is one of the most enthusiastic investors in Africa and as a leading partner we share their experience and learn from each other."

China's emergence is being felt not just in the level of Japan's engagement with Africa, but also the nature of interaction, said Motoki Takahashi, emeritus professor at Kyoto University's School of Asian and African Area Studies.

“It has also affected the substance and direction of [aid],” he said. “We are now seeing [the Japanese government aid agency] under more pressure to help Japanese corporations and seek investment opportunities.”
Both the Chinese and Japanese stress their relations with Africa are all about developing beneficial partnerships. But China poured scorn on Ticad. The overseas version of the People’s Daily, the Communist party newspaper, wrote an editorial accusing Japan of wooing Africa to secure support for its campaign to win a UN Security Council seat — a move Beijing opposes.
Some Africans see the competition as healthy. “The way China has come in, it has helped Africa because everyone else is standing up and noticing. It’s not just Japan. Look at the US, India and others,” said Moses Ikiara, managing director of the Kenya Investment Authority.
But others are less certain that the continent is getting the most from the investor competition. “The question is how you deal with the competition,” said Sindiso Ngwenya, secretary-general of Comesa, a regional trade bloc of 19 African countries. “You must look at your own self-interest and maximise it. But that is only possible when you’re clear about your own agenda.” *(By John Aglionby in Nairobi and Leo Lewis, Financial Times)*

AfDB to support community-backed healthcare initiatives in Africa
The African Development Bank (AfDB) has pledged funding and technical support to roll out community-based healthcare initiatives around Africa at the Sixth Tokyo International Conference on African Development (TICAD VI) in Nairobi.
AfDB President Akinwumi Adesina said rollout of community healthcare initiatives like the ones implemented by the Republic of Rwanda could be repeated in other countries to achieve better results. Rwanda has implemented a ground-breaking and innovative healthcare system which aims at making health workers available to the local communities while also distributing bed nets to prevent disease outbreaks. The system also ensures drugs are strictly regulated to prevent potential risks. "We need to strengthen regulations against fake drugs and here I am speaking as someone who has lost family to the use of fake drugs," President Adesina said during a high-level panel debate on "Universal Health Coverage in Africa" at the TICAD Summit. "There is a deficit of qualified health workers. We have work to do in filling the gaps by strengthening the regulations."
Making his interventions on the healthcare investments required to prevent a repeat of catastrophic disease outbreaks such as the recent Ebola epidemic in West Africa, President Adesina said the discussion about achieving universal healthcare coverage to all was important to cutting poverty. "This conversation is important because it allows us to advance the Sustainable Development Agenda. Africa absolutely needs support. Africa has made tremendous progress in tackling child mortality and maternal mortality is down, but malaria incidences in Africa are increasing," Adesina said.
The President of the AfDB said ensuring equal growth was critical to Africa, which has recorded a decline in the quality of life, measured by the life expectancy, which has dropped by 13 years. In contrast, other countries, such as Japan, have recorded better life expectancy, measured by quality of healthcare. "We must put people at the centre of development. Touching people's lives is absolutely critical," Adesina said during the discussion, which attracted several Heads of State.
Japanese Prime Minister Shinzo Abe, who attended the session, said his country would invest in strengthening Africa's capacity and capability to respond to disease outbreaks. "Japan has proved it can take preventive measures during disease outbreaks. During the last outbreak of the yellow fever, we dispatched disaster-relief teams to Congo to help them handle the outbreak," Prime Minister Abe told the Ministers of Health and heads of international agencies in attendance. The Japanese Prime Minister said his country would support training of personnel in addition to providing policy support. "Let us work together for a more resilient Africa," the Japanese Prime Minister said. The Japanese officials have pledged to invest funds in strengthening capacity to detect diseases and would support countries to implement measures and guidelines that create a framework for joint action in case of an outbreak, the Japanese Prime Minister said.
During the Summit, Japan's Minister for Health, Labour and Welfare, Yasuhisa Shiozaki, announced Japan's contribution of US $1.1 billion for global health institutions, including US $50 million for the World Health Organization. The funds would also be channeled through the World Bank's Pandemic Emergency Facility. The World Bank has set up the facility to act as an avenue for funding measures to deal with disease outbreaks and to provide funding towards strengthening efforts to respond quickly to disease emergencies. The Japanese Health Minister said these funds would enable the global institutions to better deal with emergency outbreaks in Africa. The Japanese officials said the funds were announced in solidarity with Africa. *(AFDB)*

Chinese to Invest $819 Million in South African Car Industry
A Chinese state-owned car manufacturing company will invest 11 billion rand ($819 million) in a new plant in South Africa, giving a further boost to one of the fastest-growing industries in the continent’s largest economy.
Beijing Automotive International Corp. signed the deal with the Coega Development Corporation, the operator of an industrial development zone in South Africa’s southern coast city of Port Elizabeth, Coega said in an e-mailed statement. The investment is a result of agreements signed by President Jacob Zuma and Chinese Prime Minister Xi

Jinping in December last year. "The size of this investment demonstrates confidence by China and confidence in South Africa as an investment destination," Trade and Industry Minister Rob Davies said in a statement. The Eastern Cape province is "an automotive hub and has the potential of deepening the component supply chain, job creation and economic development," he said.
South Africa's automotive-manufacturing industry has been among the bright spots of an economy expanding at the slowest pace since a recession in 2009. South Africa's government auto-incentive program has attracted companies including Toyota Motor Corp., Ford Motor Co. and BMW AG to set up and invest in factories. The industry has the potential to boost production by almost 50 % to more than 900,000 vehicles a year by 2020, the local producers' group said in May. *(By Arabile Gumede, Bloomberg)*

Government of Mozambique will introduce tourist tax
The government of Mozambique will approve later this year, the introduction of a tourist tax to encourage investment and tourism in the country, said the Minister of Culture and Tourism, speaking in Beira, on the sidelines of the final phase of the 9th National Culture Festival. Minister Silva Dunduro told Rádio Moçambique that the government has revised the legislation on tourism developments, with a view to introduction of guesthouses and other accommodation models. Mozambique is implementing the Strategic Plan for Tourism Development 2015/2024, to increase the competitiveness of the sector, taking advantage of its potential and offering quality tourism services. The spokesman for the Council of Ministers, Mouzinho Saide, said recently the plan should enable development of tourism as a key vector for rapid economic growth in Mozambique as well as job creation. For this to happen, he said, visitor numbers need to increase, encouraging the local hotel industry as well as the diversification of products offered to attract more tourists. The plan calls for improving the quality of services, staff training and the creation of conditions for more investment in various types of tourism, including cultural, beach and hunting. *(Macauhub)*

Largest Special Economic Zone in Angola opens up to private investors
The largest Special Economic Zone in Angola, the Luanda-Bengo SEZ (ZEELB), which was built with the support of China, will open most of its industrial units to private investment in an effort to rationalise resources and stimulate economic diversification. The latest investment project in the ZEELB belongs to CITIC Construction (Angola), which will invest US$40 million in an aluminium smelter to reduce imports of this material, with a positive impact on Angola's balance of trade.
The Economist Intelligence Unit (EIU) said in its latest report on Angola's the decision was "a positive step" in a context of slow economic growth due to the downturn in the oil sector, as the "involvement of private companies will help boost the non-oil sectors for a government which remains highly state focused." The sale of the industrial units, 53 of a total of 73 in the ZEELB, is an effort by Angolan state oil company Sonangol, which since 2011 has managed this 8,300 hectare facility, to reduce costs and increase efficiency. "The sale will help the authorities to raise revenue in the short term and reduce maintenance costs, although it involves loss of long-term income," said the EIU. "The measure is in line with the government's wider policy response to the oil price crisis, which is to raise skills and private sector capital to help expand non-oil production and create more jobs," it added. Funded in part with Chinese credit lines, the ZEELB was intended to support the diversification of the economy, offering preferential terms to companies that set themselves up there, such as electricity, road access, customs clearance and administrative support and tax incentives.
The project has attracted several companies and led to the creation of nearly 5,000 jobs, but, according to the EIU, various units are only half full or completely empty, in a context of adverse economic and financial difficulties facing industrial companies. The SEZ includes plants linked to engineering, metal containers, taps, plastic bags, electroplating and metal pavilions, and for manufacture of furniture and mattresses, among others. Published in June, the presidential order stipulated the sale of industrial units in the ZEELB by the end of August to private companies with capital, skills and enough technology to leverage those industries. In 2006, the China-Africa Forum gave "significant priority" to the objective of creating up to 50 SEZ abroad, which are now being implemented, with investment of US$700 million by Chinese companies in 16 SEZ, according to figures from the Chinese Trade Ministry. In the recent study entitled "The role of special economic zones in the development of African countries and Chinese foreign direct investment," researchers Fernanda Ilhéu and Hao Zhang of the Lisbon Institute of Economics and Management noted that over 35 years, the special economic zones have had "a decisive role in the development of places like Shenzhen, Zhuhai, Xiamen, Shantou, Hainan and Shanghai and that African countries can and should take advantage of this experience. *(Macauhub)*

BANKING

Banks

AfDB signs Letter of Intent with Sumitomo Mitsui Banking Corporation to promote Africa's economic development
The African Development Bank (AfDB) signed a Letter of Intent (LOI) with Sumitomo Mitsui Banking Corporation (SMBC) on Saturday, August 27, 2016, during the Sixth Tokyo International Conference on African Development (TICAD VI) in Nairobi, Kenya.

The move signals the AfDB's commitment to significantly scale up development finance as it expands its operations and services, tailoring them better to meet the demands of a sharply differentiated client base in the Bank's various regional member countries in Africa.
The signed LOI provides a broad outline for enhanced collaboration between AfDB and SMBC. It will take a variety of forms, and will evolve over time, with a focus on three broad areas; a) Increased trade finance and risk mitigation on export transactions; b) Industrial and infrastructure project financing; and c) Resource mobilisation and business development.
In May 2016, under the AfDB's Trade Finance Programme, SMBC signed a Risk Participation Agreement of USD 100 million aimed at supporting issuing banks (IBs) in Africa to expand their trade finance operations. The LOI, therefore, not only builds on an existing relationship, but, more importantly, also helps to support the delivery of the Bank's five priorities, commonly referred to as "The High 5s". These are: (1) Light up and power Africa, (2) Feed Africa, (3) Integrate Africa, (4) Industrialise Africa, and (5) Improve the quality of life for the people of Africa. As the premier development financial institution in Africa with an ambitious mandate, the AfDB continues to reach out to value-adding strategic partnerships that are catalytic to financing the development of the continent. *(AFDB)*

Angola economy: Non-performing loans rise
More than one-third of the credit book of state-owned Banco de Poupança e Crédito (BPC) is overdue, according to the bank's 2015 annual report, which was recently posted online.
The accounts show that between December 2014 and December 2015, BPC's non-performing loan (NPL) burden nearly doubled, from Kz62bn (US$374m at current rates of exchange) to Kz114bn, leaving it with close to US$700m in bad debt. In July the bank's chief executive, Paixão Júnior, stated that the bank was facing "liquidity problems" and that as many as 50 new branches were unable to function owing to cash-flow issues.
The bank, which is used to process public-sector salaries and facilitate government loan schemes for sectors like agriculture, has been struggling for some time and last year temporarily suspended its credit facilities. In late 2015 the African Development Bank provided a credit line worth US$325m to BPC. This was matched in value by the Angolan government, with a view to help the institution continue lending as part of a wider economic stimulus package aiming to diversify the economy away from oil.
BPC is not alone in feeling the effect of lower oil prices, which has led to dollar shortages and significant downward pressure on the kwanza. A number of other banks, particularly those with significant exposure to sectors such as oil and construction, where the slowdown has been the most pronounced, are also likely to post much higher NPL rates this year. Thus, sectoral levels of NPLs-which increased markedly from 2.4% of gross loans in December 2011 to 18.2% in July 2015 (the most recent available consolidated data)-are also expected to rise further.
Two years ago, it was revealed that Banco Espírito Santo Angola, the Angolan subsidiary of Portugal's Banco Espírito Santo, was provided with a state guarantee to support US$5.7bn of its US$8bn credit book. Although there is nothing to suggest that BPC is in similar difficulties, a number of Angolan banks are clearly under substantial pressure, and there is nervousness that systemic problems may be mounting. *(Economist Intelligence Unit)*

Nigerian bank execs meet central bank over FX market suspension - sources
Nigerian bank executives met with central bank officials, banking sources told Reuters, a day after the monetary authority suspended nine lenders from foreign exchange transactions for failing to remit money owed to the government.
The suspensions from the interbank market were imposed after the banks failed to remit $2.1 billion, the government's share of dividends from state-owned gas company NLNG, the sources said. They were due to pay the funds into the government account at the central bank. Investors dumped bank shares while traders said the black market naira sank to a record low of 402 per dollar.
The central bank (CBN) readmitted UBA - one of the banks suspended on Tuesday 23rd August- to foreign exchange trading as it had remitted all outstanding deposits, CBN said in a statement.
Last year, President Muhammadu Buhari ordered all state accounts merged into that single account in a bid to reduce corruption.
Bankers told Reuters the central bank wanted the funds remitted in dollars, which are in short supply as Africa's largest economy suffers its worst financial crisis in decades due to a slump in the price of oil, its dominant commodity. The central bank tightened restrictions on the flow of dollars to domestic lenders in March, forcing the banks to delay hard-currency loan and trade repayments and increasing their risk of default.
One of the nine banks, FCMB, said it was working with the central bank to resolve the issue, which was a function of illiquidity in the currency markets and the weak economy rather than wilful non-compliance. A third, First Bank, said it remits government funds when due but was discussing with the central bank and state-oil firm on ways of retaining the dollars to help solve forex shortages and meet its obligations. There was no comment from the other banks. There were no trades on the interbank market until three minutes before the end of the session, when the central bank intervened with dollar sales, traders said.

Only three deals worth $0.75 million were traded at 305.50 naira per dollar, the level the market has closed at since Monday 22th August. Traders said the central bank, which has been selling dollars almost daily since it floated the naira in June, had reduced the volumes of dollars it supplied.
Foreign investors - other past suppliers of dollars - have remained on the sidelines during the West African country's financial crisis, making the central bank the main source of hard currency. On Wednesday 24th Aug, Nigeria's dollar reserves fell 2.5 % from a month ago to $25.67 billion, its lowest level in more than 11 years, according to central bank figures.
But reserves may be far less when all future dollar commitments are included. The central bank settled $1.2 billion worth of outright forward contracts it sold in June at 280 per dollar this week. It is due to pay $153 million in futures contract settled in naira on Wednesday 24th Aug. *(By Chijioke Ohuocha and Oludare Mayowa, Reuters)*

Montepio Geral transfers assets in Angola and Mozambique to holding company Arise
Montepio, a Portuguese mutual bank, will join Arise, a company set up by banks supporting the Norfund development fund of Norway and FMO of the Netherlands and by the Rabobank banking cooperative, Portuguese daily financial newspaper Diário Económico reported. Arise is a holding company (SGPS) that brings together the holdings of each institution in the African market, which according to a source from Montepio will be established this year to launch operations on 1 January 2017. Montepio will transfer its shares in Finibanco Angola and Banco Terra in Mozambique, in which it holds 51% and 44.537% of the share capital. Participants in Arise currently hold stakes in financial institutions and financial service providers in sub-Saharan Africa and the holding company will start operating with a presence in 20 countries and assets of US$660 million. A recently released statement said the aim of founding Arise is to build sound and stable financial institutions geared to the retail market, small and medium enterprises, the rural sector and customers that have not had access to financial services. *(Macauhub)*

Chinese banks analyse opportunities in Cabo Verde
Chinese banks are studying the opportunities available to them in Cabo Verde (Cape Verde), said the Ambassador of Cabo Verde in China adding that contacts underway are still at a “very embryonic” stage.
Ambassador Tania Romualdo said in an interview in the latest Macau Forum newsletter that in addition to banking, Cabo Verde offers potential investors from China opportunities in tourism and the maritime economy, which are “privileged sectors and have enormous potential and interest for the country.”
Romualdo also mentioned renewable energy, information and communication technologies and the provision of financial services as attractive areas for those who want to invest in the archipelago.
Cabo Verde, an island state, according to the ambassador, has comparative advantages such as political, social and economic stability coupled with an acceptable climate of legal and institutional safety. The ambassador said these advantages had been presented to potential Chinese investors considering that Cabo Verde “is a good platform for other regional markets.”
The diplomat also mentioned 5th Ministerial Conference of Forum Macau, due to be held in the first half of October, saying it is of “importance not only to Cabo Verde but also for the other member states of the Forum.” Romualdo also said that at the next Forum summit Cabo Verde would call for the adoption of measures “aimed at giving greater dynamism and efficiency to this important instrument of cooperation, which has produced positive results in areas such as the economy and trade, culture and training, among others.”
The ambassador also referred to the opening in December 2015, of a delegation at the Confucius Institute in Praia, noting it “will help support and promote Chinese language teaching in Cabo Verde, as well as improve mutual understanding through an extensive programme of activities and linguistic and cultural exchanges.” *(Macauhub)*

Kenya’s Biggest Bank Faults State Borrowing for High Rates
Kenya’s biggest bank said the government can do more to help reduce high lending rates by being clearer about its borrowing plans, after President Uhuru Kenyatta signed into law a bill capping the cost of loans.
Poor planning by state departments means the state often rushes to the market to raise financing when its coffers are already empty, pushing up yields on Treasury bills, one of the key determinants of interest rates, KCB Group Ltd. Chief Executive Officer Joshua Oigara said. Kenyatta approved legislation capping rates and setting minimum payments on deposits, saying he sympathized with Kenyans frustrated by the cost of credit and poor savings rates.
“The government needs to do more in terms of being predictable on their coming to market,” Oigara, 40, said in an interview at his office in the capital, Nairobi.
The law signed by Kenyatta, a quarter of a century after the country eliminated interest-rate limits, requires lenders to peg credit costs at 400 basis points above the benchmark central bank rate. The law also compels financial institutions to pay interest of a minimum of 70 % of the so-called CBR on deposits. Treasury Secretary Henry Rotich said last week that lenders make “too much” from interest charges.
Wide Spreads
Banks extended loans at a weighted average of 18 % in June, according to the most recent statistics from the central bank. That compares with a benchmark Central Bank Rate of 10.5 % and a Kenya Banks’ Reference Rate, used as a

base lending rate by the industry, of 8.9 %. Yields on 182-day T-bills rose 16 basis points to 11.18 % at an auction after surging to a record 22.3 % in October as the government sought to plug gaps in its budget. “The government is being too big a big borrower and they have really been driving interest rates,” Aly Khan Satchu, the chief executive officer of Rich Management, a Nairobi-based adviser to companies and wealthy individuals, said in a phone interview. “In October last year, what set the interest rates was that the government came in and borrowed 1-year money at more than 20 % and repriced the entire curve and we are dealing with the aftermath of that.” Kenyan banks hold 55 % of the government’s 1.8 trillion-shilling ($17.8 million) of debt, according to central bank data.

High Returns

Kenyatta, who will seek a second term in elections next year, said in a statement that despite having one of the most efficient financial markets, the country has one of the highest returns-on-equity in Africa. KCB had a return on equity of 25 % in 2015, while Equity Group Holdings Ltd., the nation’s largest bank by market value, had an ROE of 25.46 %, compared with average ratios of 19.4 for South African lenders, according to data compiled by Bloomberg. “I do acknowledge that interest rates must come down,” Oigara said. “But this has to be done in a progressive manner taking into account all the elements that contribute towards high interest rates so that it is a sustainable solution.” KCB’s shares plunged 9.9 % on 25th Aug, the biggest decline in 13 years, to 29.50 shillings, the lowest level in almost four years. Oigara said the drop was “an over-reaction.” “I would say that’s a very extreme reaction largely by international investors, they are very nervous,” he said. Those nerves might be calmed once the central bank provides clarification next week on how the new law will be implemented, Oigara said. *(By Bella Genga and Adelaide Changole, Bloomberg)*

Popularity Outweighs Bank Profit as Kenya Follows Erdogan

Kenyan President Uhuru Kenyatta is borrowing a page from Turkey’s Recep Tayyip Erdogan in a quest to boost his popularity before elections next year by picking a fight with his country’s banks.

Both leaders had for years been trying to lower borrowing costs. Erdogan succeeded earlier this month when he announced that he would view as an act of treason any resistance from the country’s banks to lowering mortgage rates. Within 24 hours, most lenders complied, bolstering the 62-year-old’s popularity.

Kenyatta, 54, surprised banks by signing into law a bill capping the interest rates lenders can charge and stating what they must pay on deposits, sending banking stocks plummeting. In assenting to the legislation, Kenyatta sided with Kenyans frustrated by the cost of credit and low rates on savings, while criticizing the profitability of the nation’s banks that exceed levels in South Africa and Nigeria, the continent’s largest economies. “Politics has taken a front seat,” said Ahmed Salim, a senior associate at Teneo Intelligence in Dubai. “He wants to be seen as listening to the will of the people. He will end the year in a formidable position while the impact on the economy may only begin to be felt from the first quarter of 2017” in terms of slower growth, he said.

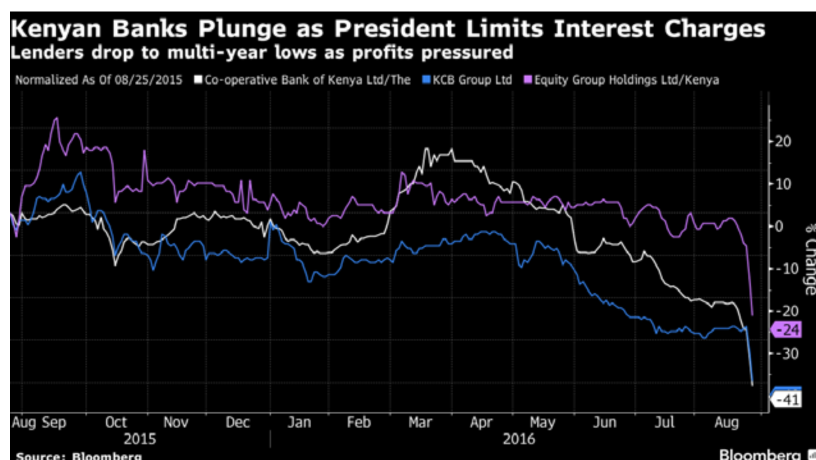
‘No Option’

Kenyatta is taking a risk a year before he seeks a second term in presidential elections, especially if it stalls the $61 billion economy, which until now has been expanding at a faster pace than the sub-Saharan African average. It also comes when most Kenyans feel the country is headed in the wrong direction politically and economically, a survey conducted by Nairobi-based Infotrak Research and Consulting shows. “Kenyatta really had no other option but to sign considering the bill had significant backing in parliament and the electorate,” Salim said.

Lending could dry up if banks can’t price loans according to the risks they are taking, and the move may also curb investment in the country, seen as a regional hub for companies looking to do business in East Africa, said Kato Mukuru, head of equity research at London-based Exotix Partners LLP.

‘Borderline Recklessness’

“This is borderline recklessness, a political activity that puts a lot of pressure on banks,” he said. The threats facing lenders were reflected in the stock market for a second day, as banking shares tanked. Kenyan lenders’ annual profit fell 6 % to 95.3 billion shillings ($940 million) in 2015, according to the central bank, as expenses grew faster than income.



KCB Group Ltd., the nation’s largest bank by assets, dropped the most since August 2003 on Friday 19th Aug, albeit on low volumes. Equity Group Holdings Ltd., the biggest lender by market value, posted the biggest one-day decrease since April 2009, while Co-operative Bank of Kenya Ltd. marked the biggest two-day decline on record to fall to a 2012-low.

"There will be an impact on revenues in the short-term," said Arno Daehnke, chief financial officer of Standard Bank Group Ltd., which operates Stanbic Bank Kenya. "There is also the risk of emergence of unregulated lending schemes."

M&A Activity

With more than 40 banks, Kenya's market has been due for consolidation and the caps may give the impetus needed to speed along this process, he said. Mergers and acquisitions may include lenders such as KCB, Equity Bank, NIC Bank Ltd. and Commercial Bank of Africa Ltd., with smaller companies being targets for the larger groups, said Eric Munywoki, head of research at Nairobi-based Sterling Investment Bank. Lenders like Chase Bank Kenya Ltd., Prime Bank Ltd., Family Bank Ltd. and Jamii Bora Bank Ltd. may also find themselves involved, he said. "Banking stocks are going to go down a lot further," Mukuru of Exotix said. "There will be job losses because banks will have to shrink their costs. The central bank governor has been overshadowed by politicians, we expect the governor to push hard to get this reversed."

High Profit

While opposed to capping costs because it will harm the economy, central bank Governor Patrick Njoroge has said lenders are charging "remarkably high" rates. Treasury Secretary Henry Rotich said last week that lenders make "too much" profit from interest charges. KCB had a return on equity of 25 % in 2015 and Equity Group an ROE of 25.46 %, compared with average ratios of 19.4 % for South African lenders and 14.8 % for some of Nigeria's biggest banks, according to data compiled by Bloomberg. The law requires lenders to peg credit costs at 400 basis points above the benchmark central bank rate and pay depositors 70 % of the central bank rate. Kenyan banks extended loans at a weighted average of 18 % in June, according to central bank data.

Seeking Clarification

That compares with a benchmark Central Bank Rate of 10.5 % and a Kenya Banks' Reference Rate, used as a base lending rate by the industry, of 8.9 %. In South Africa, interest rates on mortgages are limited to the benchmark rate, currently at 7 %, plus another 12 percentage points a year. Erdogan, who tripled the size of Turkey's economy in a decade, called for mortgages to be lowered to 9 % annually, from about 13.72 %. "It seems to me to be a short-term political decision," Jacko Maree, 60, who oversaw Standard Bank as chief executive for 13 years until March 2013, said in an interview in Nairobi. Speaking in his personal capacity, Maree said that while it may seem like a good idea that people can borrow more cheaply, banks will only lend if they can make margin. "It's also very dangerous to distort exchange rates, interest rates in any country," he said. "There have been examples over the last 100 years that you can look at which will say 'this will not work, it will just not work.'" Lenders are still unsure what central bank rate will be used to determine interest charges or whether it will affect new or existing loans. The industry body is consulting the central bank for clarification, said Kenya Bankers Association Chief Executive Officer Habil Olaka. "Kenyans had been led to believe that this is a silver bullet and all the borrowing costs are going to go down and there is going to be tons of credit available at this lower rate," said Aly-Khan Satchu, chief executive officer of Rich Management, a Nairobi-based adviser to companies and wealthy individuals. "Well, that is not how life plays out." *(By Bella Genga, Adelaide Changole and Felix Njini, Bloomberg)*

Barclays Close to Hat Trick of Deals

Sales come as Barclays tries to pare back its business amid low interest rates and increased regulatory pressure

Barclays PLC's balance-sheet diet is accelerating, with a drumbeat of deals expected to close in the coming weeks.

The British bank is set to announce the completion of the sale of its Italian retail business in the coming days, according a person familiar with the matter. Barclays's Iberian credit cards unit is also on track to be sold, and the bank is in advanced discussions with two bidders for its Egyptian franchise, this person added.

Investors are watching the global retreat carefully. Like other European banks, Barclays is looking pare back its sprawling business amid low interest rates and increased regulatory pressure. The bank's Chief Executive Jes Staley pledged to unload £35billion of unwanted assets by the end of 2017 to bolster its capital levels. To soak up losses on the sales, the bank cut dividend payouts in 2016 and 2017.

Barclays's return on equity, a measure of profitability, was 4.8% in the first half of the year. Once unwanted assets are stripped out, the bank's management hope returns should tick-up into double digits.

Following the Brexit vote, some analysts feared the bank's slim down would slow, or deals would be renegotiated, as investors fretted about muted European growth.

Several big disposals were signed before the EU referendum. Barclays announced last December that it had agreed to sell Italian retail business to CheBanca, part of the banking group Mediobanca Banca di Credito Finanziario SpA. The deal will see Barclays book a loss of about £200 million but some £500 million of risk adjusted assets will be stripped off its balance sheet. The Italian bank employs 400 people and is made up of 89 branches.

Barclays announced it netted £615 million selling its risk analytics business to Bloomberg. Other deals that are in the pipeline including selling the bank's Asian wealth business and shedding more of its 50% stake in Barclays Africa. Barclays is also in the process of disposing of its French retail unit. *(By Max Colchester, Wall Street Journal)*

Diamond's Atlas Mara Plans Job Cuts After First-Half Profit Drop

Atlas Mara Ltd., co-founded by former Barclays Plc chief executive officer Bob Diamond, said it will cut jobs and costs as weaker African currencies and slowing growth caused a 71 % drop in first-half profit.

"We have executed a group-wide cost-reduction program to align our cost base with the current revenue environment," the company, incorporated in the British Virgin Islands and traded in London, said in a statement. Headcount in its shared services unit will be reduced by as much as 35 %, which may cut operating expenses by $8 million from next year, Atlas Mara said.

Atlas Mara is seeking to trim a cost-to-income ratio that climbed to 102 % in the six months through June from 95 % a year earlier as operating expenses accelerated at a faster pace than revenue. With businesses in seven African countries -- including Nigeria, Zambia, Zimbabwe and Rwanda -- the company is struggling to convince investors of its strategy of building a bank spanning the continent as growth across the region slows to a 15-year low.

The stock slid 3.5 % to $3 as of 9:48 a.m. in London, a record low, and extending declines since its initial public offering in December 2013 to 72 %. That values the company at $209 million, compared with the more than $600 million it spent buying African assets.

Biggest Exposure

The landscape across Africa has shifted under Diamond's feet since the company went on an acquisition spree to gather operations as a drop in commodities from copper to oil hit the economies in which his businesses operate. Its biggest investment is in Nigeria, where a currency devaluation has hit earnings when translated back into dollars, and the country is teetering on the brink of a recession.

Net income fell to $1.2 million in the first half from $4.1 million a year earlier, while impairments rose to $9.1 million from $6.1 million, Atlas Mara said. The company's reported equity declined 7.8 % to $577 million largely due to $83 million of foreign-exchange translation losses driven by the depreciation of Nigeria's naira.

"Our current market valuation does not reflect the economic value we expect to deliver to shareholders from our businesses over time," Chief Executive Officer John Vitalo said in the statement. "We also recognize that the market capitalization of the company is below what we paid for our investment and subsequent capital injection into our principal operating entity BancABC or what we paid for our associate interest in Union Bank of Nigeria Plc."

Atlas Mara is focused on growing its existing operations, it said.

"We expect a better operational performance from our businesses during the second half of the year as the cost and revenue initiatives that we have implemented begin to deliver results," Atlas Mara said. "Our medium-term financial targets and strategic goals remain unchanged and we remain optimistic about our ability to achieve them, but recognize that further acquisitions and a supportive economic environment are central to achieving this." *(By Renee Bonorchis and Paul Wallace, Bloomberg)*

Markets

Benin to issue 35 bln CFA, 5-yr bond on Sept. 2

Benin will issue a 35 billion CFA franc ($60.23 million), five-year bond bearing a 5.5 % coupon on Sept. 2, West African regional debt planning agency Umoa-titres said The bond will be sold in units of 10,000 CFA francs across the eight-nation CFA franc currency zone via an auction organised by the West African regional central bank, the agency added. ($1 = 581.0600 CFA francs) *(Reuters)*

Angola Unties BDA Interest Rate From LUIBOR, Kwanza-Dollar Rates

Interest rate of loans granted by state-run lender Banco de Desenvolvimento de Angola, or BDA, will instead be benchmarked to govt bond to reflect country's "economic reality," according to ministry of finance decree published in govt gazette in Luanda Aug. 24

- Using Luanda Interbank Offered Rate, or LUIBOR, and kwanza-USD exchange rate to determine BDA lending rates is "inadequate" in current economic situation
- Treasury, BDA "need to strengthen mitigation measures" aimed at obtaining domestic, foreign currency for diversification of economy. *(Bloomberg)*

Africa's Next Big Devaluation Is Seen Unfolding in Egypt

According to Egypt's president, the country's future is at stake.

With its currency trading near a record low in the black market, reserves to cover just three months of imports and a widening current-account deficit, pressure is mounting on the most populous Arab state to devalue the pound to alleviate a dollar shortage that prompted officials to seek help from the International Monetary Fund. Egypt is moving to end the exchange-rate problem within "months" as part of its plan to implement economic reforms, President Abdel-Fattah El-Sisi said in an interview published this week.

Here are the possible scenarios for monetary policy and their prospects for stemming the dollar shortage and increasing the stability of the exchange rate:

Floating the Pound

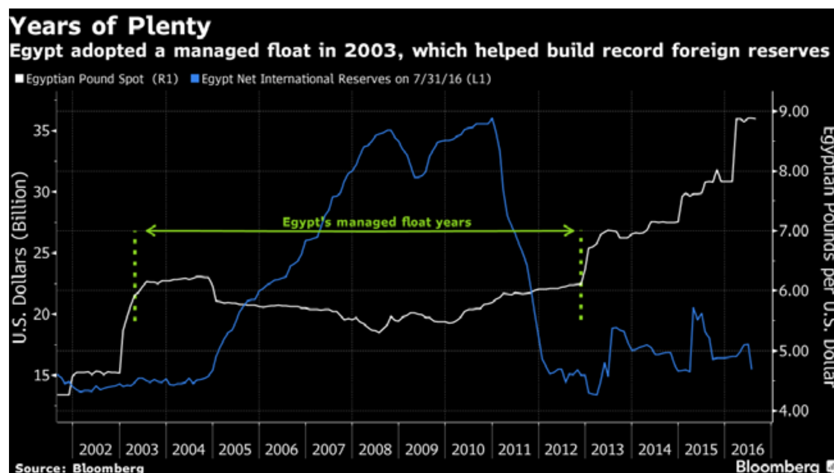
Egypt may follow Nigeria's example. Africa's last big currency devaluation started in June, when policy makers relented to market pressure and ended the naira's almost 16-month peg to the dollar. The currency traded in the black market almost 50 % below the official exchange rate before controls were lifted and the currency devalued by 30 %. It has since weakened about 10 %.

Chances of success: While Nigeria's strategy has started to bear fruit, overseas investors were slow to respond and the local currency is still trading at about a 20 % discount in the black market. For Egypt, "going directly into free float is possible, but it's risky," said Reham El Desoki, the Cairo-based senior economist at Arqaam Capital. "It also requires that people have confidence in the system so they would inject their foreign-currency holdings in the official channel." Of six economists surveyed by Bloomberg, none expected Egypt would move straight to a float.

Shock Therapy

Egypt could repeat its previous attempt at luring foreign capital in March, when the central bank weakened the pound by the most in 13 years, eased capital controls, increased interest rates and offered foreign buyers of government Treasury bills protection against future currency devaluation.

Chances of success: The strategy failed to attract inflows. Foreign holdings of local debt remain near zero, compared with about $10 billion at the end of 2010. "Policy makers would have to go the whole hog, get as close as possible to a full float," said Jason Tuvey, a Middle East economist at Capital Economics Ltd. in London. "Anything less, in my view, may not be satisfactory for the IMF and certainly not for investors." The move could work this time if the devaluation is more aggressive and the central bank has more cash on hand to change the perception of the pound being overvalued, Arqaam's El Desoki said.



Managed Float

Egypt devalued its currency by about 25 % in 2003 and implemented a managed float where the central bank allowed the pound to move, but continuously injected dollars into the banking system to maintain some control over its value. The policy held for a decade, during which time Egypt attracted billions of dollars to its debt and equity markets and built a record $36 billion of foreign reserves by the end of 2010. The policy ended in December 2012 when the central bank adopted a dollar-rationing system.

Chances of success: Africa's third-biggest economy is waiting for final IMF approval on stand-by funds to help backstop the exchange rate. As much as $8 billion may come from the Washington-based lender and others by October that would allow the central bank to implement a one-off devaluation before letting the interbank market help set the exchange rate, according to Mohamed Abu Basha, a Cairo-based economist at EFG-Hermes Holding.

Hany Genena, head of research at Beltone Financial who predicted the central bank's last devaluation in March, agrees. "We'll have a managed float by the end of the year," he said. "By that I mean we're going to see weekly volatility in the Egyptian pound."

Gradual Devaluation

If the past five years of tight currency control are any indication, Egypt will likely only weaken its currency in incremental amounts over the foreseeable future, according to Alan Cameron, a London-based economist who covers frontier markets at Exotix Partners LLP. "There's still ideological resistance within policy circles to a full-scale liberalization of the currency regime, with exchange-rate stability seen as a barometer of regime stability," he said.

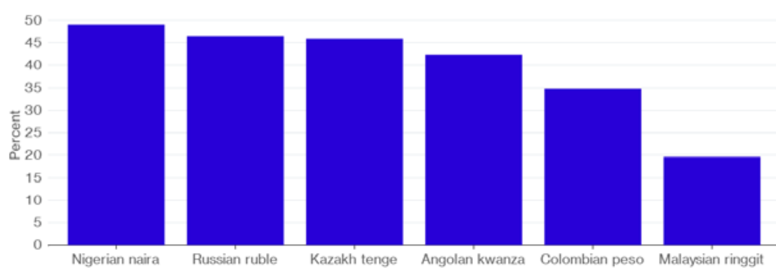
Chances of success: The strategy won't necessarily mean the disappearance of the black market. "The question is, can you close the gap to an acceptable level? Something around 10 %?" Cameron said. The pound was trading in the black market at a 30 % discount on Tuesday 23rd August.

Do Nothing

Egypt has a history of backtracking on economic changes if they provoke a public backlash that dates from 1977, when the government canceled an increase in the price of bread after riots erupted in the capital. Meanwhile, an influx of Gulf Arab aid last year raised some investor expectations a more flexible exchange rate may be adopted, but that never materialized. Already grappling with one of the Middle East's highest annual inflation rates at 14 %, the central bank

has in essence been subsidizing dollars to ease pressure on the almost 50 % of Egypt's population that lives below or near the poverty line.
Chances of success: "Failing to devalue will likely block the IMF deal, selling Eurobonds will become very expensive, and foreign investment will be blocked as well," said Genena at Cairo-based Beltone. "The current situation is unsustainable. You'll just be delaying the inevitable. And instead of doing it with the support of IMF funding, you'll do it without." *(By Ahmed Namatalla and Ahmed Feteha, Bloomberg)*

World's Worst Currency Slump Gleaning Rewards for Nigeria
More than two months after Nigeria allowed its currency to devalue, the country is starting to reap some dividends.
In the past two weeks, Exotix Partners LLP and Standard Bank Group Ltd. have told clients, most of whom fled after the country started imposing capital controls from late 2014, that they should start buying naira assets again. The worst-performing currency this year among more than 150 globally has depreciated 37 % against the dollar since the central bank abandoned its peg on June 20, while bond yields have jumped to more than 20 %. The naira strengthened 4.6 % to 315 per dollar on Tuesday 23rd Aug after falling to a record 350.25 on Aug. 19. "The cheap naira is attracting foreign investors," said Lutz Roehmeyer, a money manager at Landesbank Berlin Investment, which oversees about $12 billion of assets. "At 325 per dollar, the naira is too weak" and Landesbank anticipates a rebound, he said.
Doubled Holdings
Roehmeyer's funds have doubled their holdings of naira debt, albeit in the form of bonds issued by the World Bank's International Finance Corp. rather than the Nigerian government, to the equivalent of around $9.2 million this month, he said.



Nigeria's central bank Governor Godwin Emefiele fixed the currency in February 2015 at 197-199 per dollar to stop it plunging amid the decline in the price of oil, on which Nigeria depends for 90 % of exports and the bulk of government revenue. He relented after 16 months as the country stumbled toward a recession and foreign reserves fell to their lowest level in 11 years.
The naira has now weakened more than any other major oil currency since mid-2014, when crude prices started retreating. It's lost almost half its value against the dollar in that period, compared with 46 % for Kazakhstan's tenge and 35 % for the Colombian peso.
That makes it a good time to buy Nigerian one-year Treasury bills with yields of about 22 %, Stuart Culverhouse, chief economist at Exotix in London, wrote in an Aug. 9 note. The potential return is more than 33 % if the naira strengthens to its fair value of 290 against the greenback, he said. In April, one-year T-bills yielded just 10 %.
Oil Production
The trade is not for everyone, given Nigeria's outlook. The economy will shrink 1.8 % this year, its first contraction since at least 1991, the International Monetary Fund forecasts. Oil production has sunk to a near three-decade low of about 1.5 million barrels a day as militants attack pipelines and export terminals in the south of the country. While Landesbank Berlin and Exotix say the currency has fallen enough, others aren't convinced. The naira will weaken to 396 by year-end and 515 by the second quarter of 2017, according to Access Bank Plc, Nigeria's fourth-biggest lender.
Forward prices also predict worse to come. Three-month non-deliverable forwards trade at 357 to the dollar, and one-year contracts at 394. The median forecast of economists in a Bloomberg survey is for the currency to stabilize at 344 this year.
Sidelines Preferred
"The combination of a cheaper naira and higher yields on naira paper are tempting, but we remain comfortable on the sidelines," Brett Rowley, a managing director at Los Angeles-based TCW Group Inc., which oversees $195 billion of assets, said in an e-mailed response to questions on Aug. 16. "Restoring oil output would help assuage our concerns."
Investors are also yet to be convinced that the naira truly floats. The central bank sold dollars at 309 last week and may be trying to keep the rate stronger than 320, according to Craig Thompson of Continental Capital Markets SA, based in Nyon, Switzerland. The naira trades at 395 on the black market, 20 % weaker than the official rate. "The exchange rate is closer to fair value in the eyes of most investors," said Andrew Howell, a New York-based frontier-markets analyst at Citigroup Inc., the world's biggest foreign-exchange trader. "But there still aren't many inflows. You can't really call it a normally-functioning exchange rate yet."
Mitigating Risk
Still, bond investors are closer to pulling the trigger than they have been in more than a year. They'd be even more confident if they were able to mitigate the risk of further depreciation by buying the naira-settled futures that Nigeria

introduced in June, according to Stephen Bailey-Smith, senior economist at Copenhagen-based Denmark's Global Evolution Fonds A/S, which manages $3.2 billion of assets.
Nigerian local-currency bonds have lost 17 % in dollar terms this quarter, through yesterday, compared with the 3 % average return for 31 developing nations monitored by Bloomberg indexes. The yield on benchmark government naira notes due January 2026 has climbed 226 basis points since June to 15.08 %. "We haven't come back in to the local market yet, but we're looking at it closely," Bailey-Smith said. "If you can get a yield above 20 % and hedge the FX risk, it's not a bad trade at all. The futures market is intended to help you do that, but it's difficult to buy them." *(By Paul Wallace, Bloomberg)*

Burkina Faso Mulls Eurobond to Boost Growth After Upheaval

Burkina Faso may sell a Eurobond to help accelerate growth in an economy that's become increasingly reliant on income from gold mining. The West African nation needs $9.5 billion to carry out a five-year investment program following a year of political upheaval that rattled investor confidence, Prime Minister Paul Kaba Thieba said in an interview in the capital, Ouagadougou. That's why the government plans to meet with donors and is considering raising cash on regional markets or selling a Eurobond, he said.
The government is trying to restart projects that stalled during a series of political crises that began in 2014 with the sudden ousting of former President Blaise Compaore, who fled the country after a mass revolt against a bid to extend his 27-year rule. Agriculture and mining are the two key sources of revenue in Africa's top cotton producer, which has seen a surge in gold mining as companies including Roxgold Inc and Endeavour Mining Corp. developed projects. Production of the metal, non-existent a decade ago, now accounts for almost 80 % of export income. "We can go to regional markets to raise funds for our program," Thieba said. "We can think of new forms of financing, issuing Islamic bonds. If we have to we can also go to international markets, like Senegal and Ivory Coast have done before us." He didn't say how much Burkina Faso would raise. The 56-year-old economist previously worked for more than a decade at the Central Bank of West African States.

High Growth

In 2014, Senegal sold Eurobonds for $500 million while Ivory Coast issued notes for $750 million in the same year and $1 billion in 2015. This year, Ghana and the Democratic Republic of Congo have called off or postponed bond sales after they deemed investors' asking prices too expensive. Burkina Faso is one of few countries in sub-Saharan Africa that achieved sustained high growth over a long period of time despite a lack of resources, the International Monetary Fund said in a report this year. Gross domestic product per capita was $613 last year, compared with $6,360 in Botswana, one of the richest nations in the region. Thieba said talks are ongoing with a subsidiary of Timis Mining Corp. about the development of what could be one of the world's largest manganese mines at the northeastern Tambao deposit. Another project that the government is trying to push forward is a 400 million-euro ($452 million) railway upgrade that will link the city of Kaya to a seaport in neighboring Ivory Coast, a contract awarded to Bollore SA in 2014, he said. Growth will probably accelerate to 5.2 % this year, from 4 % in 2015, according to the government.

Doing Better

"We can do better than the economic growth figure we're currently seeing," Thieba said. "There's a new dynamic in Burkina Faso and this is the moment to invest in our country." Almost a year after Compaore's departure, a transitional government was briefly held hostage by a military junta, which lost its hold on power within a week because other army units didn't support it. Voters last year elected Roch Marc Christian Kabore as president, a high-profile politician who was seen as Compaore's chosen successor until the two men fell out in 2012. The interim leadership told Timis's Pan African Minerals to halt work on its $1 billion manganese mine while it reviewed permits. "We hope to find a solution in the short term," Thieba said, referring to talks with the company. "I think we will get to a balanced agreement soon."
A revised mining code approved by the interim parliament still needs to be signed into law by the president, Thieba said. "We're talking with the industry to make sure that the interests of both parties are taken into account," he said. "We want gold to contribute more to our national economy but we also need to preserve our industry's competitiveness." Gold mining developed quickly, accounting for three-quarters of exports within five years of starting up, according to the IMF. As two new operations are set to come into production this year, output is forecast to rise to 48.8 metric tons, from 35 tons last year.

Biggest Producer

Cotton remains a priority for Africa's biggest producer of the fiber, as about 80 % of the population earns an income from farming, according to Thieba. "It would be good if world market prices stabilize," Thieba said after the U.S. benchmark price for cotton dropped 13 % in less than three weeks after reaching this year's high on Aug. 5. "We're hearing that there's a surge in consumption in countries like Pakistan and Uzbekistan, and the fact that China is reviewing its cotton-marketing policies is good news for our cotton farmers." *(By Simon Gongo and Pauline Bax, Bloomberg)*

National Bank of Angola carefully manages foreign reserves

The National Bank of Angola (BNA) is carefully managing net foreign reserves, estimated at US$24 billion, on the basis of a minimum amount to ensure financial and exchange rate stability, the governor said when speaking in the Angolan parliament.

Valter Filipe said the BNA is working with commercial banks to understand the level of assets of each bank and its foreign exchange position, in order to replace it by selling foreign currency to begin, in a prudent and organised way, to allow transactions of accounts in foreign currency, according to daily newspaper Jornal de Angola.
Providing information to members of parliament as part of discussions of the bill to revise the state budget, the governor of the BNA said foreign currency will be made available through credit cards, transfers and very little through actual cash, because within the international financial system American and European regulators are making efforts to reduce the use of physical currency for control and to combat money laundering and financing of terrorism.
The governor of the BNA said the drastic reduction in oil revenues "caught everyone off guard including the financial system."
Filipe acknowledged that "families have been having a difficult experience with the availability of foreign exchange," but explained that the BNA does not have enough foreign currency and is supplying currency on a weekly basis for basic needs, travel, grants and health expenses.
The governor of the BNA said that to protect financial stability, the only guarantee the state has from the point of view of its financial reputation, are reserves of about US$24 billion and therefore advocated a strict and limited management taking into account the priorities and essential needs of the economy. *(Macauhub)*

Ivory Coast Drops Eurobond Sale Plan as Dollar Strengthens
Ivory Coast abandoned plans to offer a Eurobond this year and is opting to raise debt in West Africa's regional market as the stronger dollar makes selling offshore finance too expensive. The world's biggest cocoa producer is planning to issue as much as 550 billion CFA Francs ($938 million) on the local market before the end of the year, adding to a 150 billion francs sukuk bond sale earlier this month, Finance Minister Adama Kone said in an interview in Abidjan, the commercial capital, on Aug. 25. Ivory Coast issued $750 million of dollar-denominated debt in 2014 and another $1 billion last year. "Our last Eurobond was just before the dollar started rising. Today, it is very expensive," Kone said. "We will go offshore if we later notice that the regional market isn't sufficiently liquid." The U.S. currency has strengthened 7.4 % against the euro, which is used as a peg for the franc, since the start of 2015 when Ivory Coast announced the sale of its previous Eurobond.
Ivory Coast wants to avoid debt rising beyond the current 41 % of gross domestic product, which is another reason why the country won't sell offshore bonds, Kone said. The country is maintaining its economic growth forecast of 9 % for this year, despite a drop in cocoa production and security concerns following an al-Qaeda attack on a popular beach in which 19 people were killed in March, he said.
The International Monetary Fund in July revised its growth projection to 8 % from 8.5 % as dry weather damaged agricultural production.
Cocoa Output
Cocoa production for the season to Sept. 30 will be around 1.7 million metric tons, Kone said. That's about 100,000 tons less than the record crop last year, he said. Cocoa production has been hindered this season by the worst dry winds in thirty years, which damaged the crop quantity and quality.
The next harvest which starts in October may reach about 1.75 million tons as cocoa-growing areas have received sufficient rainfall since last month, Kone said. In July, the government forecast a 1.65 million ton harvest for next season, according to a person familiar with official data. "We were expecting the rain to fall in May and June but it didn't rain abundantly," he said. "It's now that the rains have set in. We are optimistic." *(By Olivier Monnier, Bloomberg)*

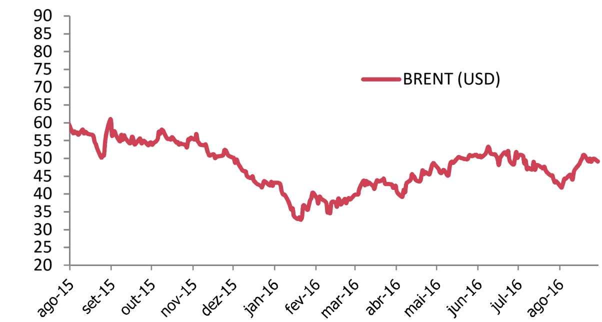
MARKET INDICATORS
29-08-2016

STOCK EXCHANGES		
Index Name (Country)	**29-08-2016**	**YTD % Change**
Botswana Gaborone Domestic Index (Botswana)	9.542,81	-9,99%
Bourse Régionale des Valeurs Mobilières (Ivory Coast)	288,25	-5,16%
Case 30 Index (Egypt)	8.080,44	15,34%
FTSE NSE Kenya 15 Index (Kenya)	152,90	-18,08%
Morocco Casablanca Stock Exchange CFG 25 (Morocco)	21.037,92	10,72%
Nigerian Stock Exchange All Share Index (Nigeria)	27.450,91	-4,16%
FTSE/JSE Africa All Shares Index (South Africa)	53.546,62	5,63%
Tunindex (Tunisia)	5.436,81	7,83%

Source: Bloomberg and Eaglestone Securities

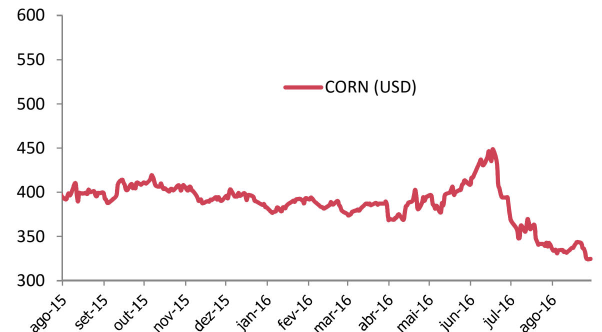
METALS		
	Spot	**YTD % Change**
Gold	1.319	24,29%
Silver	19	34,04%
Platinum	1.076	20,51%
Copper $/mt	4.615	-1,91%

Source: Bloomberg and Eaglestone Securities



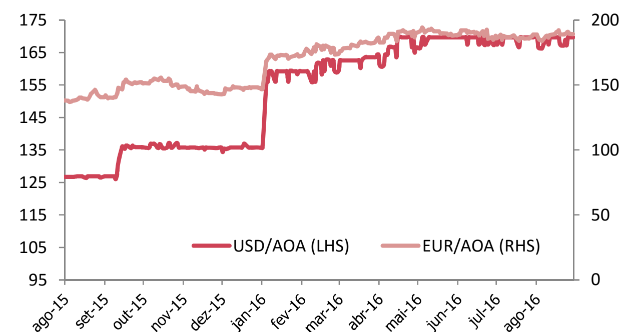
ENERGY		
	Spot	**YTD % Change**
NYMEX WTI Crude (USD/barril)	46,9	26,67%
ICE Brent (USD/barril)	49,1	31,79%
ICE Gasoil (USD/cents per tonne)	434,0	29,84%

Source: Bloomberg and Eaglestone Securities



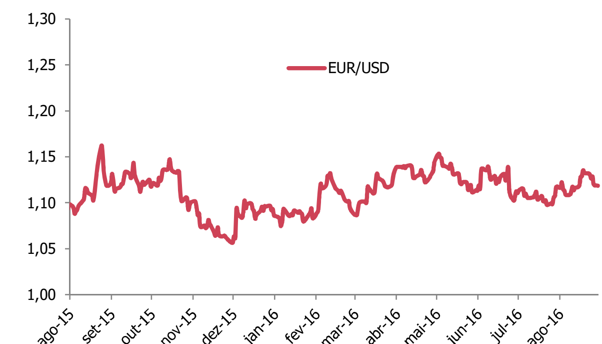
AGRICULTURE		
	Spot	**YTD % Change**
Corn cents/bu.	324,8	-9,48%
Wheat cents/bu.	400,0	-14,89%
Coffee (KC) c/lb	144,9	14,33%
Sugar#11 c/lb	20,6	35,24%
Cocoa $/mt	3015,0	-6,10%
Cotton cents/lb	67,8	7,17%
Soybeans c/bsh	962,8	11,40%

Source: Bloomberg and Eaglestone Securities



CURRENCIES	
	Spot
KWANZAS	
USD	169,219
EUR	189,290
GBP	221,518
ZAR	11,677
BRL	51,831
NEW MOZAMBIQUE METICAL	
USD	72,370
EUR	80,956
GBP	94,735
ZAR	4,994
SOUTH AFRICAN RAND SPOT	
USD	14,492
EUR	16,211
GBP	18,970
BRL	4,439
EUROZONE	
USD	1,12
GBP	0,85
CHF	1,09
JPY	114,26
GBP / USD	1,31

Source: Bloomberg and Eaglestone Securities



Selected Sovereign African Eurobond Data for August 26

Southern Africa	26-08-2016	25-08-2016	24-08-2016	23-08-2016	22-08-2016	19-08-2016	18-08-2016
Angola							
9.500%; 11/12/2025	100,635	100,625	100,489	100,249	99,764	99,772	100,134
Yld	9,485%	9,468%	9,520%	9,597%	9,635%	9,676%	9,556%
Moody's rating	B1						
S&P rating	B+						
Mozambique							
10.500%; 01/18/2023	74,949	75,019	75,033	75,644	75,695	75,686	75,865
Yld	17,143%	17,126%	17,120%	16,950%	17,112%	17,103%	17,052%
Moody's rating	Caa3u						
Namibia							
5.500%; 11/03/2021	108,406	108,477	108,507	108,832	108,606	108,976	108,900
Yld	3,769%	3,758%	3,761%	3,719%	3,744%	3,662%	3,700%
Moody's rating	Baa3						
Fitch rating	BBB-						
Republic of Congo							
4.000%; 06/30/2029	67,884	67,922	69,439	n/a	67,567	n/a	69,267
Yld	10,485%	10,535%	10,474%	n/a	10,632%	n/a	10,518%
Fitch rating	CCC						
South Africa							
5.875%; 09/16/2025	113,840	113,665	114,052	115,313	115,815	116,065	116,440
Yld	4,064%	4,086%	4,039%	3,885%	3,826%	3,793%	3,749%
Moody's rating	Baa2						
S&P rating	BBB-						
Fitch rating	BBB -						
Zambia							
8.500%; 04/14/2024	99,611	99,583	99,704	99,798	99,225	98,861	97,965
Yld	8,657%	8,648%	8,662%	8,637%	8,740%	8,817%	8,962%
Fitch rating	B						
S&P rating	B						
East Africa	**26-08-2016**	**25-08-2016**	**24-08-2016**	**23-08-2016**	**22-08-2016**	**19-08-2016**	**18-08-2016**
Ethiopia							
6.625%; 12/11/2024	99,563	99,713	99,340	99,724	98,323	98,300	98,725
Yld	6,789%	6,748%	6,878%	6,769%	7,016%	7,023%	6,907%
Moody's rating	B1						
S&P rating	B						
Fitch rating	B						
Kenya							
6.875%; 06/24/2024	99,076	99,042	99,229	99,127	99,047	99,139	99,001
Yld	7,093%	7,105%	7,100%	7,113%	7,158%	7,114%	7,120%
Fitch rating	B+						
S&P rating	B+						
Rwanda							
6.625%; 05/02/2023	102,771	102,688	102,071	102,507	102,079	101,917	101,981
Yld	6,198%	6,214%	6,356%	6,252%	6,402%	6,344%	6,354%
Fitch rating	B+						
S&P rating	B+						
Seychelles							
7.000%; 01/01/2026	102,043	102,238	102,120	102,039	102,214	102,523	100,864
Yld	7,699%	7,658%	7,687%	7,686%	7,684%	7,612%	8,051%
Fitch rating	BB-						
West Africa	**26-08-2016**	**25-08-2016**	**24-08-2016**	**23-08-2016**	**22-08-2016**	**19-08-2016**	**18-08-2016**
Gabon							
6.375%; 12/12/2024	94,945	94,917	95,498	95,171	94,739	95,260	94,918
Yld	7,280%	7,282%	7,251%	7,238%	7,299%	7,207%	7,280%
Fitch rating	B+						
Ghana							
7.875%; 08/07/2023	93,601	93,718	93,690	93,270	92,634	92,677	91,969
Yld	9,234%	9,224%	9,261%	9,351%	9,440%	9,430%	9,582%
Moody's rating	B3						
S&P rating	B						
Fitch rating	B-						
Ivory Coast							
6.375%; 03/03/2028	105,557	105,083	105,447	105,157	104,958	105,380	105,507
Yld	5,761%	5,813%	5,790%	5,832%	5,828%	5,786%	5,770%
Moody's rating	Ba3						
Fitch rating	B+						
Nigeria							
6.375%; 07/12/2023	100,288	100,235	100,480	100,119	100,292	100,144	100,830
Yld	6,399%	6,425%	6,381%	6,462%	6,411%	6,517%	6,318%
Fitch rating	B+						
S&P rating	B+						
Senegal							
6.250%; 07/30/2024	102,750	102,5	102,853	102,737	102,087	102,093	102,183
Yld	5,870%	5,916%	5,900%	5,954%	6,044%	6,000%	5,980%
Moody's rating	B1						
S&P rating	B+						

Pricing source is the Composite Bloomberg Bond Trader (CBBT)

Fund

AfDB-backed equity fund briefs potential investors at TICAD Summit

An African Development Bank (AfDB) infrastructure fund launched to mark half a century of Africa's struggle towards economic and political maturity has stepped up its effort to secure investments from foreign and local wealth funds, social security funds and banks.

Alain Ebobissé, Chief Executive Officer of Africa50, said the Fund provided international development institutions with an opportunity to provide funding to governments with weak credit rating. "We can raise significant capital which we can channel towards long-term savings in Africa," the Fund's CEO told a roundtable on the role of private sector in Africa's economic transformation at the Sixth Tokyo International Conference on African Development (TICAD VI) in Nairobi, Kenya.

Africa50 plans to form partnerships with local banks, stock markets, the national social security funds and private equity funds to get funds for long-term projects, Ebobissé said during a meeting of the African and Japanese entrepreneurs to discuss ways of raising funds to finance projects in Africa. "Development finance institutions can support non-credit worthy governments to access funds for economic development. The development finance institutions like the AfDB need to be involved at an early stage of project conceptualization. We need to build on the pipeline of bankable projects," Ebobissé said.

The new fund has set ambitious targets of increasing the threshold of at least US $30 billion worth of Africa's share of foreign infrastructure investments from US $8.5 billion currently to rival other regions of the world, such as Latin America which attracts investments worth US $30 billion. "It is possible to increase our share to the level of Latin America to support projects. We need the governments in Africa to implement policies which are predictable. The government policies must be predictable to secure the long-term investments," Ebobissé told the entrepreneurs.

The Africa50 Fund, a pan-African Fund supported by the AfDB to raise US $830 million for onward investment in Africa's infrastructure, is currently backed by 23 African countries, which have contributed to its initial capital injection. "This is the newest financial institution in Africa," Ebobissé remarked. "The new financial facility aims to raise part of the US $90 billion required by the African countries annually to bolster investments in Africa's water sector, roads and railway connections to create the required environment for economic growth in Africa."

The CEO said the initial 23 African state shareholders including two Central Banks. The shareholders have allowed the fund to operate commercially. The CEO said the Fund would raise significant capital from savings in Africa.

Currently, the Africa50 Fund plans to concentrate its borrowing from international pension markets for onward lending to the private sector. "We need to scale up and do more. It is possible to increase," Ebobissé said. *(AFDB)*

AfDB President emphasises industrialising Africa plan to spur bond markets

African Development Bank (AfDB) President Akinwumi Adesina unveiled the elements of an African industrialisation strategy at an international meeting of African Heads of State and Government and their Japanese counterparts, and called for the linking of stock markets to enlarge Africa's domestic markets. "AfDB's Industrialisation Strategy for Africa, developed jointly with the African Union, the UN Economic Commission for Africa (ECA) and the UN Industrial Development Organization (UNIDO) targets rapid industrialisation by doubling Africa's Gross Domestic Product within 10 years," Adesina said.

Addressing a session on "Promoting Structural Economic Transformation Through Economic Diversification and Industrialization" at the Sixth Tokyo International Conference on African Development (TICAD VI) in Nairobi on Saturday, President Adesina said African countries needed to change economic policies to survive.

There are several African countries which have depended on the output of oil, minerals and the export of unprocessed raw materials to the world commodity markets. However, most of the commodities such as tea and coffee, have recorded an over-supply, leading to a deep decline in prices.

In the case of crude oil and other petroleum products, an oversupply and weak demand for the product has seen the price of crude drop drastically, forcing most countries which had depended on the sale of oil to experience difficulties in servicing foreign loans and reporting huge currency depreciation.

President Adesina said the AfDB worked with its continental partners to develop the industrialisation strategy, which depends on rapid economic growth in Africa, to empower the industrialisation. "Africa has to diversify its economy in order to achieve rapid economic growth," President Adesina said.

One of the major initiatives of the industrialisation strategy would be to work towards linking the stock markets within Africa and creating a bigger bond market, Adesina said. This would enable entrepreneurs across Africa to raise affordable finance for rapid economic development. "We must get it right. We must end the African energy crisis. That is the reason the AfDB is implementing a new plan to invest US $12 billion over the next five years on energy and power generation and distribution. This we hope will leverage another US $45 billion worth of private sector investments on power. The high cost of electric power is one of the impediments to investors."

The AfDB President told the African leaders it was also important for countries to tap the locally available resources, including US $334 billion held by African pension funds, to enable investors to access affordable funding for long-term investments. "We must have a strong domestic bond market in Africa. We must work towards integrating the stock

exchanges from Johannesburg to Cairo. This will create a bigger market for bonds. It would also allow African companies to cross-list in different areas," President Adesina said.
The session was addressed by eminent personalities in international development, including Yoshifumi Matsumura, Japanese State Minister for Economy and Trade and Industry; Li Yong, Director General of UNIDO; and Helen Clark, UN Development Programme Administrator.
President Adesina asked the African leaders and policy-makers to get agriculture right. He said agriculture was one of the key avenues of generating economic growth, empowering the youth and addressing the crisis posed by fragile economic policies, which have seen a rise in joblessness. *(AFDB)*

ENERGY

Off-Grid Solar Lighting Up Ethiopia

- *1.5 million rural homes are without electricity access in Ethiopia*
- *Carbon credits and IDA finance are being used to scale up off-grid solar program*
- *Carbon revenues will pay for better warranty programs, maintenance; fund battery replacements*

For the millions of people living in remote rural areas of Ethiopia who lack access to the power grid or cannot afford electricity, solar energy represents an important first step on the energy access ladder. Instead of relying on kerosene, candles, dry cell batteries and other fossil fuel-based sources of power, they can now turn to off-grid solar to light up their homes, watch television and charge mobile phones, thanks to an initiative of the Government of Ethiopia supported by the World Bank.
"For households at the base of the economic pyramid, off-grid solar can dramatically boost the quality of life," says Yemenzwork Girefe, Director of the Export Credit Guarantee & Special Fund Administration at the Development Bank of Ethiopia (DBE). "Energy access has a large impact on the well-being of society in general, women and children in particular, in countries like Ethiopia where access to electricity is low for the vast majority of the population."
The Development Bank of Ethiopia (DBE) in partnership with the International Development Association (IDA), the World Bank's fund for the poorest countries, is providing working capital loans to private sector household solar providers, as well as micro-finance to households for the purchase of solar lanterns and Solar Home Systems (SHS) through a $20 million credit line under the Electricity Network Reinforcement and Expansion Project (ENREP). Another $20 million line of credit was approved by the World Bank Board of Directors in May 2016 as part of $200 million in additional financing to ENREP.
This line of credit leverages the market-based approach of the Lighting Africa program and supports Lighting Global's list of quality-verified lanterns and SHSs to ensure Ethiopians have access to the best off-grid renewable lighting and energy products available. So far, 800,000 off-grid products meeting Lighting Global's Quality Standards have been imported and distributed by eight approved retailers, providing clean, safe lighting and modern energy services to more than three million Ethiopians.
But while demand for these new off-grid solar technologies is taking off, barriers to consumer confidence must still be overcome before the market can be expanded to make a real impact on energy access in the poorest communities. Here is where the Carbon Initiative for Development (Ci-Dev), a $125 million fund with a pipeline of 12 pilot projects in Africa, is stepping in.
Ci-Dev has just signed an Emissions Reduction Purchase Agreement (ERPA) with DBE to deliver additional funding to the project through the purchase of greenhouse gas emission reductions. The funding will address concerns over insufficient warranties and battery replacement for SHS, thus helping to ensure the sustainability of off-grid solutions and to protect the market from counterfeit products.
"This Ci-Dev initiative in Ethiopia is an excellent example of leveraging carbon credits and concessional finance to enable off-grid solar," says Program Manager Venkata Ramana Putti, who leads the World Bank Group's Climate and Carbon Finance unit which oversees Ci-Dev and 18 other carbon pricing and results-based finance initiatives.
The carbon revenues generated from the Ci-Dev project will support the demonstration of a tracking and enforcement system to ensure SHS warranties are honored completely and consistently by the private solar suppliers. The pilot warranty program will also be used to collect data for carbon monitoring through 2024 that will ultimately enable the demonstration of carbon emission reductions achieved under the project.
In addition, the Ci-Dev project will include a system so battery replacement and other maintenance costs of SHSs are supported through carbon revenues, thus incentivizing suppliers to offer more robust maintenance programs. This part of the program design serves as a form of subsidy, which helps Ethiopians afford to replace their SHS batteries, with revenues covering a portion of the cost of replacing batteries, that break down or reach the end of their four-year life span.
ENREP team leader Issa Diaw says ensuring post-sale assistance to poor households is the key to scaling up off-grid solar in rural communities. "This will incentivize them to adopt quality products further sustain the market," Issa Diaw says. "Moreover, the warranty tracking system will give to the government a powerful monitoring tool not only to track the number of disseminated products versus their Growth and Transformation Plan goals but also their geographical distribution and quality of service provided," he explains. "By tackling these important consumer concerns, Ci-Dev's results-based finance is playing a key role in supporting DBE and IDA to scale up off-grid solar in Ethiopia, ensuring

that more than 1.5 million rural homes would have access to clean electricity through off-grid solutions. It is fully in line with the World Bank Group's strategic engagement and support to the Government of Ethiopia to increase and improve delivery of infrastructure and services," adds World Bank's Country Director for Ethiopia, Sudan and South Sudan, Carolyn Turk. The ultimate goal: to enable off-grid solar to have a truly transformative impact on energy access and climate change mitigation in the country.

INFRASTRUCTURE

Port of Luanda, Angola, handles less cargo, containers and ships in the 1st half

The port of Luanda in the first half of the year handled 3.1 million tonnes of containerised cargo, a drop of 35% or 1.7 million tonnes over the same period of 2015, according to an official from the infrastructure management company.
Rosas Silverio, head of the statistical control and logistics department of the Port of Luanda, told Angolan news agency Angop that the fall was due to the sharp drop in the products that the country imports, and this trend occurred in both containerised cargo and bulk cargo.
The number of containers handled in the first six months of the year totalled just over 128,000, a decrease of 44% over the same period of 2015 when the port handled over 290,000 containers.
One official said that the current economic crisis in Angola, which is affecting the country's ability to secure foreign currency, has also reduced the number of ships visiting the country. In the first half 2,437 ships docked at the port of Luanda, including 346 long-haul and 2,091 coastal shipping vessels, a drop of 1,217 vessels compared to the number recorded from January to June 2015 *(Macauhub)*

Company developing Mozambique's northern corridor to receive 100 railcars

Merchandise and especially cereal transport capacity of the Corredor de Desenvolvimento do Norte (CDN) company will be boosted when a hundred newly-purchased railcars enter service, CDN spokesman Sérgio Paunde announced.
The railcars, each with capacity of 54 tons, were bought in neighbouring South Africa, an investment of close to US$11 million, Paunde said, cited by the Maputo-based daily Notícias. He explained that 22 of the 100 railcars are already at Nampula and that a like number will soon be delivered. The last group should arrive in Mozambique in December of this year at the latest.
CDN has been receiving requests from various clients aiming to transport large quantities of cereals to regions along the Nacala rail corridor which face food shortages due to low harvests in the last agricultural season, Paunde said.
Although positive 2015/2016 harvest results were recorded, Mozambique's Nampula province, for example, needs about 900,000 tons of maize to meet demand.
The corporate purpose of CDN – Corredor de Desenvolvimento do Norte is to manage, restore and commercially exploit in an integrated manner the infrastructures of the port of Nacala and the railway network in northern Mozambique. It is included in the Nacala Corridor Project involving northern Mozambique as well as Malawi and Zambia. CDN's shareholding structure comprises Sociedade de Desenvolvimento do Corredor de Nacala, with a 51 % stake, and the state-held Portos e Caminhos-de-Ferro de Moçambique, with the remaining 49 %. *(Macauhub)*

Japan chooses AfDB to implement bold new infrastructure plan for Africa

Visiting Japanese Prime Minister Shinzo Abe has announced a bold new African infrastructure plan worth US $10 billion over the next three years to be implemented by the African Development Bank (AfDB), raising the stature of the Abidjan-based financial institution in achieving Africa's development.
The infrastructure investment package announced by the Japanese Prime Minister will focus on modernizing electricity, power and urban transport systems in order to improve the connectivity of Africa.
"Taking this initiative, Japan will appropriate approximately US $10 billion to Africa over the next three years for building infrastructure. A portion of this will be executed through cooperation with the African Development Bank (AfDB)," Prime Minister Abe told leaders from African states during the Sixth Tokyo International Conference on African Development (TICAD VI) in Nairobi on Saturday.
The Japanese Prime Minister said the support package aims to increase the electricity generation capacity by 2,000 megawatts as well as increasing the geothermal power generation using Japanese technologies. The increased power generation capacity is focused to reach 3 million households by 2022.
"It will be necessary to develop roads and ports. This must be nothing other than quality infrastructure. At the Group of 7 Summit, we were united in our determination in this regard. This point was detailed in the G7 Ise-Shima Principles for Promoting Quality Infrastructure Investment," Prime Minister Abe said.
Japan has pledged to work together with the African leaders towards achieving developmental objectives on a range of principles - quality, resilience and stability. The quality principle will focus on building the infrastructure elements based on Japan's preferred work ethos, known as kaizen, or "continuous learning".
This is a system aiming to advance Africa's industrialisation through higher economic productivity. The productivity element also focuses on working together to empower factory foremen and plant managers and leaders of worksites

under a new plan to be known as the "African Business Education Initiative for Youth (ABE) Initiative." This will allow business executives from Africa to study in Japan. Japan aims to reach at least 1,500 experts.
Japan has also pledged to put the advances of its domestic education policies at the disposal of African industries. Japan hopes to provide access to its educational system to African students by promoting engineers to learn from its kosen, or "colleges of technology". This system aims to train at least 30,000 engineers to support the foundations of Africa's industrialisation.
The TICAD summit, being held for the first time on African soil in Nairobi, Kenya, has attracted several African leaders and heads of international development institutions, including Akinwumi Adesina, President of the AfDB.
President Adesina has been articulate on the need for a proper understanding of Africa's development challenges and the contribution that Africa's scholars should play in advancing development in various fields.
"Leadership is about knowing what is wrong. We have been discussing how to raise economic productivity across Africa in the agricultural value chains. What we are trying to do is to scale up production and we still need the political capacity. We must mobilize financial capacity," Adesina told a side event at the TICAD summit.
"The direction is very clear for Africa's development. The scholars in Africa need to move away from theories to practicality," the Bank President said.
The expert discussions at the TICAD VI summit have laid more emphasis on developing the agriculture sector to give Africa a chance to develop its industrial capabilities. There are concerns that the cost of developing the infrastructure remains more expensive and there is need to provide guarantees against political risks likely to be faced by investors. *(AFDB)*

MINING

Miners Find South African Gold Recovers Its Luster

Top four gold producers have announced soaring profits and dividends

After years battling depressed prices and cost-cutting, South African gold miners are regaining their shine.
Over the last two weeks, the country’s top four gold producers—with combined market capitalization of 258.7 billion South African rand ($18.2 billion)—have announced soaring profits and dividends, reaping the benefits of yearslong restructuring and a 25% jump in the benchmark gold price this year.
The rise has been leavened by weaker currencies in South Africa, Brazil and Argentina, as well as Australia, which also helped reduce local costs such as wages and electricity and reap healthier profits for gold sold abroad in U.S. dollars.
Sibanye Gold Ltd., South Africa’s biggest gold miner by output, was the latest to report bumper profits, up 85% to 333 million rand, underpinning a brighter outlook that has several major miners now on the hunt for acquisitions.
The glittering results are the latest sign of a turnaround for South Africa’s long-beleaguered gold-mining industry, which has been beaten down by years of weak prices and rising costs.
“South African gold producers have had their heads down in recent years, while they worked to reset costs and lighten their balance sheets,” said Roger Baxter, chief executive of the Chamber of Mines of South Africa. “They are now seeing the benefits of that effort reflected in significantly stronger cash flows, as the gold price has started to tick higher."
South Africa dominated global gold production in the 20th century, but in recent years, it has dropped from the world’s top producer to seventh place as the cost to run old, deep and labor-intensive mines soared. Many of South Africa’s gold producers have expanded their operations overseas, including the No. 3 producer in the world, AngloGold Ashanti Ltd., which now gets just a quarter of its production from its home market.
Diversification appears to have paid off. Shares in AngloGold have climbed 137% this year, Harmony Gold Mining Co. shares have surged 245% and those of No. 8 producer, Gold Fields Ltd., which spun off three aging South African mines in 2013 to create Sibanye, are up 91% year to date. Sibanye shares are up 154% over the same period.
At the core has been a recovery in the gold price in South African rand terms. Gold has gained a quarter in value this year as investors buy the metal as a safe-haven asset, while the rand has weakened 9.2% in 2016 as economic uncertainty wracks South Africa amid stagnant growth.
Following the U.K. vote to leave the European Union on June 23, “the gold price has increased almost $100 an ounce and is approximately $250 an ounce higher than our planning price for 2016,” Nick Holland, chief executive of Gold Fields, said last week.
Gold Fields declared its biggest interim dividend since 2012 on a profit of $121.2 million during the six months to June 30, from a profit of $2.2 million a year earlier. Sibanye raised its interim dividend to 85 rand cents, from 10 rand cents in 2015.
Harmony Gold declared a dividend for the year ended June 30 for the first time since December 2012 after swinging to a full-year profit of 949 million rand last week—a turnaround from a year-earlier loss of 4.54 billion rand. Harmony also reduced net debt by 54% to 1.08 billion rand at June 30.
Now, the company is looking to make acquisitions to increase production. “We’re not going to get it right by normal organic growth,” said Harmony Gold Chief Executive Peter Steenkamp. Harmony will likely target acquisitions in its home market of South Africa, the rest of Africa—an area the company hasn’t ventured into before—as well as Papua

New Guinea, where it currently operates, Mr. Steenkamp said. Harmony will also continue to return cash to its shareholders, he added.
But analysts and investors caution is key as these companies ramp back up.
“I think the tricky part is whether [the companies’] constrained costs can remain under control: Things like exploration, expansion projects and acquisitions: those may start creeping back onto the radar now,” said Meryl Pick, manager of the 606 million rand Old Mutual Gold Fund at Old Mutual Investment Group in Cape Town. “The risk is that they start making questionable investment decisions. That is my concern, and that is been the cycle in the past.”
Still, the companies are in far better positions than they have been for years as they emerge from the gloom that has recently plagued South Africa’s gold industry. Gold Fields restructured in 2012 and 2013 to create Sibanye, leaving less than 15% of its production in South Africa, while Harmony Gold wrapped up a restructuring in 2015. AngloGold shareholders rebuffed a proposed capital raise and restructuring in 2014 that would have split off the company’s international assets from its South African ones. Since then, the company has reduced its debt by over $1 billion by mothballing loss-making assets and slashing overhead expenditure.
AngloGold said last week that it will reassess whether to reinstate its dividend at the end of this year, with shareholders potentially getting a cash payout in 2017. The company last paid a dividend in 2013. AngloGold reported a profit of $52 million in the six months to the end of June, compared with a loss of $23 million during the first six months of 2015, despite a 7.1% slide in gold production from the same period a year earlier. “The key here is not to be carried away by the volatility in the gold price,” said AngloGold Chief Executive Srinivasan Venkatakrishnan.
Though a higher gold price has provided South African gold miners with some respite, the yellow metal is still down about 30% from its 2011 highs of more than $1,900 an ounce, and emerging market currencies, which have provided cost benefits in the first six months of the year, have begun to strengthen. But stronger emerging-market currencies by default require a weaker dollar, which means the price of gold—which is then cheaper for foreign buyers—should be pushed higher, mitigating the effects of the stronger currencies on the miners’ performance. *(By Alexandra Wexler, Wall Street Journal)*

Harmony Gold Turns Predator on Deal Hunt to Fill Output Gap
Harmony Gold Mining Co. is willing to use debt and equity to buy a profitable mine that will offset falling production in South Africa and help fund a major new project in Papua New Guinea, Chief Executive Officer Peter Steenkamp said.
With the company likely to lose about 40 % of its current production over the next six years due to mines reaching the end of their lives, a big acquisition is “a necessity,” Steenkamp, 56, said in an interview in Johannesburg. “We have a gap emerging and what we need to do is fill that,” Steenkamp said. “We have to look for something fairly big.”
Harmony, South Africa’s third-largest gold miner, lost money for three years to 2015 but has been revived by a price for the metal that’s 26 % higher this year and a weak South African rand, which has lowered costs. The company’s ultimate goal is to build a $2.6 billion mine on its Golpu copper-gold deposit in Papua New Guinea that will reduce costs as well as boost production and reserves. It has a 50 % stake in the project with Newcrest Mining Ltd. owning the rest. The stock has more than tripled to 56.48 rand this year, giving the company a market value of 25 billion rand ($1.8 billion). “We’re trying to beef up the current engine to be able to build Golpu, which is the prize,” Steenkamp said. “We want to do the right acquisition at the right time to have enough firepower to build Golpu.”
Debt Capacity
Harmony has the capacity to raise about 5 billion rand in debt but would consider using its stock to make a big acquisition, Finance Director Frank Abbott said. “It’s difficult to put a value on the size of what a merger or acquisition would be.” Declining to name specific targets, Steenkamp said Africa and Papua New Guinea would be preferable locations for an acquisition. “In South Africa, it’s limited,” said Abbott, 60. “AngloGold has got some assets and Sibanye. It depends on whether they’re prepared to sell any of those assets. I don’t think Sibanye is a seller but AngloGold might be a seller.” Any purchase would have to have at least 1 million ounces of reserves, produce 100,000 ounces a year and bring the company’s overall costs down to $950 an ounce. Harmony produced 1.1 million ounces of gold in the year to June 30 at an all-in cost of $1,003 an ounce. Gold dropped 0.6 % to $1,329.45 an ounce at 2:16 p.m. in London. Historically, the company has been an end-of-life operator for aging mines in South Africa. That’s now coming home to roost, with six of its 14 operations reaching the end of their scheduled lives in the next six years. Masimong and Unisel “are basically mined out” while Kusasalethu needs 2.6 billion rand of capital to extend its life beyond five years, Steenkamp said.
Ounce Loss
The three closures mean Harmony will lose about 220,000 ounces, he said. Bambanani, Hidden Valley and some of its surface operations will also cease by 2022, according to the producer’s website.
As well as a future acquisition, Steenkamp plans to boost production by combining two of its mines, Tshepong and Phakisa. Together, they produced about 290,000 ounces last year. Merging them would cut costs and could raise output to 350,000 to 375,000 ounces a year, Steenkamp said. The company should be able to maintain current production for about five years, he said. “Harmony is not up against the wall like last year but it has to do something,” said Rene Hochreiter, a Johannesburg-based analyst at Noah Capital Markets (Pty) Ltd. with a buy rating on the stock. “The current gold price has provided a big windfall and they want to take advantage.”

With gold up by almost a third this year and competitors also on the prowl for acquisitions, Harmony is aware that any deal would be "fairly expensive," yet it would be a price worth paying to see the company through the mine closures and increase its ability to fund Golpu. "We can't buy at any cost," Steenkamp said. "But I'm pretty sure we'll be able to find what we want in Africa." *(By Kevin Crowley, Bloomberg)*

South Africa's Sibanye Gold Reports Jump in Profit, Raises Dividend
Results underscore turnaround in gold-mining sector's fortunes on higher prices, weak rand

South Africa's Sibanye Gold Ltd. (SGBL), the country's biggest producer of the precious metal, reported a steep rise in first-half profit, emphasizing how improved prices and a weak local currency have transformed the industry's fortunes for the better. Sibanye turned in an 85% increase in profit to 333 million South African rand ($23.7 million) in the six months to end-June on a 44% rise in revenue to 14.71 billion rand. The company, based southwest of Johannesburg, declared a first-half dividend of 85 rand cents a share, up from 10 rand cents a share at the same time last year.

Sibanye's performance was in line with better results from Sibanye's more globalized South African peers, including world No. 3 producer AngloGold Ashanti Ltd., which reported last week. The stock fell sharply in early trading, down around 9%, but remains not far from three times its level at the start of the year. The industry has struggled for years with lackluster gold prices and rising costs. South Africa's inflation rate is running at around 6% a year.

This year, a rally in bullion prices coupled with the rand's weakness against the dollar amid growing political uncertainty in South Africa, contributed to a big jump in the rand gold price.

For Sibanye, the rand gold price rose 31% in the first half to average 603,427 rand a kilogram of gold. The rand was on average 29% weaker versus the U.S. dollar during the six months ended June 30 from the same period a year earlier. Gold prices are up 25% in dollar terms year-to-date.

The company's sharply improved performance also reflected the profound restructuring of the company in recent years.

Sibanye was spun off in 2013 from three aging South African mines held by Gold Fields Ltd., a company founded by colonial pioneer Cecil John Rhodes. Chief Executive Neal Froneman has focused on reducing inefficiencies, which included cutting jobs and restructuring management, as well as changing the culture at the mines, which reduced costs significantly even as gold prices fell, while enabling management to nudge output higher this year. The company produced 746,800 ounces of gold in the first half, up 4.6 % from the same period in 2015. All-in sustaining costs fell 20% to $908 an ounce.

At the same time, Mr. Froneman has diversified Sibanye's business, borrowing to make some acquisitions. Net debt surged to 4.41 billion rand at June 30 from 1.66 billion rand six months earlier. Sibanye agreed in September to pay at least 4.5 billion rand for Anglo American Platinum Ltd.'s aged and labor-intensive Rustenburg platinum operations. The company expects permission for the mining rights transfer to be completed before the end of September. Less than a month after announcing its Rustenburg purchase, Sibanye offered $294 million for nearby mines owned by Australia's Aquarius Platinum Ltd., which has operations in South Africa and Zimbabwe. That transaction was completed in April.

The two deals will turn South Africa's largest gold producer by output into one the world's top five platinum producers as well. The latter deal gives Sibanye a foothold in Zimbabwe, home of the world's second-largest platinum reserves after South Africa. *(By Alexandra Wexler, Wall Street Journal)*

Semi-industrial and artisanal diamond mining targetted for regulation in Angola

Angolan national diamond company Endiama is drafting regulationa for semi-industrial and artisanal diamond mining in order to legalise businesses that are already in operation, said the Director for Geology. Luis Kitamba said a few days ago in Dundo that there are over 50 companies in these conditions and said that drafting regulations responds to a request from the provincial government of Lunda Norte, intended to end clashes between security forces and companies with diamond concessions. The regulations, the director told Angolan news agency Angop, allow the inclusion of young people in the businesses and to overcome the inadequacy of the process of grating licenses for artisanal mining, in terms of supervision of tax collection and combatting illegal diamond prospecting and trafficking, as the beneficiaries are nomadic. The Endiama director, who was speaking at a multidisciplinary conference on the implementation of the Mining Code, said 13 semi-industrial diamond cooperatives had been approved, four of which in that province and fifty cases relating to artisanal mining. *(Macauhub)*

OIL & GAS

Angola is the largest supplier of oil to China in July

Angola overtook Saudi Arabia and Russia last July to become the main supplier of oil to China for the first time this year, according to figures from the Chinese Customs authority. In July, China imported 4.72 million tonnes of oil from Angola, or 1.11 million barrels per day, a figure which represents annual growth of 23.3%. During the first seven months of the year, Chinese imports of Angolan oil increased 18% to 26.94 million tonnes or 923,200 barrels per day, making Angola the third largest supplier after Saudi Arabia and Russia. In July there was greater demand for oil from Angola compared to Russia due to the fact that Angolan oil make sit possible to obtain a smaller amount of light products per barrel, providing refineries with a greater amount of traditional fuels. *(Macauhub)*

Oil block in Angola has accumulated production of 2 billion barrels

The accumulated production of Block 15 in the Angolan sea has reached 2 billion barrels since it started operating in 2003, Angolan state oil company Sonangol said in a statement issued in Luanda. “Achieving these significant numbers is the result of seventeen commercial discoveries, which have made Block 15 one of the most successful offshore oil concessions in West Africa,” said the Angolan state oil company in a statement. The deepwater block’s production currently stands at about 320,000 barrels of oil per day. Block 15 covers an area of 4,144 square kilometres and is located approximately 145 kilometres west of Zaire province.

Sonangol is the concessionaire of Block 15, whose operator is Esso Angola (40%), and associated companies are BP Exploration (Angola) Limited (16.67%), ENI Angola Exploration B.V. (20%) and Statoil Angola Block 15 AS (13.33%).*(Macauhub)*

Libyan Port Resumes Crude Shipments

Deal between new unity government and militia opens way for first shipment from Zueitina port in 10 months

An oil tanker began loading crude from Libya’s Zueitina port, the first cargo about to be shipped from the terminal in 10 months, a spokesman for the country’s National Oil Co. said. A deal struck between the new Libyan unity government and a militia that controls the country’s oil ports allowed the loading to take place.

The militia, called the Petroleum Facilities Guard, had shut Zueitina and two other ports in the east over a payment dispute with the national government in Tripoli. The tanker loaded crude for the National Oil Co., which the company said it planned to ship it to a refinery in western Libya.

The resumption of loading at Zueitina is a hopeful sign for Libya’s struggling oil industry. The country’s oil exports have suffered as the country remains fractured among rival militia groups, while some of the nation’s oil infrastructure has been badly damaged by Islamic State militants. The National Oil Co. described Thursday’s loading as an emergency measure to move some of the terminal’s 3 million barrels in storage to safety. *(By Benoit Faucon and Summer Said, Wall Street Journal)*

Ghana pumps first oil from second offshore TEN field

Ghana began pumping crude from a second offshore field operated by British company Tullow Oil, hoping the additional revenue will boost its flagging economy. The Tweneboa, Enyenra and Ntomme (TEN) field expects to average around 23,000 barrels per day (bpd) in 2016, eventually reaching 80,000 bpd along with associated gas to be harnessed to ease a domestic power deficit. President John Dramani Mahama opened the valves on the $1 billion Floating Production, Storage and Offloading vessel, the Prof John Evans Atta Mills, named after Ghana's former president who died in 2012. TEN, with estimated reserves of 240 million barrels of oil and associated gas of 60 million barrels equivalent, is Ghana's second oilfield after the country's flagship Jubilee project, also operated by Tullow, which began in late 2010. The revenue from TEN is significantly less than was first anticipated when the country launched the project in 2013, owing to the slump in world oil prices... "I believe that current setbacks in the world (oil) market are temporary and we'll see a recovery soon that will give a fair price to producers," Mahama, who is seeking re-election on Dec. 7 this year, said as he opened the valve. "Its been a long journey but a fruitful one." Oil revenue is vital as Ghana battles to meet conditions set by a three-year aid programme with the International Monetary Fund that aims to bring down inflation and the budget deficit as well as stabilise the cedi currency. Ghana was considered one of Africa's hottest investment destinations in 2014, due to its exports of gold, oil and cocoa. Since then, a fall in commodity prices and a resultant fiscal crisis has slowed growth dramatically. Existing field Jubilee is currently produces 100,000 barrels of oil daily and 140 million standard cubic feet of natural gas after a 45-50 day shutdown in May. *(By Kwasi Kpodo, Reuters)*

Sonangol suspends works at the Lobito refinery in Angola

Angolan national oil compnay, Sonangol, has suspended building work at the Lobito Refinery and the Ocean Terminal of Barra do Dande to reassess the project, the state company said in a statement issued in Luanda.

The document adds that these projects are of paramount importance for the country, but Sonangol considers the measure a necessity due to the new reality facing Angola, particularly in the oil sector, which requires a thorough review of its development, phasing and financing. The public company pledged to continue to meet its contractual obligations to date and reiterated its commitment to a sustainable fuel supply to the Angolan market, taking into account improved efficiency and the company’s cost structure. The Lobito Refinery, which was due to occupy an area of 3,805 hectares, was expected to be completed in 2018, after the first stone was laid in 2012 with an estimated cost of US$5.6 billion. The refinery is designed to process 200,000 barrels of oil per day and produce fuels such as gasoline, diesel, jet fuel (Jet A1) and other derivatives. In February 2015 Sonangol announced completion, this year, of the Barra do Dande Sea Terminal, costing US$1 billion, but in March said the work would be concluded in 2017. *(Macauhub)*

Angola’s Sonangol plans to auction 18 more oil concessions

Sociedade Nacional de Combustíveis de Angola (Sonangol) plans to put up for auction 18 more Angolan offshore oil concessions, indicates the annual report of the state-held oil sector concessionaire. The bidding programme for the new concessions to negotiate with private operators, approved by the previous administration, includes six blocs in the

Congo Basin (north) and another 12 in the Namibe Basin (south). In February 2015 the Angolan government approved division of the Namibe Basin Maritime Zone into 12 blocs for future oil concessions, under terms of an executive order from the Oil Ministry cited by Lusa news agency. The document signed by Minister Botelho de Vasconcelos aims to "define and establish the division in blocs" of that offshore zone, thus enabling "future oil concessions".
The Namibe Basin Maritime Zone covers an area of more than 68,000 square kilometres off the coast of Namibe province. It is considered by experts to have high oil production potential. More recent Sonangol figures indicate that Angola now has 34 blocs available for concessions. A further 18 are in production phase and five have been meanwhile abandoned. Angola is currently Africa's top oil producer, with output of more than 1.7 million barrels per day. *(Macauhub)*

Nine of Angola's ten largest exporters are from the oil sector
Nine of Angola's ten largest exporters in the first quarter of 2016 operate in the oil sector, and the biggest exporter is state oil company Sonangol, the country's Finance Ministry said. The statement issued by the ministry said between January and March Sonangol exported the equivalent of 125.9 billion kwanzas (US$755 million) a year on year fall of 54%, reflecting the sharp decline in the international price of oil in the first three months of 2016. The only exception to the oil sector companies in the top ten list is state diamond company Sodiam, which is responsible for marketing Angolan diamonds, which in the first quarter exported cut gems worth 31.6 billion kwanzas, rising to second place. The third company on the list is the Cabinda Gulf Oil Company, a subsidiary of US oil company Chevron for oil production in Cabinda, which exported 28.3 billion kwanzas, 59% less than in the first quarter of 2015. The biggest drop among Angola's major exporters was experienced by the subsidiary of French oil company Total, which fell to tenth place, having exported 11.9 billion kwanzas, against 83.3 billion kwanzas in the same period of 2015, a decrease of 86% and the loss of the second place it occupied in the first three months of 2015.
Sonangol Pesquisa e Produção and Sonangol Distribuidora, in addition to Esso, BP and ENI were also among Angola's top ten exporters between January and March. Figures released by the Organization of Petroleum Exporting Countries (OPEC) last week show that Angola is Africa's largest oil producer. *(Macauhub)*

RETAIL

Woolworths Profit Rises as Wealthier Customers Keep Spending
Woolworths Holdings Ltd. reported full-year profit that beat analyst estimates as the South African food and clothing retailer that's expanded in Australia benefited from a more "resilient" higher-earning customer base.
Diluted headline earnings per share, which exclude one-time items, rose 8.9 % to 4.53 rand in the year ending June 26, the Cape Town-based company said in a statement. That compared with the 4.45-rand average estimate of six analysts. Sales rose 16 % to 72.1 billion rand ($5 billion), with Woolworths's food offering outperforming clothing and general merchandise. Woolworths follows Shoprite Holdings Ltd. as South African retailers reporting increased sales and profit this week, even as slowing economic growth weakens consumer confidence in their home market. Woolworths also benefited from increased revenue in Australia, where it acquired Sydney-based department-store operator David Jones for $2 billion in 2014. The shares rose 3 % to 88.03 rand by 10:28 a.m. in Johannesburg, on track for their biggest gain in a month. That pared declines for the year to 12 %, valuing the company at 92 billion rand.

The mid-to-higher income customer is "being more resilient," Chief Executive Ian Moir said in a presentation. Food sales performed "relatively strongly and we are still taking market share," he said. The company plans to invest as much as A$100 million ($76 million) in David Jones's food offering over the next three years and sees it becoming profitable in 2019, Moir said. "We've had a great run in foods and I feel now is the time to really put some of that money back and invest in price," the CEO said. "We can still take further market share, but we can only do if we maintain great value, particularly in fresh and particularly in meat."
Clothing sales suffered due to a "horrible, non-existent winter," the CEO said, yet we're performing better now the southern hemisphere has entered the spring season.
The retailer is also seeing increased competition in both South Africa and Australia with the arrival of northern hemisphere rivals, the company said. Woolworths competes mainly with Shoprite and Pick n Pay Stores Ltd. in South Africa. Woolworths raised the total dividend by 27 % to 3.13 rand per share. *(By Liezel Hill, Bloomberg)*

Wal-Mart's South Africa Unit Profit Rises as Food Sales Grow
Massmart Holdings Ltd., the South African retailer controlled by Wal-Mart Stores Inc., said first-half profit rose 19 % as increased food and liquor sales offset slower growth in its general merchandise and home-improvement businesses.

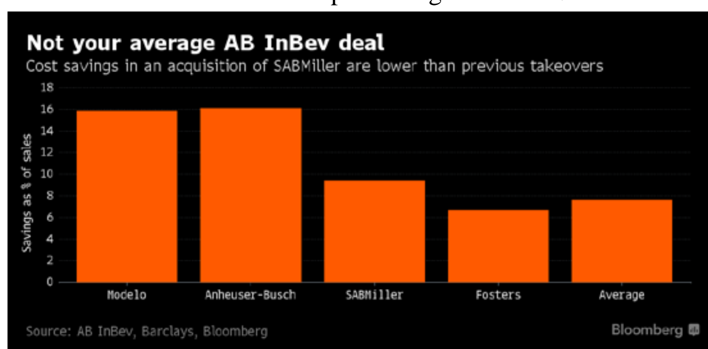
Earnings excluding one-time items rose to 321 million rand ($23 million) from 269 million rand a year earlier, the Johannesburg-based company said in a statement. Sales increased 8.7 % to 42 billion rand and the company reduced the half-year dividend by 49 % to 74.1 South African cents.
Slower economic growth and the effect of the weaker rand on the price of imports dampened consumer spending on durable goods, the company said. In contrast, food and liquor sales rose by 13 % as the company increased its market share, Chief Executive Officer Guy Hayward told reporters on a conference call. The divergence in performance reflects a "defensive economic environment where food does better than non food," he said. "Our drive into food of a few years ago is paying for itself."

'Quietly Confident'

South African retailers have wrestled this year with challenges including drought-related food-price inflation, weak domestic confidence and rising interest rates. While consumer spending is likely to remain constrained and food prices will probably rise further in the second half of the year, conditions may improve in 2017, Hayward said. "We are quietly confident about next year," he said in a presentation in Johannesburg. "But the second half of this year we think will be exceptionally tough." The shares erased declines to trade 1 % higher at 135.28 rand by 11:51 a.m. in Johannesburg, extending the year's gain to 35 %. Massmart is the best performer on the FTSE/JSE Africa General Retailers Index in 2016.
Wal-Mart, based in Bentonville, Arkansas and the world's largest retailer, bought a controlling stake in Massmart in 2011 to take advantage of African growth. Massmart's stores in the rest of Africa increased sales by 23 %, or 17 % on a constant local-currency basis, the retailer said. The company expects to open five new stores outside of South Africa in the next two years, Hayward said. *(By Liezel Hill, Bloomberg)*

AB InBev Said to Plan 5,500 Job Cuts After SABMiller Deal

Anheuser-Busch InBev NV expects to cut about 3 % of its enlarged workforce in the three years after its takeover of SABMiller Plc as it seeks to maximize savings from the combination of the world's largest brewers.
The reductions will be implemented gradually and in phases, the companies said in documents related to the acquisition published Friday 26th Aug. About 5,500 positions are likely to be eliminated, according to a person with direct knowledge of the matter, who asked not to be identified because the information is private. The job cuts will form part of the $1.4 billion of annual savings that AB InBev has said it's seeking from the takeover, equivalent to almost a tenth of SABMiller's $15 billion in annual revenue. Brewers of mass-market beer are trying to cut production and distribution costs as they lose market share to smaller independent brands in Europe and North America. SABMiller last year doubled its own savings target to $1.05 billion by 2020.
The level of savings that AB InBev is seeking from its combination with SABMiller is less than in some previous deals. It achieved cost reductions representing about 16 % of sales when it bought both Anheuser-Busch Cos. in 2008 and Mexico's Modelo in 2013. "AB InBev is known for running their breweries very efficiently and their front-of-office very efficiently," Javier Gonzalez Lastra, an analyst at Berenberg, said by phone. "They will do the same as they did at Modelo, where they found that the job that was being done at AB InBev by two people was being done by four." AB InBev shares rose 0.6 % to 112.50 at 11:56 a.m. in Brussels. The world's largest brewer said the estimate for job cuts doesn't include areas such as sales, where it hasn't made advanced plans for integration due to regulatory restrictions. The company said SABMiller's head office will be integrated into its headquarters in Leuven, Belgium, and management office in New York. *(By Thomas Buckley, Bloomberg)*



AGRIBUSINESS

AfDB President urges countries to institutionalise systems to support agriculture trade

Creating markets, developing infrastructure and providing financing for farmers are key ingredients for transforming agriculture in Africa. President Akinwumi Adesina of the African Development Bank made these remarks Saturday at the Sasakawa Symposium on "Contributing to Social security and jobs through agriculture-30 Years of Sasakawa in Africa", held at the Sixth Tokyo International Conference on African Development (TICAD VI) in Nairobi, Kenya. President Adesina noted that these factors were necessary for transforming agriculture into a wealth-creating sector, generating income opportunities for farmers in rural areas. "Governments can do this by developing agro-allied industrial zones and staple crop processing zones in rural areas. The zones, supported with consolidated infrastructure, including roads, water, electricity, will drive down the cost of doing business for private food and agribusiness firms," he emphasized.

Such zones, he noted, would create markets for farmers, boosting economic opportunities in rural areas, stimulating jobs and attracting higher domestic and foreign investments into the rural areas. "They will turn the rural areas into zones of economic prosperity," Adesina said.
Developing agro-allied industrial zones and staple crop processing zones is a core priority of the AfDB's Feed Africa Strategy for Agricultural Transformation in Africa 2016-2025. "Feed Africa", one of the Bank's High 5 priorities, aims to transform African agriculture into a globally competitive, inclusive and business-oriented sector that creates wealth, generates gainful employment, improves quality of life and secures the environment. The approach entails replicating and taking to scale, successful agricultural programs across Africa and beyond in order to fully realize their transformational impact. The Feed Africa Strategy focuses on promoting given agricultural commodity value chains along eight priority investment areas: Rice self-sufficiency; Cassava intensification; Food security in the Sahel; Transformation of the savannah; Revitalization of tree plantation; Promotion of horticulture; Wheat in Africa; and Fish self-sufficiency.
Yōhei Sasakawa, Chairman of the Nippon Foundation, which has been contributing to the Sasakawa Africa Association's (SAA) operations for 30 years as a core donor, lauded the Bank's strategy, saying it was in line with SAA's approach, which seeks to improve the livelihoods of smallholder farmers by helping them to diversify their activities to increase income. "With our support, rather than farmers relying on crop production, they are able to process their harvests and add value to their products for sale on the market," he said.
In his address, Shinzō Abe, the Prime Minister of Japan, commended the SAA for its 30-year service in Africa, while emphasizing the importance of empowering each and every farmer to make them independent. He called on governments to support farmers by offering specialised training and extension services.
The same was underlined by Nigeria's Minister of Agriculture and Rural Development, Chief Audu Ogbeh, who reiterated the significance of extension services. He regretted the low number of extension workers in his country, standing at a ratio of one extension worker to 8,000 farmers. "Farmers need support and education on new technology that will help them to reap maximum benefits from their farms," said Ogbeh.
Minister Ogbeh underscored the necessity of interesting youth in agriculture, in a continent experiencing a high youth unemployment rate.
The AfDB's "Empowering Novel Agri-Business-Led Employment for Youth in African Agriculture (ENABLE Youth)" initiative was cited as a relevant approach targeting youth in agriculture. It aims at promoting youth entrepreneurship in agriculture and agri-business.
Under the Program, the Bank will train the next generation of agriculture entrepreneurs, also referred to as 'agripreneurs'. The investment required under the ENABLE Youth program to provide 10,000 youth agribusinesses per country is US $0.5 billion, translating to about US $12.5 billion in 25 countries. If each enterprise creates five additional employees, this would amount to a minimum of 2.5 million and up to 5 million jobs. Each agripreneur is expected to receive a US $50,000 loan from pre-qualified commercial banks, who enter into risk sharing arrangements with the ENABLE Youth country programme. *(AFDB)*

AfDB and Sasakawa Africa Association sign MOU to boost agriculture in Africa
The African Development Bank (AfDB) has signed a Memorandum of Understanding with Sasakawa Africa Association (SAA) to promote agriculture and agri-business in Africa. The MOU was signed on August 27, 2016, during the Sasakawa Symposium on "Contributing to Social Security and Jobs through Agriculture: 30 years of Sasakawa in Africa", held at the Sixth Tokyo International Conference on African Development (TICAD VI) in Nairobi, Kenya.. Chiji Ojukwu, the Director of AfDB's Agriculture and Agro-industry Department, signed the MOU together with Ruth Oniang'o, Chairperson of the Sasakawa Africa Association. Under the MOU, the AfDB and SAA will collaborate on commercialisation of smallholder agriculture and food security; gender empowerment for better participation in economic development; private sector development; as well as youth engagement in agribusiness.
Already the Bank is rolling out its ENABLE (Empowering Novel Agri-Business Led Employment) Youth initiative, in partnership with the International Institute of Tropical Agriculture (IITA). The program seeks to bolster youth entrepreneurship in agriculture and agri-business. The initiative will see the Bank train the next generation of agriculture entrepreneurs, also referred to as 'agripreneurs' in several countries, and provide them with seed money through banks to finance their business plans. *(AFDB)*

Companhia do Sena plants stevia in Mozambique to increase sugar production
Companhia do Sena, a sugar company based in Marromeu district, in the Mozambican central province of Sofala, will start planting stevia (Stevia rebaudiana) to complement sugarcane, the company’s managers said. The officials told the President of Mozambique, who was visiting the district as part of a four-day trip to Sofala province starting on Monday 29th August, planting stevia is intended to diversify the crops that supply the factory.
Stevia is a plant from South America whose leaf is 10 to 20 times sweeter than cane sugar and “steviol” extract (a white powder, made from the essence of its leaves) is up to 300 times sweeter. The sweetener extracted from the plant can be consumed by diabetics, is calorie-free, does not change blood sugar levels, is non-toxic and inhibits dental plaque and caries. Kenya is the largest producer of this plant in Africa, and the leaves are sent to China, the only country with

manufacturers specialised in extracting the sweet molecules, according to Mozambican daily newspaper Notícias. The managers of Companhia do Sena also reported that the company already has six hectares reserved for stevia planting, and the area is likely to be expanded to 50 hectares to provide four annual harvests. *(Macauhub)*

Green Resources will produce pulp for paper in Mozambique

Norwegian company Green Resources will start producing pulp in Mozambique from 2018 in order to feed the paper industry, Arlito Cuco, a company official, told daily newspaper Notícias.

Green Resources, along with Florestas do Niassa, explores 24,000 hectares in the districts of Chimbonila, Majune, Muembe, Lago and Sanga, in the northern province of Niassa.

The company will also produce poles for power transmission lines and telecommunications, reducing the costs of imports. It already has a factory in the city of Lichinga running on an experimental basis for processing the poles.

Industrial production of pinewood and eucalyptus poles is due to start in 2017 and, according to the Green Resources business plan, the domestic market will be a priority to replace imports that are currently brought in from South Africa, Zimbabwe and Swaziland.

The company currently employs 860 workers in various tasks and, according to Cuco, the number of staff is expected to increase to about 1,500 people when it starts processing the wood for furniture and posts. Green Resources is one of the largest forestry companies in Africa, with 41,000 hectares of forest in Mozambique, Tanzania and Uganda and operating the largest sawmill in Tanzania and charcoal production units in all three countries. *(Macauhub)*

Algeria cereal crop seen down 40 pct after drought –farm union

Algeria's cereal crop is expected to drop by 40 % this harvest after the worst drought in decades, the head of the country's farmers' union said. The fall in cereal output comes as OPEC member Algeria seeks to reduce imports to offset a sharp decline in its energy earnings that has hit state finances.

Drought has mainly affected the southern provinces of the North African nation, where agriculture relies heavily on rainfall due to its underdeveloped infrastructure, the farmers' union chief Mohamed Alioui told Reuters. "This was the worst drought in about 50 years," he said. Output in the central areas was weak but better in the east, he added. "Overall production has fallen by around 40 %. Imports are likely to increase next year by the same level to offset the domestic output drop," Alioui said.

The harvest campaign is over and final figures on production will be available within days, he said. Algeria's cereal imports reached 9.25 million tonnes in 2015 after weak domestic output of 3.77 million tonnes in the previous year. It imports mainly soft wheat, with France the top supplier. The cereal harvest rose 14.3 % to 4 million tonnes in 2015. The agriculture ministry is hoping to increase wheat and barley output to 6.7 million tonnes by 2019, as part of a plan to cut food imports.

To reach that goal, the government has been providing financial incentives to farmers, including interest-free loans. The government plans to raise total the irrigated area to 2 million hectares from 900,000 hectares now. The share of irrigation for cereals is expected to reach 600,000 hectares in 2019, up from 60,000 hectares currently. "Cereal production was excellent in irrigated areas," Alioui said.

Government measures to boost crops coincided with a fall in energy earnings, which account for 60 % of the state budget and 95 % of total exports. With the oil price starting to fall in mid-2014, Algeria took its first steps to reform the farming sector by opening it up to foreign firms willing to invest in grain, vegetables and fruit farms. *(by Hamid Ould Ahmed, Reuters)*

Nestlé considers manufacturing Nescafé products in Angola

Nestlé Angola is considering a project for production of Nescafé branded coffee and drinks for domestic consumption and for export, said the president of the Angolan subsidiary of the Swiss group.

Wibart Wit told Angolan news agency Angop that some meetings have been held with the Angolan government for the plans to be put in place, as part of the economic diversification project underway in Angola.

"We are assessing the situation in many countries in Africa and beyond and how Nestle can help the development and diversification of the economy," said Wibart Wit, adding that in the case of Angola Nescafé products are still imported given that there is not enough coffee to meet demand.

"For this reason we are thinking about supporting farmers, particularly through sector technicians, so that per hectare yield can increase along with the quality of the final product," said the president of Nestlé Angola.

Wibart Wit said that once production has increased the company is prepared to buy the coffee and, in addition to production for local consumption, it will export the product to other group factories.

In the 2014/2015 agricultural season Angola produced just over 12,000 tonnes of coffee, which was less than the amount the country produced in 1975, before independence. The crop was consumed by the domestic market as well as markets in Asia, America and Europe. *(Macauhub)*

UPCOMING EVENTS

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

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

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

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

Africa Hotel Investment Forum Rwanda 5-6 October 2016 Radisson Blu Hotel & Convention Center - Kigali, Rwanda
http://www.africa-conference.com/rwanda/

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

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

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

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

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

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Disclosures

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

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

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

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

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