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INSIDE AFRICA

Now is the time to invest in Africa

EAGLESTONE SECURITIES

CONTENTS

In-Depth:

- Africa Still Poised to Become the Next Great Investment Destination........2
- IMF Extends Support for Senegal's Plan to Be Emerging Economy........3
- Mozambique: Country Outlook........5

SOVEREIGN RATINGS........6

IMF, WORLD BANK& AFDB........8

INVESTMENTS........10

BANKING

Banks........14

Markets........15

Funds........16

Tech........17

INFRASTRUCTURE........18

ENERGY........20

MINING........21

OIL & GAS........23

TELECOM........24

AGRIBUSINESS........27

MARKET DATA........31

UPCOMING EVENTS........32

BRIEFS

Angola
- Angola's CPI rises to 8.86 pct y/y in May
- Angola's central bank raises key interest rate to 9.75 pct
- Angola applies 10 pct charge to bank transfers abroad
- AccorHotels steps up Africa expansion with Angola deal

Botswana
- Botswana firm plans solar power plant to produce up to 200 MW

Egypt
- Egypt's economy grew at 3% in third quarter of 2014/2015
- National Bank of Egypt picks banks for potential benchmark bond

Ivory Coast
- Ivory Coast nationalises three mobile operators over back taxes
- Ivory Coast needs $20 billion in power investment

Kenya
- AfDB loans Equity Bank Sh15bn for SME lending
- Kenya's Lake Turkana Wind Power eyes Sept 2016 for first output
- Kenya Is Hiring McKinsey to Help Unlock Its Mining Potential

Malawi
- Malawi aims for $16 bln in potential investment from summit

Mozambique
- Mozambique in good shape but must control state firms: IMF
- ADB wants to deepen cooperation with Mozambique
- British company buys license to mine for gold in Mozambique
- Mozambique stands by state guarantees for $850 mln 'tuna bond'

Nigeria
- Nigeria's Transcorp to spend $1.575 bln to boost power capacity by 2018
- Nigeria's Forte Oil says Siemens to upgrade power plant

Uganda
- Tullow pays $250 mln to settle Uganda tax dispute out of court
- Tullow to pay Sh10bn tax in Uganda
- Uganda coffee exports fall 8 pct in May y/y: regulator

Zambia
- Zambia Sugar in $60m pact

Zimbabwe
- Zimbabwe state asset manager takes up $100 mln in bad loans
- Zimbabwe FDI inflows up 36pct to $545mln in 2014 on mining, infrastructure
- Rio Tinto sells stakes in Zimbabwe assets
- French group plans to commission 2,000MW Zimbabwe thermal plant by mid-2019

In-depth:
Africa Still Poised to Become the Next Great Investment Destination

The commodities boom may be over, but sub-Saharan Africa is still experiencing growth, a remarkable fact considering that the continent is a net exporter of primary commodities. By adopting sound macroeconomic policies over the past two decades and sector reforms, many African economies have already shown that they can sustain a trajectory of economic growth and beat the “resource curse.”

Despite considerable external challenges, African countries are now seeking to demonstrate that they can weather the end of the commodity super-cycle and achieve more sustainable and inclusive growth by diversifying their economies, boosting productivity and adopting policies that aid the poor. Five African countries were among the top ten improvers globally in the 2015 Doing Business rankings for 2013/14. Overall, Africa accounted for the largest number of regulatory reforms—75 of the 230 worldwide.

The continent has become the second most attractive investment destination in the world – ranking just behind North America — as investors are looking beyond the more established markets of South Africa, Nigeria and Kenya. Increased investment and industrialization will help to unlock the potential for job creation and poverty reduction in African countries.

Foreign direct investment (FDI) in the region has hit a record $60 billion, five times its 2000 level. For example, Chinese FDI to Africa rose to $3.5 billion in 2013, and nearly all African countries are benefiting from China’s participation. In Ethiopia, total FDI inflows in 2013 accounted for 2 % of GDP. Intra-African investment is also on the rise, creating a virtuous circle that encourages greater foreign investment. Investors in Africa nearly tripled their share of FDI projects over the last decade, from 8 % in 2003 to 22.8 % in 2013.

The reason for this trend is simple. The world’s eyes are turned toward Africa’s market of one billion people, including a growing middle class. Investors also see significant opportunities to invest in Africa’s non-commodities sectors: financial services, construction and manufacturing now account for 50 % of Chinese FDI in Africa. And while to date relocation of manufacturing is relatively limited, the potential is significant.

With rising production costs in Asia, manufacturers have been looking at countries such as Ethiopia, Kenya and Rwanda. Today, China, Turkey and India are the top three job creators in Africa’s manufacturing sector. In an industrial zone outside Addis Ababa, the Chinese-owned Huajian factory — which opened in 2012 and became profitable in its first year of operation—reportedly plans to expand its workforce to 30,000 as part of a $2-billion investment, one more indication that “made in Ethiopia” could become the next “made in China.” But can Africa become a global outsourcing hub? Only if the right conditions are in place.

Africa needs a skilled labor force. The sub-Saharan region will see more people joining the labor force in the next 20 years than the rest of the world combined. How will Africa reap the benefits of this demographic transition? The burgeoning working-age population will need to be gainfully employed, and significant investments must be made to support education and provide this “youth bulge” with the necessary skills to meet market demands.

To that end, African countries and institutions are stepping up efforts to close the skills gap and capitalize on growing FDI flows to build greater technological capability, enroll more students in science and technology disciplines, and strengthen science and mathematics education at all levels. The ratio of scientists and researchers in sub-Saharan Africa stands at just 79 per million population, compared to a world average of 1,081 per million. Similarly, only 22 % of African university graduates are emerging with degrees in the “STEM” disciplines, compared with a 40 % ratio in China.

To equip young people with the skills needed to sustain Africa’s decade of economic growth, 19 regional Centers of Excellence have been created in Western and Central Africa with World Bank support, and more are on the way. And this month, the Governments of Senegal, Rwanda and Ethiopia have partnered with business leaders to launch a regional innovation fund that will support 10,000 scientists. Vocational education geared to the demands of the private sector, another strategic priority, could also be addressed by establishing “school-based factories” and “factory-based schools.”

Africa still needs a more conducive investment climate. This will require not only lowering transport and energy costs, but also eliminating formal and informal barriers to trade; increasing the flexibility of labor markets; and ensuring effective competition policies. By improving its regulatory structure for business, Rwanda — a country lacking natural resources — has seen its FDI increased more than threefold in the past five years. Increasingly sophisticated regional and global manufacturing supply chains demand cross-border predictability, transparency, reliability and accountability.

Sub-Saharan Africa’s activity stands at 2 % of total world trade, even though trade flows have expanded by 10 % per year since 2000. The African Union’s Comprehensive Free Trade Agreement and single air-transport market, both to be in effect by 2017, place regional integration and trade at the center of the continent’s progress. The good news? Africa is one of the most integrated regions in the world, ranking behind only Europe and Southeast Asia for economic integration.

Africa needs infrastructure. Although Africa is considered the next frontier for investors, future growth will depend on productivity increases and higher private investment to bridge the infrastructure gap. Sub-Saharan Africa, where infrastructure financing needs are estimated at $93 billion a year for the next decade, won’t be able to compete with other regions without roads and universal access to electricity, as well as enhanced ICT. In a region with limited

participation in global trade, road freight moves no faster than a horse-drawn cart, and major ports are chronically choked due to lack of capacity. As trade volumes increase, demand for container traffic will increase by an average of 6 to 8 % over the next 30 years according to the African Development Bank. Inadequate power supply remains the most serious infrastructure challenge. Regular power outages cost the African economy as a whole between 1 and 4 percentage points of GDP. Further, only one in three Africans has access to electricity, and those with power access typically pay up to seven times more than consumers elsewhere.

It is estimated that China's investment in its own physical capital may account for 50 % of China's growth over the past few decades. Today, two-thirds of roads in China are paved, compared with one-third in Senegal and just 7 % in Kenya.

At present, the concentration of investments in relatively short-term maturities reflects investors' reluctance to engage in sectors such as infrastructure, where the returns are spread over a longer time frame, yet the rate of return on foreign investment is higher in Africa than in any other developing region. Right now, all the multilateral development banks together make up about 5 to 10 % of the overall annual spending in infrastructure.

Africa needs agribusiness. It is also time to accelerate the continent's progress in boosting agriculture productivity and promoting growth in the places and sectors where the poor live and work. Agriculture still employs 60 to 70 % of the workforce but accounts for less than 20 % of total value-added. Despite substantial policy commitments, productivity in the agriculture sector remains disappointing. Supporting smallholders through investments in improved technologies, rural financial services and better access to markets is vital. Agriculture and agribusiness are expected to become a $1-trillion industry by 2030. Kenya is now the third-largest exporter of cut flowers in the world, with the industry employing more than 500,000 people. According to the Kenya National Bureau of Statistics, the floriculture industry exported 136,601 tons of product in 2014 and now accounts for 1.3 % of the country's GDP. But Kenya is adding more than half a million people to the labor force every year, so massive job creation is required.

To boost responsible investment on the continent, the government of Ethiopia, China Development Bank (CDB), the World Bank Group (WBG), and the United Nations Industrial Development Organization (UNIDO) have joined forces to host the "Investing in Africa Forum," in Addis Ababa on June 30 and July 1. Policy makers, development partners, and foreign and local private investors will discuss what it will take to make Africa the next great investment destination.

The bottom line? It will take partnerships between governments and the private sector, between African countries and their neighbors, between Africa and non-neighbor countries, and between Africa and its development partners. Africa has a unique opportunity to attract strategic, job-creating investment. The time for action is now.

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IMF Extends Support for Senegal's Plan to Be Emerging Economy

- National plan aims to make Senegal emerging economy, regional hub
- Authorities' new three-year macroeconomic program backed by IMF
- Success hinges on robust efforts to implement reforms envisaged by plan

The IMF's Executive Board renewed its support for Senegal's economic and financial policies by approving a third straight endorsement of the West African nation's policy program.

The authorities' new three-year program underpins Senegal's longer-term goal of attaining emerging-economy status by 2035.

The IMF Board approved on June 24 a new three-year Policy Support Instrument for Senegal. The Policy Support Instrument supports low-income countries that do not want—or need—IMF financial assistance but seek to consolidate their economic performance with IMF monitoring and support. The instrument helps countries design effective economic programs that, once approved by the IMF Board, deliver clear signals to donors, multilateral development banks, and markets of the IMF's endorsement of the strength of a member country's policies. Senegal's new economic program is designed to help achieve the goals of the country's overarching plan for the future. The "Plan Sénégal Emergent" is the authorities' blueprint to help Senegal exit the trap of low growth and high poverty of past years. It intends to make Senegal a hub for West Africa by achieving high rates of equitably shared economic growth.

Ambitious yet realistic program

The authorities' goals of sustained growth rates of more than 7 % (see Chart 1) and of making Senegal a regional hub, underpinned by reforms envisaged by the plan, are achievable provided reforms are successfully implemented.

Chart 1

Achievable target

The Senegal authorities' target of sustained economic growth rates of more than 7 percent is achievable provided reforms are successfully implemented.
(GDP growth, percent)

Sources: Senegal authorities; and IMF staff calculations.

Hitting the plan's growth targets would allow appreciable progress in improving living standards and reducing poverty. Early signs indicate positive momentum toward plan goals, thanks to progress in reform implementation and favorable external factors. However, more remains to be done to solidify this momentum, IMF staff said in its recent report on Senegal's economy.

The Policy Support Instrument approved by the IMF has the overriding goal of macroeconomic stability through accelerated and sustained growth aimed at reaching higher living standards and thus reducing poverty. The instrument also meshes with the authorities' objectives of

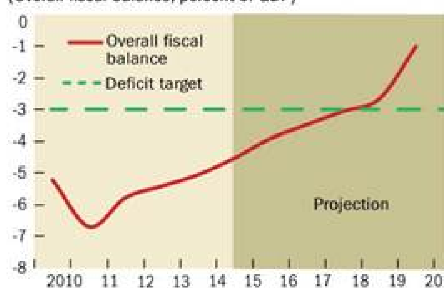
- Achieving high, sustainable, and inclusive growth;
- Preserving macroeconomic stability through prudent fiscal policy;
- Strengthening institutions and reforming the state;
- Improving the business climate and governance; and
- Building human capital and social protection.

In 2015, Senegal's fiscal deficit will be contained to 4.7 % of GDP. Sustained efforts to scale back current spending and to improve mobilization of tax revenues would allow reducing the budget deficit to 3.6 % by 2017 (see Chart 2).

Chart 2

Deficit efforts

Sustained efforts to scale back Senegal's current spending and to improve mobilization of tax revenues would allow reducing the budget deficit to 3.6 percent of GDP by 2017.
(Overall fiscal balance, percent of GDP)



Sources: Senegal authorities; and IMF staff calculations.

Fiscal deficit goal

The authorities' goal is to achieve the West African Economic and Monetary Union convergence criterion of a fiscal deficit of 3 % of GDP by 2018. Public debt would not exceed 56 % of GDP during the program period in the long run, which is consistent with a low risk of debt distress.

Key structural reforms aim at creating the fiscal space of investment related to the national plan, making delivery of public services more efficient, improving the impact of public spending through public financial management reforms, containing public consumption to generate the fiscal space for investment in human capital and public infrastructure, and strengthening social safety nets.

The three-year program also aims at improving the business climate, and at structural reforms to attract foreign investment and increase private investment. It also calls for constraining public consumption and increasing public savings to generate fiscal space for higher public investment in human capital and public infrastructure.

New elements

The new program supported by the Policy Support Instrument is the third of its kind. Two previous programs, implemented in 2010–14 and 2008–10, broadly achieved their macroeconomic objectives and helped preserve macroeconomic stability, but structural reforms lagged behind and weighed heavily on growth.

Four elements stand out in making the new program different from its predecessors.

- **Strong ownership and national traction.** The Plan Sénégal Emergent is firmly owned by the government—the president and finance minister were personally involved in its design—and shares broad popular support in the country. Strengthened ownership and improved accountability would contribute to improved outcomes. The Policy Support Instrument will help achieve the goals of the authorities' development strategy.
- **Innovative policy instruments**. The program requires a good feasibility study before budgetary funds are released for new investment and this should improve investment efficiency—which is critical for growth. The debt anchor fixes debt accumulation to a preannounced five-year path and requires, in cases of deviation, that the path is regained within the next four years. This would help preserve debt suitability.
- **Modern program design**. The macroeconomic framework underlying the program will be based on the most advanced standard of presentation of fiscal accounts. Key assessment criteria will be calculated and monitored based on this new internationally accepted standard, for the first time in any West African country. This is an important step toward greater transparency and accountability and will strengthen investor confidence.
- **Program support through peer learning.** With full clarity on what needs to be done, the authorities have taken an unconventional step to learn how to implement the needed reforms. With help from the IMF, they organized a series of peer learning events with senior officials from Cape Verde, Mauritius, and Seychelles who have themselves implemented the reforms needed in Senegal. Such peer learning provides new form of hands-on assistance on key reforms. The next workshop will focus on public-private partnerships and involve South Africa and Mauritius, among other countries. Another workshop on delivery units, with the World Bank and the possible involvement of the United Kingdom, Malaysia, Mauritius, and South Africa will follow.

Navigating the risks

The ambitious goals enshrined in Senegal's national plan are achievable if the reforms are successfully implemented. The risks to the new Policy Support Instrument program are significant but manageable.

Slower-than-envisaged implementation of reforms to curb unproductive public consumption and delays in raising expenditure efficiency may endanger the planned fiscal consolidation. Failure of tax reform aimed at improving incentives may lead to revenue shortfalls with excessive borrowing, and compromise debt sustainability. Delays in structural reforms, in particular in public financial management and in the energy sector and banking sectors, may reduce growth.

The risks to the program are not only home based. Continued volatility in oil prices may affect revenue targets and subsidies. Spillovers from regional shocks, including Ebola and extremism, may become more pronounced. Weather conditions can affect agriculture, and slower growth in trading-partner countries may reduce demand for Senegal's exports.

The authorities intend to mitigate these risks and navigate the headwinds with sound macroeconomic policies, including the use of a debt anchor and the expansion of precautionary reserves; guidance from peers; and continued policy advice from the IMF. *(IMF)*

Mozambique: Country Outlook

POLITICAL STABILITY: The long-standing ruling party, Frente de Libertação de Moçambique (Frelimo), is set to remain dominant in 2015-19 under the leadership of the president, Filipe Nyussi. Mr Nyussi's election as Frelimo's leader in early 2015--replacing the outgoing state president, Armando Guebuza--has in effect completed the transition of power. Previously a low-profile politician, the new president has in his first months in power emerged as a more decisive leader than many expected.

ELECTION WATCH: Frelimo won the October 2014 national elections, benefiting from a well-oiled party machine, strong financial position, opposition fragmentation and influence over state institutions and media. Mr Nyussi secured the presidency with 57% of the vote, and the party retained a comfortable--albeit diminished--majority in parliament. The polls also mark a dramatic comeback for the main opposition party and former rebel group, Resistência Nacional Moçambicana (Renamo), and its leader, Afonso Dhlakama, after a decade during which support waned. The next national elections are due in 2019. Given the advantages of incumbency, Frelimo is set to be the front-runner, but the opposition parties are likely to build on their parliamentary gains. Regional disparities in electoral politics are expected to persist, with Frelimo overwhelmingly dominant in southern provinces but opposition support stronger in the centre and north, as well as, increasingly, among younger urban voters.

INTERNATIONAL RELATIONS: Amid growing donor concerns about standards of governance in Mozambique and bolstered by the country's natural resources potential, the government will continue to reduce the country's dependency on aid. Foreign policy will focus on reaching out to new partner countries, with the aim of offsetting falling aid flows with rising revenue from investment in the mining and energy sectors. Investment from Brazil, India, Australia and China will strengthen ties with those countries, with China also becoming a major creditor to the Mozambican state. Sizeable gas reserves will attract more foreign investors, especially among Asia's major gas-importing countries. Meanwhile, ties with Mozambique's main historical partner, Portugal, will also remain strong, underpinned by long-standing commercial and personal links. Friction with neighbouring South Africa, Mozambique's main trading partner, is likely to persist in the short term, following recent xenophobic attacks on Mozambicans in South Africa and a backlash against South Africans in Mozambique. Nevertheless, given the economic importance of South Africa, the government will try to avoid prolonged confrontations that could have an adverse economic impact.

POLICY TRENDS: The government's overarching economic policy goal remains to promote inclusive growth and poverty reduction as the economy moves towards the exploitation of natural resources.

Challenges include bridging infrastructure gaps, fostering linkages between the resources sector and the rest of the economy and enhancing the quality of education, all of which are necessary to ensure that the benefits of natural resources are widely spread. The government will also attempt to boost productivity in manufacturing and agriculture, although progress will be stymied by labour market rigidities, poor rural infrastructure and limited access to markets. Despite resistance from vested interests, the government will continue to make efforts to improve the country's framework for private-sector participation.

ECONOMIC GROWTH: The Economist Intelligence Unit expects buoyant and relatively broad-based economic growth in 2015-19. The rate of real GDP growth will, however, dip slightly in 2015, to 7%, from an estimated 7.5% in 2014, as a result of heavy floods at the start of the year and lower government spending. Thereafter, real GDP growth is forecast to pick up to an annual average of 7.4% in 2016-18, driven by investment in the mining and energy sectors, before moderating slightly to 7% in 2019, as growth in investment eases and uncertainty picks up ahead of the 2019 elections. Despite subdued global oil prices over the past year, Anadarko (US) and Eni (Italy) remain committed to their plans to develop liquefied natural gas (LNG) export facilities in the country. We expect construction to start during the forecast period, probably in late 2016, but caution that there are a number of yet to be resolved issues--such as the signing of binding sales contracts--which could extend this timeline. Even if an investment decision is made this year (in line with investor targets), with delays in infrastructure development likely, LNG production will probably not start

until 2020 at the earliest. Worse than forecast demand in Europe, or a sharper than expected economic slowdown in China, could also hamper growth in Mozambique's existing export sectors.

INFLATION: Inflation, as measured by the consumer price index in the capital, Maputo, will remain subdued throughout 2015-19.

Inflation has averaged just 0.6% in the first five months of 2015, but taking seasonal factors into account, we expect food prices to pick up in the latter part of the year. Average annual inflation is therefore forecast at 2.8% in 2015, up from 2.3% in 2014, as the metical's depreciation and an increase in electricity tariffs offsets the effects of low food and fuel prices. In 2016-19 inflation will fluctuate around an annual average of 4.8%, helped by a relatively weak South African rand, which will contain imported inflation. Major disruptions to the food supply could lead to upward revisions to this forecast.

EXCHANGE RATES: The metical depreciated sharply against the US dollar in late 2014 and early 2015, losing 13.4% of its value between September and end-April. Downward pressure on the metical is a reflection of Mozambique's large fiscal and current-account deficits, but also of an increasingly strong US dollar and weak commodity prices. An anticipated tightening of monetary policy in the US in the third quarter of 2015 will exacerbate downward pressure on the metical. As a result, we expect the metical to fall to an average of MT35.7:US$1 in 2015. In line with Mozambique's sizeable twin deficits, the metical will drift down further during the remainder of the forecast period, to an average of MT37.8:US$1 in 2019. Notably, the metical will remain reasonably strong against the South African rand in 2015-19, with the South African currency expected to perform worse than the metical against the US dollar.

EXTERNAL SECTOR: Mozambique will continue to post large current-account deficits in 2015-19. The deficit will narrow slightly this year--to 32.8% of GDP, down from an estimated 35.4% of GDP in 2014--as lower oil prices bring down the import bill.

The deficit will edge back up in 2016 before stabilising over the remainder of the forecast period, reaching 34.1% of GDP in 2019. Robust export growth will be outpaced by the rise in the import bill, given the rebound in global oil prices, continuing currency depreciation and rising capital goods imports for the mining and energy sectors. Coal will be the major driver of export growth, overtaking aluminium as the country's largest export in 2016, by which time the new Tete to Nacala coal railway, with a capacity of 11m tonnes/year, will be fully operational. Nonetheless, the coal sector's performance will remain below its potential owing to depressed prices and ongoing infrastructure constraints. Gas is set to become a major export, but not until beyond the outlook period. *(Economist Intelligence Unit)*

SOVEREIGN RATINGS

Eurozone

	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
06-07-2015	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Austria	Aaa	AA+	AA+	P-1	A-1+	F1+
Belgium	Aa3	AAu	AA	NR	A-1+u	F1+
Cyprus	B3	B+	B-	NP	B	B
Estonia	A1	AA-	A+	NR	A-1+	F1
Finland	Aaa	AA+	AAA	NR	A-1+	F1+
France	Aa1	AAu	AA	NR	A-1+u	F1+
Germany	Aaa	AAAu	AAA	NR	A-1+u	F1+
Greece	Caa3*-	CCC-	CC	NP	C	C
Ireland	Baa1	A+	A-	P-2	A-1	F1
Italy	Baa2	BBB- u	BBB+	P-2	A-3u	F2
Latvia	A3	A-	A-	NR	A-2	F1
Lithuania	A3	A-	A-	NR	A-2	F1
Luxembourg	Aaa	AAA	AAA	NR	A-1+	F1+
Malta	A3	BBB+	A	NR	A-2	F1
Neherlands	Aaa	AA+u	AAA	P-1	A-1+u	F1+
Portugal	Ba1	BBu	BB+	NR	Bu	B
Slovakia	A2	A	A+	NR	A-1	F1
Slovenia	Baa3	A-	BBB+	NR	A-2	F2
Spain	Baa2	BBB	BBB +	P-2	A-2	F2
United Kingdom	Aa1	AAAu	AA+	NR	A-1+u	F1+

Sources: Bloomberg, Eaglestone Advisory

North and South America - Asia

06-07-2015	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Argentina	Ca	Sdu	RD	NR	Sdu	RD
Australia	Aaa	AAAu	AAA	NR	A-1+u	F1+
Brazil	Baa2	BBB-	BBB	NR	A-3	F2
Canada	Aaa	AAA	AAA	NR	A-1+	F1+
China	Aa3	AA-	A+	NR	A-1+	F1
Colombia	Baa2	BBB	BBB	NR	A-2	F2
Hong Kong	Aa1	AAA	AA+	NR	A-1+	F1+
India	Baa3	BBB-u	BBB-	NR	A-3u	F3
Japan	A1	AA-u	A	NR	A-1+u	F1
Macau	Aa2	NR	AA-	NR	NR	F1+
Mexico	A3	BBB+	BBB+	WR	A-2	F2
Singapore	Aaa	AAAu	AAA	NR	A-1+u	F1+
Uruguay	Baa2	BBB	BBB-	NR	A-2	F3
Venezuela	Caa3	CCC	CCC	NR	C	C
United States	Aaa	AA+u	AAA	NR	A-1+u	F1+

Sources: Bloomberg, Eaglestone Advisory

Region - Africa/Middle East

06-07-2015	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Angola	Ba2	B+	BB-	NR	B	B
Bahrain	Baa3	BBB-	BBB-	NR	A-3	F3
Benin	NR	NR	WD	NR	NR	WD
Botswana	A2	A-	NR	NR	A-2	NR
Burkina Faso	NR	B-	NR	NR	B	NR
Cameroon	NR	B	B	NR	B	NR
Cape Verde	NR	B	B	NR	B	B
Egypt	B3	B-	B	NR	B	B
Emirate of Abu Dhabi	Aa2	AA	AA	NR	A-1+	F1+
Ethiopia	B1	B	B	NR	B	B
Gabon	Ba3	B+	B+	NR	B	B
Ghana	B3	B-	B	NR	B	B
Iran	NR	NR	NR	WR	NR	NR
Israel	A1	A+	A	NR	A-1	F1
Ivory Coast	B1	NR	B	NP	NR	B
Jordan	B1	BB-	NR	NR	B	NR
Kenya	B1	B+	B+	NR	B	B
Kuwait	Aa2	AA	AA	NR	A-1+	F1+
Lebanon	B2	B-	B	NP	B	B
Lesotho	NR	NR	BB-	NR	NR	B
Libya	NR	NR	WD	NR	NR	WD
Mali	NR	NR	WD	NR	NR	NR
Mauritius	Baa1	NR	NR	NR	NR	NR
Morocco	Ba1	BBB-	BBB-	NR	A-3	F3
Mozambique	B1	B	B+	NR	B	B
Namibia	Baa3	NR	BBB-	NR	NR	F3
Nigeria	Ba3	B+	BB-	NR	B	B
Oman	A1	A-	NR	NR	A-2	NR
Qatar	Aa2	AA	AA	NR	A-1+	F1+
Republic of Congo	Ba3	B	B+	NR	B	B
Republic of Zambia	B1	B	B	NR	B	B
Rwanda	NR	B+	B+	NR	B	B
Saudi Arabia	Aa3	AA-	AA	NR	A-1+	F1+
Senegal	B1	B+	NR	NR	B	NR
Seychelles	NR	NR	B+	NR	NR	B
South Africa	Baa2	BBB-	BBB	P-2	A-3	F3
Tunisia	Ba3	NR	BB-	NR	NR	B
Uganda	B1	B	B+	NR	B	B
United Arab Emirates	Aa2	NR	NR	NR	NR	NR

Sources: Bloomberg, Eaglestone Advisory

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

IMF, WORLD BANK & AFRICAN DEVELOPMENT BANK

Zambia's capital city to receive US $50 million for sustainable urban sanitation

The Board of Directors of the African Development Bank (AfDB) Group on June 24, 2015 approved a loan of US $50 million to finance the Lusaka Sanitation Program targeted at Lusaka, the capital city of Zambia. The Executive Directors, in approving the loan, expressed their satisfaction with the innovative approach in addressing the challenges of sanitation particularly among the poor in informal settlements. They urged the African Development Bank's Water and Sanitation Department to capture the lessons and share them with other regional member countries.

The program will deliver improved public health by improving access to climate-resilient sanitation and hygiene services to the peri-urban areas where the majority of the urban poor reside and also strengthen Lusaka Water and Sewerage Company's management, institutional capacity and sustainability of sanitation services, the agency to implement the program.

With over 600,000 beneficiaries in the capital city, of whom 52% are women, the program will address a crisis in sanitation that is costing Zambia 1.3% of its GDP per year. Lusaka, with its high urbanisation rate, is the region hardest hit by poor sanitation with annual outbreaks of water-borne diseases.

Speaking after the Board's approval of the program, Mohamed El Azizi, Director for the Bank's Water and Sanitation Department, said, "The economic burden of inadequate sanitation falls most heavily on the poor who are most likely to have inadequate sanitation facilities. Therefore, the Bank's intervention will result in residents gaining better health from improved environmental and sanitary conditions; especially those in peri-urban areas where most of the urban poor are residing". He added that special focus will be given to vulnerable households within the project area.

To ensure sustainability of the intervention, the program brings together key stakeholders and actors in the implementation of activities including the Lusaka City Council, Ministry of Health, Ministry of Education, Ministry of Local Government, development partners and various non-governmental organizations already involved in sanitation provision in the project area.

In addition, as part of the program to ensure sustainability of the proposed infrastructure, training and capacity building of Lusaka Water and Sewerage Company personnel has been incorporated to better operate and maintain the expanding sewerage infrastructure. El Azizi, emphasized that "This program addresses the broader questions of inclusiveness and equity and is a clear demonstration that the Bank has continued to focus on supporting the unserved population to increase access to equitable, sustainable and improved sanitation, and it will contribute to both poverty alleviation and more inclusive growth outcomes for poor Zambians".

The program will use $39 million for sewerage improvements, specifically to upgrade and expand sewerage systems in the peri-urban areas of Matero, Chelstone, and Chunga. The program will also spend $9 million on decentralised sanitation facilities, fecal sludge management infrastructure and service providers, and sanitation and hygiene promotion.

The program is being supported by three other development partners (World Bank, European Investment Bank and Kreditanstalt fur Wiederaufbank (KfW)) and is one the first step towards implementing the Lusaka Sanitation Master Plan that aims for 100 % sanitation coverage for Lusaka Province by 2035. African Development Bank support to the program is expected start in late 2015 with a duration of five years. *(AFDB)*

ADB wants to deepen cooperation with Mozambique

The African Development Bank (ADB) intends to deepen cooperation with Mozambique in the energy and infrastructure sectors, said in Maputo the vice president of the institution. After a meeting with Mozambican Prime Minister Carlos Agostinho do Rosario, Janvier Litse said that the existing partnership was very good, that the portfolio of projects was well executed in Mozambique "and we are interested in deepening cooperation" in both the aforementioned sectors. Litse also said the ADB and the Mozambican authorities intended to involve the private sector in the projects financed by the institution as a way of creating jobs and boosting the fight against poverty in Mozambique. Since the accession of Mozambique to the ADB, the multilateral financial credit institution has supported projects in both the public and private sectors in the amount of some US$2.1 billion. *(Macauhub)*

World Bank lends US$450 million to Angola

The World Bank has granted a loan to Angola in the amount of US$450 million and a guarantee of US$200 million dollars, said the World Bank and the Angolan Ministry of Finance in a statement issued in Luanda. The guarantee of US$200 million will allow the Government of Angola to secure loans of between US$300 million US$1 billion on the international market. This operation, according to the statement from the Ministry of Finance, aims to "strengthen financial management" and create the fiscal space needed for "better protection of the most vulnerable (people)." According to the statement this will be achieved by supporting the modernisation of the tax administration system and tax policies, strengthening public investment efficiency and effectiveness notably through a "social policy to counteract the gradual phasing out of the fuel subsidy," a public subsidy that costs over 3.0 % of Gross Domestic Product (GDP) every year. *(Macauhub)*

Tanzania to get $100 mln World Bank loan to improve governance

Tanzania will receive a $100 million loan from the World Bank's International Development Association (IDA) to help improve governance in the east African country. Businesses have long complained corruption is one of the main reasons for the high cost of doing business in Tanzania. The loan would be aimed at increasing transparency and accountability in governance and improving public financial management, said Philippe Dongier, the World Bank's country director for Tanzania. The project will also help promote budget credibility and execution through better cash management, public investment management and procurement to improve health, education and water supply services to the poor, the Bank said. Tanzania is estimated to have more than 53.2 trillion cubic feet of gas reserves off its southern coast, but its energy sector has long been dogged by allegations of graft and other problems. Graft claims led to the suspension of budget support by Western donors in October. *(Reuters)*

African Governments Invest in Skills in Sciences, Engineering, and Technology

- *President Macky Sall of Senegal launches a new Regional Scholarship and Innovative Fund in Johannesburg, South Africa, in June 2015.*
- *$5 million committed by African governments and African Business Champions for Science to award 10,000 PhDs scholarships over ten years.*
- *The Fund is an initiative under the World Bank's 'Partnership for Skills in Applied Sciences, Engineering and Technology (PASET)' program.*

A high-level gathering including H.E. President Macky Sall of Senegal and government and business representatives from several African countries, met to discuss greater support for Africa's skills needs.

President Sall officially launched the Regional Scholarship and Innovative fund on June 13, 2015, with initial seed money of US$5 million contributed by African governments. The Fund is a key initiative under the Partnership for Skills in Applied Sciences, Engineering and Technology (PASET), which is facilitated by the World Bank Group.

"Increasingly, Africa sees the need to depend on science and technology to increase industrial and agricultural productivity, guarantee food security, tackle diseases, ensure a safe water supply, and reduce the energy deficit," said President Sall. The three founding member countries of PASET were represented at the event by Senegal's Minister of Education and Research, Mary Teuw Niane, Rwanda's Minister of Foreign Affairs, Louise Mushikiwabo, and Ethiopia's Minister of Education, Shiferaw Shigutie.

Helping to bridge Africa's skills gap

Today, Africa faces a dire deficit in skilled workers in the applied sciences, engineering and technology (ASET) fields. There is one or less scientist or engineer per 10,000 people, compared with 20 to 50 in industrialized countries.

African business leaders have long been concerned about the skills mismatch in the labor force. Due to a lack of the relevant expertise and skills, African businesses have preferred to invest outside of the region, and external investors in Africa continue to import skilled workers. Emerging economies including China, Brazil, India and South Korea faced similar challenges in their early years until they invested heavily in science and technology education and research.

$5 million seed fund to help train 10,000 PhDs over 10 years

The $5 million pledged by African governments is an initial contribution to seed the Regional Scholarship and Innovation Fund, which will train 10,000 PhDs, building research capacity in African universities and promoting innovation and entrepreneurship in ASET fields in Africa, over a period of 10 years. Leaders agreed to operationalize the Fund by June 2016, with a transparent, accountable and results-focused governance structure.

Sub-Saharan Africa needs an innovative ASET workforce that can provide sustainable solutions to Africa's challenges in priority sectors, such as agriculture, energy, construction, manufacturing, transport, financial services, tourism and health. This would develop new knowledge, products and processes and adapt existing technology into marketable goods and services customized the African context. Creating this workforce requires improvements in the quality of university faculty and the development of relevant and quality curricula that encourage innovation, and investment in research capacity building.

Dr. Álvaro Sobrinho, Chairman of the African Business Champions for Science and founder of Planet Earth Institute, said: "As Africa continues to make great strides forward, we must also continue to recognize the importance of investing in our future generations. This investment must go beyond access and enrolment to develop excellence, too, especially in science and technology. Excellence in science and technology will equip Africa with a workforce ready to compete in the 21stcentury, where we can lead the world as scientists, engineers and innovators."

On the cusp of socio-economic transformation

Africa is on the cusp of a socio-economic transformation. To accelerate this transformation requires a paradigm shift in three respects: a regional approach which complements individual country efforts in specific areas of development; public and private sector partnerships; and strong ownership and leadership of the change process by African stakeholders.

The launch of the Fund was a simple but very unique gathering that exemplified this paradigm shift. A few champions took the initiative to build a critical mass of highly skilled scientists and technologists. Using a regional effort which pools public and private resources to build capacity on the continent, they invited other African governments and business leaders to make similar commitments. As this Fund and its parent initiative, PASET, take deeper roots within

sub-Saharan Africa, it is hoped that many other African governments, business leaders, and partner institutions will take up the challenge and support the partnership. The World Bank Group's contribution was to bring the key players together and provide technical assistance and global knowledge, which resulted in a strong ownership and commitment from both the African Heads of State and the business leaders. *(World Bank)*

INVESTMENTS

Swedish cosmetics company targeting East Africa with direct selling model

Swedish beauty and personal care products company Oriflame Cosmetics has built a €1.5bn (US$1.68bn) a year business through a direct selling model that involves signing up individuals as independent sales representatives. Globally, Oriflame has a network of over 3.6 million such agents across 60 countries. In Africa, the company has a presence in Kenya, Uganda, Tanzania, Sudan, Nigeria, Algeria, Morocco, and Egypt.

According to the World Federation of Direct Selling Associations (WFDSA), the industry generated $182bn last year, with nearly half of the sales recorded in emerging markets. Although Africa accounts for less than 1% of the WFDSA reported sales, Oriflame managing director for East Africa, Piyush Chandra, says the market offers a growth opportunity due to several factors.

Youth population targeted

One is the continent's expanding youth population who are eager to make money, generally tech-savvy, quick to adopt new trends, and tend to have an entrepreneurial mindset. "Direct selling has a big future in this region," says Chandra. "In East Africa you have more than 143 million people, most of whom are young, educated and seeking income-generating opportunities. They can have a main job then make supplemental income through Oriflame. We have many young people working with us earning more than what a teacher makes, which is an average of $400 a month." In Kenya, individuals can become Oriflame sales consultants by paying Ksh.450 ($4.6) after which they receive training and promotional materials. They can choose either to save money for themselves on the beauty products they buy at up to a 30% discount, or make profit by reselling the products. They can also become network marketers by recruiting other people and then receiving a slice of the commission on sales made by those whom they recruit. "Now this is where people make lots of money," says Chandra.

Fraudulent pyramid schemes

But network marketing, also known as multi-level marketing, is often confused with illegal pyramid schemes that promise investors extraordinary profits if they enrol other people. Kenya has had its fair share of pyramid scheme scandals "that have left a bad taste in the mouths of consumers", says Chandra, highlighting it as a hurdle when trying to recruit sales consultants. "Even people who genuinely want to be involved in network marketing have had a bad experience, or know someone who has – and this is a challenge. We have to educate people on how different multi-level marketing is from pyramid schemes." Although the number of its direct sales agents is growing by 40% annually in East Africa, Chandra notes the "base is too small" and this might make it harder for people to access Oriflame products. Essentially one has to know an Oriflame sales representative, or become one, to be able to buy the products.

Additionally, formal retail is taking off in East Africa and global brands like L'Oréal, Estée Lauder, Revlon, Unilever and Procter & Gamble are providing competition for Oriflame.

Rolling out service points

But Oriflame cannot open an office "everywhere", and its products are not stocked on supermarket shelves. So to increase visibility and access, it's replicating its global Service Point Oriflame (SPO) model in the region. The SPOs are Oriflame outlets operated by its top networker in a particular region. The investment is made by the Oriflame agent, but they receive support from the company. Oriflame has now set up six SPOs in Kenya, Uganda and Tanzania. One is located in Buruburu, a large middle-class residential area in Nairobi. "So people within Buruburu shop there, and the SPO is also used as a sign-up hub for new consultants, as well as a training and distribution centre," says Chandra. "This is how we plan to expand in the region. We will open up to 20 SPOs by the end of the year. The networker [running the SPO] benefits by expanding their business, and it also helps us expand our footprint in suburbs and promising towns like Nakuru and Kisumu in Kenya."

Rising awareness, incomes

Oriflame started trading in East Africa in 2008 through a franchisee, but in 2012 the company acquired the local operations. "We wanted to test the market, and we saw that East Africa has a huge potential," says Chandra. "The biggest growth factor today is the skin care segment where we grew by over 300% in 2014 compared with the previous year. The general awareness of consumers is going up, and of course people have more money in their pockets to spend." *(How we made it in Africa)*

KF Involved in a Potable Water Supply Project in Cote d'Ivoire

A Loan Agreement was signed in Abidjan between the Republic of Cote d'Ivoire and Kuwait Fund for Arab Economic Development, whereby the Fund shall make a Loan of Kuwaiti Dinars Seven Million (KD 7,000,000) (i.e. about US$ 24.5 million) to help finance the Potable Water Supply in the Eastern Region Project (Adzope System-Phase I) in the Republic of Cote d'Ivoire "the Project".

Signature of a Loan Agreement in the Republic of Cote d'Ivoire

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The Loan Agreement was signed on behalf of the Republic of Cote d'Ivoire by H.E. Kaba Niale Ministre Auprs du Premier Ministre Charg de L'Economie et des Finances and on behalf of the Fund by Mr. Hamad Al-Omar, Deputy Director-General of the Kuwait Fund for Arab Economic Development. Mr. Thamer Al-Failakawi, Regional Manager for West African countries at the Fund attended the signing ceremony of the Loan Agreement.

The project aims at supporting socio-economic development in the Eastern Region of Cote D'Ivoire through meeting the potable water demand in Adzope, Abradine 1, Abdradine 2, Assie-Orie, Yakasse Attobrou, Biasso, Fiasse, Diangobo, and Kong 2 cities with a population totaling approximately 92,000 capita about 60% of whom are unserved and about half of whom are children. Most and foremost, the project is considered a Rights Based Project seeking to achieve the right to "Access to Clean Drinking Water", which is a fundamental human rights.

The project encompasses the civil and electromechanical works required for developing, replacing, reinforcing and expanding the potable water supply system in the project area, which includes: a raw water intake of approximately 330 cum/hr capacity, pumping station, and transmission pipeline of approximately 400 mm diameter; a water treatment facility of approximately 250 cum/hr capacity; a treated water transmission pipeline of approximately 300 mm diameter; potable water storage tanks, pumping stations, distribution networks rehabilitation, expansion, replacement, and house connections; ancillaries and complementary work, in addition to institutional support and land acquisition. The project also includes the consultancy services for the preparation of the project environmental impact assessment, engineering designs, tender documents, and construction supervision. The project implementation is envisaged to commence during the second half of 2014 and will be completed during the last quarter of 2018.

The total Project costs is estimated at CFA 16.27 billion (i.e. about KD 9.77 million) of which the foreign currency is equivalent to about KD 10.68 million, which represents about 66% of the total Project costs. The Fund's loan will cover about 72% of the total project costs, or about 66% of the costs in foreign currency, while the remaining cost will be covered by the Government of the Republic of Cote d'Ivoire.

The Loan will be for a period of 25 years including 5 years as a grace period, and will be amortized in 40 semi-annual installments, the first of which will be due on the 1st date on which any interest or other charge on the loan shall fall due, after the elapse of the above-mentioned grace period. The Loan bears an interest at 1.5% per annum, in addition to 0.5% per annum to cover administrative costs and other expenses incurred in the implementation of the Loan Agreement.

Upon signature of this loan agreement, this loan will be the 4rd loan extended by the Fund to the Republic of Cote d'Ivoire considering that the Fund had already extended to the Republic of Cote d'Ivoire three loans before with a total amount of KD 12,23 million (about $ 42.805 Million) in the Irrigation and Transport Sectors. The Fund had also extended to Cote d'Ivoire one Technical Assistance in the amount of KD. 100,000 for carrying out studies for the Integrated Rural Development Project. *(Kuwait Fund For Arab Economic Development)*

Nigeria: 'Technology to Boost Investment in Automotive Industry'

As demand for technology and connectivity increase in the automotive market, car manufacturers across the world will need to do business not as usual and attract significant additional investments to finance connectivity, autonomous driving, sharing and electrified power trains.

Indeed, in the face of global automotive slow down and economic recession, countries like Nigeria that is currently pursuing a policy that targets revamping its automotive industry may need to do more to attract investment and produce quality vehicles that meet global standards.

According to a report by consultancy AlixPartners, the future of the industry calls for significant additional investments which may lead to a new phase of consolidation and partnerships in the global auto industry.

With the need to direct investments into increasing volume of manufacturing and attracting spare parts builders in Nigeria, the report said: "over the next five years the global automotive industry faces a reduced market growth, down from an annual 3.1 per cent to an annual 2.6 per cent".

It said that the industry must invest tens of billions of Euros in building capabilities, particularly in the areas of car connectivity, autonomous or assisted driving, sharing, and electrified powertrains and components Vice Chairman of Alixpartners, Stefano Aversa said in the report, "We expect a considerable wave of consolidation and partnerships in the auto industry. It may start with the merger of two OEMs, but will also encompass the suppliers and new entrants from the technology sector." "Over the next four years, the global market volume for connectivity services and hardware will double from an estimated $20billionn to $40billion, and more than half of it will be services and apps," the report said.

Data from Connected Car Forum (CCF) noted that more than 20 per cent of vehicles sold worldwide in 2015 included embedded connectivity solutions and more than 50 per cent of vehicles sold worldwide in 2015 to be connected - either by embedded, tethered or smartphone integration.

Moreover, it is very likely that every new car to be connected in multiple ways by 2025. "The self-driving car does not come in one big bang. It is a gradual development, and with self-parking assistants, adaptive cruise controls and lane keeping assistants the first steps have already been taken.
In five to ten years, fully autonomously driving cars with "hands-off experience" will be technically feasible on motorways, but we expect that liability questions and driving constraints will limit the use of autonomous car to specific applications and to defined environments," the report added "Nearly all OEMs have started to experiment with car sharing, mostly in cooperation with car rental companies.
However, in order to build a leading car sharing business, up-front investments are high and earnings difficult to sustain. "Despite a sales growth of 60 per cent in 2014, EVs remain a niche market with a global share of 0.4 per cent in total sales.
But the electrification of the drive train is here to stay. Electric drive trains are also used in hybrids, in range extenders, and in fuel cell cars," the report stated. The report said that technology development and customer acceptance are way ahead of the respective regulation and infrastructure, stating that liability rules for autonomous driving are missing in total. *(The Guardian)*

Gambia Enacts Agreements to 'Boost Chances of Attracting Foreign Direct Investment'
National Assembly members endorsed two agreements on the avoidance of double taxation signed between the Government of The Gambia and those of Turkey and Qatar. The minister of Finance and Economic Affairs said such agreements can help boost Gambia's chances of attracting foreign direct investment, and bring in the much-needed foreign exchange that can improve the country's balance of payments position. Abdou Kolley, while tabling the motion for the enactment, said that with agreements on avoidance on double taxation, investors have a degree of certainty as to how their investments will be taxed. The agreements are based on internationally agreed tax norms applicable to cross-border incomes. The agreements help in mutual sharing of information which helps to ensure legal and fiscal certainty.
"These agreements are naturally signed between trading partners," the Finance minister said. In recent years, significant steps have been taken to strengthen the economic and trade ties between The Gambia and both Turkey and Qatar.
Improved trade with Turkey
There have been some improvements in terms of trade and investments between The Gambia and Turkey in recent years, following several exchange visits by officials of the both countries
"By the end of 2012, the volume of trade between us [The Gambia and Turkey] was estimated at US$36 million, with the bulk of Turkish exports to The Gambia being largely dominated by agricultural products," the Finance minister added. The agreement, signed during the official visit of President Yahya Jammeh to Turkey in February 2013, has the potential to boost the trade and investment relations between the two countries.
Cementing ties with Qatar
Minister Kolley said with Gambia's growing ties with Qatar, the agreement signed in March 2012, will signal the Banjul government's intent to cement economic ties with the Qataris. Qatar has over the years become one of the key emerging nations in the Middle East with investments spreading across many countries and sectors. It is one of the richest countries per capita with large corporations capable of huge investments in Gambia's tourism and energy sectors, as well as other areas of the economy. "It is our fervent belief that with these agreements in place, businesses in both Turkey and Qatar will be able to explore and take advantage of the huge investment opportunities that The Gambia has to offer," the Finance minister said. *(The Point (Banjul))*

Angola: Anip Chairperson Highlights Tax Incentives for Private Investment
The new version of Private Investment Law, in force in the country, binds the tax, financial and customs incentives to socio-economic goals of the National Development Plan for 2013-2017. This information was stressed by the Chairperson of the Board of Directors of the National Agency for Private Investment (ANIP), Maria Luísa Abrantes, during the Business Forum Angola - Portugal, that gathers in Luanda about 600 businessmen from both countries.
Among the targets for private investment linked to the National Development Plan for 2013-2017 so ANIP Manager said that is under creation of jobs and the use of local inputs. The organization of this first edition of the forum set up by the two countries is under responsibility of the Ministry of Economy of Angola, in collaboration with the Embassy of Portugal and the delegation of the Agency for Foreign Investment and Trade of Portugal (AICEP) in Luanda. *(All Africa)*

Portuguese trade and investment agency opens delegation in Guinea-Bissau
The Portuguese Agency for Investment and Foreign Trade (AICEP) plans to open an office in Guinea-Bissau, as part of its expansion strategy, officials said in Bissau. This expansion strategy will also take the Portuguese agency to São Tomé, Timor-Leste (East Timor) and Equatorial Guinea, which recently joined the Community of Portuguese Speaking Countries (CPLP). The date for the opening ceremony of the new delegation has not been set yet, but will be on the schedule of a visit by the President of AICEP, Miguel Frasquilho, who is due to travel to Guinea-Bissau on 3 July.
The opening of the AICEP delegation in Bissau must, however, take place before an economic seminar scheduled for 6 July attended by the prime ministers of both countries as part of a visit by Portuguese Prime Minister Pedro Passos

Coelho to Guinea-Bissau. "Guinea-Bissau and Portugal: strengthening economic relations" is the theme of the meeting to discuss relations between the two countries, from a business point of view. *(Macauhub)*

China's credit line to Angola finances public projects

The new credit line from China to Angola will be used to finance public projects starting this year and Angolan public debt will remain within limits that are considered sustainable, according to official announcement in Luanda. The statement came at the end of the extraordinary joint meeting of the Cabinet Committees on Economy and the Real Economy, which analysed the Memorandum on Public Investment Projects to be included in this credit line, resulting from various agreements signed during the recent visit of the Head of State to Beijing. "These agreements will accommodate and fund projects in the public investment portfolio, as part of the 2013-2017 National Development Plan to ensure provision of public goods and services in the context of diversification and competitiveness of the economy," reads in the statement. "The projects included in Annex VI of the State Budget were also considered for inclusion in the credit line from China and which, because of their size, can influence general price levels," the statement said. On 13 June Angola's President ended a five-day state visit to China, during which he negotiated increased Chinese financial support to Luanda. *(Macauhub)*

AccorHotels steps up Africa expansion with Angola deal

AccorHotels has sealed a deal with Angolan insurance and investment company AAA Activos to open 50 hotels in the country by 2017, the French company said, as part of its expansion in Africa. The world's fourth-largest hotelier has been expanding in emerging markets such as Africa to counter weaker growth in Europe, which accounts for 70 % of its revenue. A statement from Chairman and CEO Sebastien Bazin said the deal reached during French President Francois Hollande's visit to Angola"testifies to AccorHotels' ambition in Africa, where tourism is evolving rapidly". Accor plans to open 50 hotels in Angola, representing more than 6,200 rooms ranging from luxury to economy, over the next two years. Its Ibis Styles budget brand will operate 27 properties, with 22 to be run by the mid-market Mercure brand and one under the luxury Sofitel brand. AccorHotels has been active in Africa for 40 years and is the continent's leading hotelier by number of rooms. The group operates in 18 African countries with more than 10,000 employees and 94 hotels. The group is expanding its hotel offering this year to Cameroon, the Democratic Republic of Congo and the Ivory Coast. It also plans to open more than 30 new hotels in Sub-Saharan Africa before 2020. *(Reuters)*

Angolans and Germans invest in industrial hub in Angola

Around US$350 million is expected to be invested in the construction of the largest industrial hub in southern Angola, in the city of Lubango in southern Huila province, by the Silvestre Tulumba e Investimentos group (STI). Presenting the project, the President of the STI group, Silvestre Tulumba Kapose, said the funding had been secured through a partnership with German investors and the project included plans to build a brewery at the hub. Tulumba said that at least 2,000 jobs would be created at the new hub, which is due to be built in the next four years. Headquartered in Lubango and with a branch in Luanda, the STI group was founded 10 years ago and works in the real estate, hospitality, auto trade, food distribution and accessories sectors. This week it launched a large agricultural project in the Uaba commune valued at US$120 million in an area of 13,000 hectares. (macauhub/AO)

Rwanda targets $1.2 bln foreign investment in 2015

Rwanda aims to increase foreign direct investment in 2015 to $1.2 billion, a fourfold jump from two years ago, helped by a new investment code that offers tax breaks and other incentives, a senior official said. World Bank rankings show Rwanda is one of the easiest places to do business in Africa, after Mauritius and South Africa, but the country has struggled to meet past investment targets. While setting up a new business is simple, running an operation can soon prove challenging, investors say. Some complain that state-backed firms squeeze out competition. "This year we aim to achieve $1.2 billion worth of private investment into the economy and to grow that annually by 20 per cent," Francis Gatare, chief executive of the state's Rwanda Development Board, told a meeting of local businesspeople. "That's an ambitious target we've given ourselves based on the broader objectives of our economic growth ambitions." In 2013, the latest year for which figures are available, foreign direct investment in Rwanda was $257 million. Long praised by Western and other donors for rebuilding swiftly after the 1994 genocide, Rwanda has been aiming for double digit economic growth. Although it has not attained that level, the economy managed 7 % in 2014. Rwanda published a new investment code in the official gazette in May, outlining incentives that included a seven-year corporate tax holiday to firms investing at least $50 million, of which 30 % was equity in strategic sectors. The sectors included manufacturing, tourism, health, information technology, other export-oriented industry and energy projects with capacity of at least 25 megawatts (MW). Incentives to those investing $50 million or more were designed to attract large single investments "that can have bigger and sustained impact to the economy," Gatare said, adding the sectors were ones expected to have "wider multiplier effects." Rwandan officials have said more investment and spurring on growth would help wean the country off foreign aid, which now accounts for almost 40 % of the annual budget although the proportion has been gradually falling in recent years. *(Reuters)*

BANKING

Banks

Kenya's Chase Bank to open 20 new branches in three years

Kenya's Chase Bank, a mid-sized lender, plans to open 20 new outlets in the next two or three years to try to break into the top five in the country's banking industry, a senior executive said. Chase, which started with a single branch 20 years ago, has risen to be the 11th biggest bank by assets among Kenya's 45 lenders, with assets of 120 billion shillings ($1.2 billion). "We currently have 49 and we intend to have 70 branches by 2017," Johnson Kamau, group head of strategy, told Reuters. The company, which is mainly held by local investors and development financiers like DEG of Germany, raised 4.8 billion shillings through a subordinated multi-currency bond earlier this month. "This is helping us to improve our capital position which is helping us to grow," Kamau said.

Proceeds from the bond pushed the group's capital to 15 billion shillings, up from 11 billion, creating a total capital ratio of 18 %, well above the central bank's requirement of 14.5 %. Chase is also conducting a rights issue which is expected to boost its core capital by another 1.6 billion shillings, Kamau said, adding the bank was likely to issue the second tranche of its bond after a year. "This (bond) will probably take us the next two years or three years and we will then have to rethink our capital position again," he said, adding all fundraising options will be on the table. Chase has recorded a compounded annual growth rate (CAGR) of 45 % over the past five years, powered by its focus on the fast growing and high yielding small and medium enterprise (SME) sector. Kamau said he expected the growth to tail off a bit due to the bigger size of its balance sheet. "I would expect CAGR to drop a bit. Not to stay at 45 but I wouldn't expect it to be below 35 %... Our target is to be a top-five bank in the next two to three years," he said. Kenya Commercial Bank is the country's largest lender by assets. Chase has lent 45 % of its loans to the SME sector, registered businesses with an annual revenue of 1 billion shillings and below, with the rest split between retail and corporate clients. He said the biggest risk facing lenders was growing competition from new players, proliferation of micro lenders and the challenge from mobile phone-based financial services. ($1 = 98.4000 Kenyan shillings) *(Reuters)*

Afreximbank finances hotel project in Cabo Verde

The African Export-Import Bank (Afreximbank) has granted a credit facility of US$57 million to the Decameron New Horizon group to build a five-star hotel on the beach in Santa Maria, on Cabo Verde's (Cape Verde's) Sal Island, the bank said. Cited by pan-African news agency Panapress, the bank's chairman president, Jean-Louis Ekra, said the approval of the lending facility was part of a strategy to facilitate growth of the tourism sector in Member States under the Construction and Tourism-Linked Relay Financing Facility (Contour).

The first phase of this facility, of 30 million euros, will provide a payment guarantee to Ecobank Cabo Verde, the local administrative and financial agent of the construction work and allow the London-based Decameron New Horizon to finance the work as well as to buy equipment and furniture.

The second phase, of 27 million euros, will be granted to contractor Es-Ko Group, as capital for the purchase of equipment, furniture and additional accessories. "This facility covers our support to the tourism sector in Cabo Verde of US$102 million," said the chairman of Afreximbank, adding that this support was in line with a recent forecast by the World Tourism Organisation (WTO) that Cabo Verde could become one of the world's top ten destinations in the next ten years. The hotel complex building will have 544 rooms and will include a conference centre, seaside restaurants and other facilities. *(Macauhub)*

Angola applies 10 pct charge to bank transfers abroad

The government of Angola will apply a 10 % charge known as a Special Contribution to the transfer of foreign currency abroad to services contracts for foreign technical assistance or management services, according to a recently approved decree. The preamble of the presidential legislative decree justifies the measure based on the drop in oil prices on the international market, which caused a "direct negative impact" on the country's foreign currency reserves and in the collection of tax revenues and the need to strengthen "control mechanisms in order to mitigate situations of capital flight, tax evasion and abusive tax planning." The application of this special contribution on the so-called Invisible Chains of Foreign Exchange was announced last March, on approving the revised State Budget (OGE) for 2015 due to the sharp drop in oil revenues and consequent foreign exchange inflows to the country, but was still waiting for regulation. The approved decree, which came into force on 30 June, stipulates that the charge will not be applied to other transfers, such as wages or support for healthcare or education outside the country, but final procedures will be further defined by Ministry of Finance and the central bank. The charge will be paid before the transfer of the funds although the Angolan State and its services (excluding public enterprises) and public social security, public utility associations and legally recognised churches will be exempt from paying it. *(Macauhub)*

Commercial bank deposits at Angolan central bank increase to 25 pct

Angolan commercial banks have been required to set aside national currency reserves at the National Bank of Angola (BNA) equivalent to 25 % of customer deposits, said in Luanda the governor of the central bank. The ratio of required reserves in national currency since 2014 had been set at 12.5 %, and on 1 January the BNA increased the rate to 15 %, justifying the decision with the need to "ensure price stability," precisely at the peak of the crisis brought on by a drop

in international oil prices, which is affecting the Angolan economy. BNA data showed that last April Angola had 480.359 billion kwanzas (US$3.9 billion) in reserve requirements in domestic currency and 272.318 billion kwanzas (US$2.2 billion) in foreign currency. “In a second stage we will adjust interest rates on savings deposits in commercial banks, encouraging demand for domestic currency. If demand for domestic currency increases, this will reduce demand for foreign currency and also reduce pressure on the exchange rate,” said central bank governor Jose Pedro de Morais. The governor of the BNA also committed to keeping foreign reserves at a level equivalent of over six months of imports. *(Macauhub)*

Atlas Mara negotiating to buy Finance Bank Zambia

Atlas Mara, the company co-founded by Bob Diamond to invest in African financial businesses, is in talks to buy Finance Bank Zambia, according to three people with knowledge of the matter. Negotiations began as early as March, two of the people said, asking not to be identified because they are not authorised to comment on the talks. A deal may be announced within a month, one of the people said. Atlas Mara is still doing due diligence at the Zambian lender known as FBZ and there is no certainty of a transaction. An acquisition would boost the presence of Atlas Mara, set up by former Barclays CEO and Ugandan entrepreneur Ashish Thakkar, in Zambia, where it already operates following its 2014 purchase of BancABC. Former President Michael Sata in 2011 reversed the sale of FBZ to FirstRand for $5.5m. A year earlier, the Bank of Zambia had seized the lender for breaching financial laws and agreed to sell it to Johannesburg-based FirstRand. FBZ has been planning to raise money through listing on the Lusaka Stock Exchange since at least 2013, when it said it would sell $250m worth of shares. The lender operates 39 branches throughout Zambia, according to its website. *(BDLive)*

Markets

Ivory Coast Credit 'Super Solid'; Ghana, Zambia Risk Ratchet Up: Ashmore's Dehn

The long-dated sovereign bonds of Ivory Coast may benefit from the country's fundamental improvements, according to **Jan Dehn**, head of research at **Ashmore Group**, which manages $61 billion in assets. The London-based emerging markets investor sees default risk rising in Zambia and Ghana. He spoke to Bloomberg Brief Editor James Crombie in a June 19 telephone interview.

Q: Where is the opportunity in Africa?

A: We really like Ivory Coast. It's a super-solid credit [with] extremely strong governance. They have an election coming up which the market is not really paying a lot of attention to. It looks like the incumbent [President Alassane Ouattara] is going to hold that position. He's getting old so there is some uncertainty about his second term but he has been rock solid as president.

Q: What do you buy?

A: We like the long bonds, it's an improving credit story. Ivory Coast used to be like Kenya. It used to be West Africa's biggest financial center, the most sophisticated country and it's very rapidly becoming that again.

Q: What do you avoid?

A: I'm not particularly fond of places like Ghana. It has the most vicious business cycle in Africa. It's got one of the strongest democratic traditions; I'm not worried about it from a political perspective at all. But politicians just can't help using government resources to massively support their election campaigns. Since they found oil, Ghana's politicians have been going completely overboard to the point that the fiscal blowouts around the elections have become so big that the next four years before the next election have not been enough time to correct the problem, and then you get the next [election]. So you have this ratchet effect where Ghana has just become more and more indebted and more stretched in its public finances.

Q: What about South Africa?

A: We are underweight South Africa in external debt. It's not that we're worried about South Africa at all, it's just that there's more value elsewhere in EM. There's now 63 countries in the EMBI index, so African bonds will be competing with bonds in all other parts of the world.

Q: What's your view on sovereign issuance of new bonds?

A: I really want there to be more. There's 55 or so countries in Africa and they should all come to market. It is the fastest-growing continent in the world in terms of new entrants to the external debt markets. Countries like Cameroon should be coming. Uganda really should be issuing a sovereign bond as well.

Q: Are they prepared for that?

A: Many of these African countries are extremely competent in dealing with aid flows. They are just so good at dealing with donors, they know exactly how to pitch them against each other and extract the maximum value. There is a similar level of sophistication involved in issuing debt. I don't think a lot of the African countries have really fully reached that level of sophistication yet where they are making the bond markets work to their advantage completely.

Q: What are the risks?

A: These are countries that for the first time are really being sluiced into the global capital markets. Ghana is an example — maybe Zambia as well — of countries that discovered the joys of external bond issuance but have not really

fully appreciated the responsibilities that come with it. Like anyone else that begins to dabble in capital markets for the first time, there will be some lessons that have to be learned. A country like Ghana, and maybe Zambia at some point, could be in danger of defaulting.

Q: How does Africa compare to other emerging markets like LatAm?

A: Not too well. I don't think there's a great deal of value in the African story. We have about 10 % of our AUM in Africa.

Q: Is that more or less than last year?

A: It's probably a bit less, but it's still a quite decent proportion. We do like the region but some of the countries that we've invested more heavily in in the past we've lightened up on, including Nigeria and Ghana.

Q: Is it fair to compare Africa to LatAm 20 years ago in terms of development?

A: That's a very appropriate comparison, with a few caveats. Africa does not have that huge ideological dichotomy that you see in Latin America where you're either a pro-American capitalist or a Chavista loony lefty. That's a good thing. In Africa you have a slightly different risk, which is that income per capita's a lot lower.

Because it's a lot lower, the institutions are weaker because tax revenues are smaller. Things like contract enforcement, protection of borders, upholding of law and order — it's not anarchic, but it can very quickly be undermined because the state is fundamentally weak. Many African governments therefore have to spend a lot of their budget for political reasons, buying political agreements. If you have just a little bit of money, you could very easily go out and hire 15 street kids, buy them an AK-47 and start a guerrilla movement. That's one of the consequences of abject poverty. *(Bloomberg)*

Basic interest rate in Angola increases to 9.75 pct

The benchmark interest rate in Angola, the BNA rate, has been increased by 50 basis points to 9.75 %, according to a decision from the Monetary Policy Committee of the National Bank of Angola announced in Luanda.

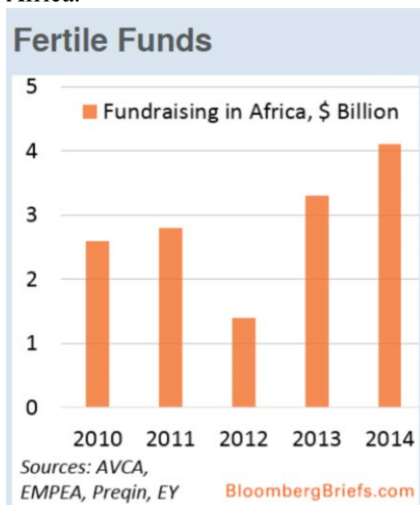
The commission also decided to increase the permanent liquidity facility rate from 10 % to 10.5 % per year and keep the interest rate on liquidity absorption unchanged at 0 % per year. In May commercial banks purchased foreign currency in the amount of US$1.506 billion on the foreign exchange market, of which US$1.3 billion was bought from the BNA and the rest from its customers. The average benchmark exchange rate in May depreciated by 0.91 % compared to April, to 110.84 kwanzas per US dollar. *(Macauhub)*

Fund

Vital Capital Seeks $500M for Second Africa PE Fund

Private equity firm Vital Capital is planning to raise $500 million for a second Africa-focused impact investment fund, managing partner Eytan Stibbe said in a June 18 telephone interview. The Vital Capital Fund II will make 10 to 20 investments and seeks projects in Mozambique, Tanzania, Rwanda, Angola, Ethiopia, Uganda, Cameroon, Ghana and Ivory Coast, said Zurich-based Stibbe.

The fund aims to build communities by investing in affordable housing, agriculture, water, education, health care and clean energy. "People consider those areas that we're active in as higher risk and there are less entities involved," Stibbe said. "It's more difficult to attract foreign, Western sources of money to these sectors...in rural — even urban — Africa."



The fund is targeting a minimum of $200 million and has a hard cap of $700 million, with a first close expected by the end of this year, according to David van Adelsberg, chairman of Impact Capital Strategies, which advises Vital. ICS specializes in impact investing with a focus on sub-Saharan Africa. Impact funds aim to generate a social or environmental benefit as well as a financial return.

The target gross internal rate of return is 20 %. The investment period is five years from final close of the fund, which will have an investment term of 10 years, subject to two consecutive one-year extensions. Vital Capital is in discussion with a range of institutional investors and development finance institutions including the Africa Development Bank and the Overseas Private Investment Corporation, Stibbe said. Vital Capital closed its first fund in July 2012 on $350 million, missing its $500 million target, with nearly 20 investors. "We wanted to move quickly and thought $350 [million] was a very good base as a first fund," van Adelsberg said.

About 94 % of the first fund has been committed to projects and 68 % has been deployed. The fund has been involved in 12 projects, including a $92 million commitment to Kora Housing , which builds affordable housing units across Angola. Vital has already exited two of the investments in its first fund, generating a gross internal rate of return of more than 24 %, exceeding the 20 % fund target, said van Adelsberg. He said more than 33 % of committed capital has been distributed back to investors,

and about 44 % of called capital. Vital Capital is rated one of the top 10 funds for overall impact performance by the B Analytics' Global Impact Investing Rating System, which rates 80 funds for impact intent and quantifiable results. PE firms are ramping up Africa investments. In 2014, they raised $4.1 billion, a 24 % jump from a year earlier, according to EY's Private Equity Roundup for Africa 2015 report, published June 17. *(Bloomberg)*

Zambia almost doubles external borrowing limit to fund deficit

Zambia's parliament endorsed Finance Minister Alexander Chikwanda's proposal to almost double the limit for external borrowing to 60 billion kwacha ($8.15 billion) to fund a widening budget deficit. The budget deficit is expected to swell to 20 billion kwacha by the end of 2015, Chikwanda told parliament. It was projected at 8.5 billion kwacha when the current budget was formulated. The minster said he needed to raise the ceiling for external borrowing from the current 35 billion kwacha to invest in infrastructure projects and institutions that support small and medium enterprises. The government wanted to borrow externally rather than domestically because it was cheaper and it wanted to avoid crowding out the private sector with high interest rates, he said. "We will not breach the trust and confidence that people have reposed in us to preside over their destiny by borrowing beyond the country’s capacity," he added.

Zambia's external debt stands at $4.8 billion, about 18.5 % of the gross domestic product, and domestic debt at $3.7 billion, about 14.2 % of GDP, he said. Analysts said Zambia will likely continue to face spending pressures in the second half of 2015. "The more favouable budgetary trends that the government expects in the second half should help contain the full-year budget deficit, but we still expect the government to post a much larger deficit overall than it originally targeted," rating agency Moody's said in a research note. "The establishment of a sinking fund for the repayment of Zambia's two outstanding 10-year Eurobonds maturing in 2022 and 2024 would add to the government's funding challenges by increasing its borrowing needs at a time of reduced investor appetite and rising yields," it added. ($1 = 7.3600 Zambian kwachas) *(Reuters)*

$1bn Growth Fund for Africa

One of the world's biggest private equity firms is making its first foray into Africa. TPG Growth and Satya Capital, an investment firm focused on Africa, will invest $1bn and partner with companies across the continent. It will be financed by TPG Growth's global fund, working with Mo Ibrahim's $500m private equity fund, Satya Capital. TPG and Satya will focus on investments in a broad range of industries including healthcare, telecoms, consumer and financial services. They aim to identify and invest in firms wishing to expand in Africa and globally. Last year, private equity deals in Africa reached a seven-year high of $8.1bn. Tsega Gebreyes, managing partner of Satya, said: "The new African narrative is driven by a transitioning landscape with increasingly stable political climates, improving infrastructure, growing economic power, adoption of innovative technology and urbanisation. "These positive trends are fueling consumption across multiple new and emerging sectors, which are untapped and prime for investment and development." *(African Business)*

Tech

Could mobile banking help Africa tackle illicit financial flows?

Illicit Financial Flows (IFF) are moving to the forefront of the international agenda, as governments worldwide join forces to combat money laundering, tax evasion, and international bribery, which make up the bulk of such flows.

These illicit flows have devastating effects on developing countries. Currently, Africa is estimated to be losing more than $50 billion annually in IFFs.

However, as countries come together to try to minimise the amount of money being lost through illicit outflows, the high pace at which African technological uptake and innovation is happening may be handicapping some of these efforts. This was highlighted in the UN and African Union’s Illicit Financial Flows report, released in February—popularly called the “Mbeki Report” because former South African president Thabo Mbeki chairs the High Level Panel on IFF. The report says that “the growth in information and communications technologies has made it possible to transfer huge sums of money at the click of a mouse while also enabling innovative forms of mis-invoicing.”

One African country was estimated to be losing up to $90 million every year from the theft of minutes in the telecommunications sector. This fraud involved masking international calls as local calls, with operators then making fake declarations of incoming international call minutes to reduce tax payable to the government.

Another similar scheme is SIM box fraud where individuals or organisations buy thousands of SIM cards offering free or low-cost calls to mobile numbers. The cards are then used to channel national or international calls away from mobile network operators and deliver them as local calls, costing the operators millions of dollars in revenue.

African governments are taking huge tax hits from this scam following the massive growth of the mobile industry on the continent. The Democratic Republic of Congo (DRC) is estimated to be losing about $90 million in tax revenue a year from the embezzlement of telephone time. According to the Mbeki report, by diverting these incoming calls using the SIM box in the DRC, pirates pay three times less tax, since international calls are presented as local calls.

Fast-moving money

The Centre for Technology Innovation at Brookings, Rice University, has published a study which looked at how the digital space is fundamentally altering the landscape of financial transactions.

Because transactions can now be done with purely digital currencies, virtual currencies, and virtual goods, "amounts, sources, and destinations can be intentionally structured to be misleading," the study noted.
"Transactions can be masked as other activities appearing to have nothing to do with money. The possibilities are limited only by the high levels of imagination and skill of people who dream up new ways to use technology."
Manipulating scale for example would hide larger movements of money by simply conducting many smaller transactions. For example, the study explains that if the power of a large, distributed online network were used to move money with 100,000 transactions with randomised amounts generally in the $6-$15 range, detection would be much more difficult.
In a World Bank report tracking the illicit financial flows from Somali pirate activities, Somalia money value transfer system (MVTS) providers (the equivalent of Western Union or a network that receives money for the purpose of making the equivalent funds payable to a third party in another geographic location) repeatedly claimed they were unaware of funds from piracy transiting through their services. But according to reformed pirates and officials, they were. Due to low reliability identification systems and the inability to "know your customer", there are reports of abuse of MVTS services by criminals.
According to the World Bank, one reformed pirate interviewed explained his experience in moving money to acquire goods abroad. He sent $12,000 via a well-known MTVS provider in Puntland. The money was sent to Dubai where an intermediary bought a car for him. The car was subsequently shipped to Somalia. He took the cash to the MVTS office in $50 and $100 bills which he justified by saying he got it through "Shahaad", a traditional charity custom in Muslim societies.

Mobile banking 'exemption'

In looking at the various ways in which pirates obtained money and goods, the report did say that one way they did not get money was through mobile banking.
While M-Pesa is a popular mobile phone telephone financial service in the region offered by the Kenyan-based company Safaricom, there was "no cross-border movement of money to and from Somalia" and "no reports" indicating that the Kenyan service is being misused by pirates. This may come as a surprise since the mobile banking sector in Africa has taken off exponentially, allowing an increasing number of people to open accounts, pay bills, and transfer money.
A recent survey of global financial habits by the Gates Foundation, the World Bank, and Gallup World Poll highlighted that the use of mobile money in Africa is much higher than that in other regions with even more developed financial systems. In fact, three-quarters of the countries that use mobile money most frequently are in Africa with some, namely Kenya, Gabon, and Sudan, with half or more of the adult population using mobile money. In countries such as Madagascar, Tanzania, and Uganda, where mobile network operators are allowed to offer mobile money services, the number of mobile money accounts is already higher than the number of bank accounts
However, a report by the Overseas Development Institute (ODI) explains that while "in principle mobile banking is likely to facilitate capital flight, especially the movement of illegal funds abroad…Data on mobile money in Africa, seem[s] not to confirm this hypothesis since no clear correlation can be identified between capital flight and mobile banking."
This correlation was explained in a GSMA paper which stated that the low risk of IFF through mobile banking is due to the nature of mobile channels and devices, which track all transactions and localise users, and to the transaction limits that allow customers to transact only relatively small amounts of money.
Mobile transactions are less anonymous than cash because they can be linked to a unique mobile number and transactions are recorded and traceable. The full details including the telephone number of the sender and receiver, the time, and the amount of the transaction are all known to the mobile money provider.
Additionally, the mobile money provider offering the mobile money services is usually regulated and mobile network operators will usually have strict internal controls with regular internal and external auditing. So whilst the potential is there for IFF through various technological means, creating formidable technical and organisational challenges associated with detecting and monitoring these transactions, solace can be found in Africa's mobile banking systems. The question however will remain as to how long. The mobile banking sector is still a relatively new phenomenon and therefore it is too early to assess its impact on illicit financial flows, another factor that may explain this result. *(World Economic Forum)*

INFRASTRUCTURE

Mozambique paves 21,000 kilometres of roads in 2014

Twenty-one thousand kilometres of roads of a total planned 22,000 kilometres of roads were paved in Mozambique in 2014, representing an implementation rate of 96 %, said the Mozambican minister of Public Works, Housing and Water Resources. Carlos Bonete Martinho, who was speaking in Maputo during the National Meeting of the Joint Review of the road sector, said the newly paved roads accounted for about 74 % of the Mozambican road network, which totals around 30,000 kilometres. The minister, who was cited by Mozambican news agency AIM, also said that the asphalting work represented a financial commitment of 21 billion meticais (US$548 million), of which half was paid by partners supporting Mozambique. Martinho said that the work was increasing the national network of paved roads and transitability rates, despite floods in recent years, which have caused damage over some 1,300 kilometres of roads,

mainly on National Highway Number One (EN1). In turn, the president of the Road Fund, Cecílio Grachane, said work on the road network would this year cost 17 billion meticais (US$443 million), which already includes the contribution of programme support partners. *(Macauhub)*

East Africa lays down more rail lines

The first scheduled train on the Djibouti City-Addis Ababa rail line (above) is expected in October. The new line will reduce transport time between the capitals to less than 10 hours, against the two days it takes by road. The final length of track of the 752km railway was laid last month. The ambition is that the link might eventually extend across the continent to West Africa. Ethiopia has also started construction on a 491km railway project to link Addis Ababa with Bedele in South Sudan. It will enable agricultural producers to reach consumers more quickly, both nationally and internationally. It is one of eight national routes totalling 5,06okm that the Ethiopian Railways Corporation plans to build, with more than 25 stations. Further south, Tanzania is planning its biggest ever railway project, using commercial loans to finance a $14.2bn rail network building programme over the next five years. It includes a 2,561km standard gauge railway costing $7.6bn to link the port at Dar es Salaam with Rwanda and Burundi. It is intended to improve cargo transportation as well as the domestic network. Two additional lines, costing an estimated $6.6bn, will connect Dar es Salaam to mining areas in the south and north of the country. The country has awarded contracts totaling around $9bn to a consortium of Chinese railway companies led by China Railway Materials (CRM). Tanzania plans to spend $14.2bn to construct a new rail network in the next five years as the country aims to become a regional transport hub. *(African Business)*

Platinum Power to build $845 mln hydropower project in Cameroon

Morocco's Platinum Power, a subsidiary of U.S. private equity firm Brookstone Partners, plans to invest 500 billion CFA francs ($845.87 million) to build a hydroelectric project in Cameroon, the company said. Platinum Power signed a framework public–private partnership agreement with the Cameroonian government to build a 400 megawatt capacity complex in Makay, in the country's Centre Region. "Platinum plans to sell this renewable energy to ENEO," Chief Executive Omar Belmamoun said, referring to Cameroon's national power utility company, which is majority owned by emerging markets equity firm Actis. Construction will begin in 2017 with completion set for 2020. The Central African nation suffers from a power deficit and regular blackouts. It currently produces about 1,200 megawatts of electricity.
But with a population of around 22 million, it will require output of around 3,000 megawatts by 2018 if it is meet its economic growth target of 9.5 %, according to the country's monetary and finance committee. Platinum Power, which focuses on the development, financing, construction, ownership and operation of utility-scale renewable energy projects in Africa, agreed in April to invest 450 billion francs to build a series of hydroelectric dams in Ivory Coast. Belmamoun said the company was looking at other opportunities in Central Africa. "Gabon interests Platinum and we got in touch in March 2015 with the Gabonese minister of energy and water resources," he said. ($1 = 591.1100 CFA francs) *(Reuters)*

Port of Saldanha set to unlock R13bn worth of investment opportunities

The Port of Saldanha would present investors with investment opportunities in excess of R13-billion over the next five years, business leadership organisation Accelerate Cape Town announced at its July Thought Leadership session.
Feasibility studies are already under way and the first contract will be put out to tender by end-2015, the company said in a statement. “Transnet National Ports Authority (TNPA) has called on the private sector to join it in turning the port’s economic potential into reality,” read the statement. “As a State owned entity – and with all the other priorities that government faces – we have realised that we can no longer invest in everything. As a result we are inviting the private sector, including foreign investors, to invest in the initiatives planned for the Port of Saldanha. The R13-billion is made up of three key projects: an offshore oil and gas supply base; a dedicated rig repair berth; and an extension to the old Mossgas repair jetty,” said TNPA GM: strategy Nico Walters. Wesgro CEO Tim Harris welcomed the TNPA announcement as one that would strengthen the Cape’s position as a key business destination in Africa. Describing ports as levers of growth, Harris acknowledged the TNPA’s collaborative approach with the private sector to help establish the region as a major transport and logistics hub.
“Already, 54 out of 98 (almost 59%) of the international companies that have invested in Cape Town have done so to access the African market. Exports from the Western Cape totalled R74.87-billion in 2013, an increase of 16%, while Western Cape ports – including Cape Town, Saldanha and Mossel Bay – handle 20% to 30% (5 904 t in February 2014) of the cargo in South Africa,” said Harris. Fourteen large companies based within the Cape metropolitan region have collective annual revenue of $52-billion. Within Africa, this positions Cape Town second only to Johannesburg in terms of the number of large companies and associated revenues. “The Cape is an attractive business destination for many reasons, including that it has the fifth lowest logistics – and the lowest oil and gas – operating costs compared to its peers. Airports Company of South Africa’s (Acsa’s) plans for an aerotropolis will unlock further growth as we work to connect the ports and optimise these State assets for the economic benefit of the people of Cape Town,” Harris said. Meanwhile, Acsa COO Tebogo Mekgoe discussed the organisation’s plan to transform Cape Town International Airport into an aerotropolis that could ultimately extend to a 20 km radius beyond the airport. “Acsa’s aerotropolis strategy is designed to offer businesses speedy connectivity to suppliers, customers and enterprise partners nationally

and world-wide. It will deliver firm and regional efficiency by generating 'economies of speed', while supporting the regional population in a sustainable manner," Mekgoe said. Rapid urbanisation is placing enormous pressure on cities, and addressing challenges related to sustainable growth will become central to economic prosperity. Session facilitator and Accelerate Cape Town CEO, Chris Whelan, said the population of Cape Town would increase from 3.75-million to 5-million by 2030. "A robust, inclusive economy will be critical to support this growth. Establishing it demands, among others, the optimisation of the considerable State assets based in our region. Together with regional economic entities such as Wesgro, and the relevant regional and local government departments, the TNPA and Acsa are perfectly positioned to help unlock the region's transport and logistics potential. "Business is encouraged by the progress and plans presented [at the conference], and we are keen to facilitate investment as we collaborate towards a more inclusive and stable regional economy," he concluded. *(Engineering News)*

ENERGY

Nuclear energy a 'secure' option for South Africa

Although South Africa could procure more energy from other African countries to help plug its energy gap, nuclear energy would be a more secure option in the long run, says former South African Nuclear Energy Corporation CEO Dr Rob Adam.

He told attendees at a South African National Energy Association meeting, in Cape Town, that offshore gas from Mozambique, coal-fired energy from the proposed 1 200 MW Mmamabula power station and integrated coal mine project, in Botswana, and hydropower from the Grand Inga project, in the Democratic Republic of Congo (DRC), could contribute to South Africa's energy supply. However, Adam warned the country not to rely too heavily on an outside source of energy for its domestic needs, as that could be risky. "Classically, the advice you'd get from your basic energy adviser is that you shouldn't get more than your reserve margins from outside your country. You could ultimately have the equivalent of a financial meltdown, because everyone thinks they can get energy from everyone else," he added. Further, he said that, while Mozambican gas reserves were certainly an option for South Africa, there was also a downside. "Sasol was a major player but it has been overtaken by Anadarko and Eni. Pressure will be put on governments to trade equity for operational contributions. The conclusion is that these resources will not be controlled by Africa," he noted. Conflict, which had returned to gas-rich Mozambique after 21 years, posed another potential risk. Meanwhile, while South Africa's own shale gas resources could also potentially help to plug the country's energy gap, Adam argued that this would require economies of scale to work. "A quarter of a million wells have been drilled in the US. But in South Africa, we're in a danger zone of whether it would be economically practical or not."

Adam said South Africa's proposed new nuclear power stations would produce electricity more profitably than coal-fired power generation, if funded with equity or low-cost capital. Adam, who is director designate of the Square Kilometre Array, stated that the high cost of building nuclear power stations would be worth it in the long run. "Nuclear is very expensive to build but once you've paid it off, the plant lasts 60 years versus 25 to 50 years for coal. Koeberg is Eskom's cash cow because it's paid off and costs very little to run." He added that nuclear power stations also had lower fuel costs than coal-fired stations. Adam said the procurement of a new fleet of nuclear reactors was going to demand certainty over who operated them, financial guarantees from construction companies and a strong element of local procurement. To bid for new build contracts, companies would need to put financial guarantees in place. Adam said parent company guarantees were typically 30% of the project value, if it was mainly civil construction, and up to 100% for electromechanical work. South Africa was considering a localisation target of 40% to 50% for its new nuclear power station fleet. "The big snag is that the market capitalisation of the entire South African construction industry is currently less than R40-billion. The industry is in big trouble and is currently fighting for its life. "Government will set a high bar for localisation. But will it incentivise by reducing the bond requirements for local companies? Unless this happens, the boards of construction companies will not be in a position to approve any bids," Adam asked. Nevertheless, he believed nuclear would be an excellent energy supply option for the Western Cape and the Eastern Cape, which were far from coal-fired power stations, while suggesting that gas should be used as a peaking technology in the country. *(Engineering News)*

Mota-Engil delivers first dam on the island of Sao Nicolau, Cabo Verde

Portuguese construction company Mota Engil on Friday 26 June is due to deliver the Banca Furada do Vale Fajã dam, the first of three planned for the Cape Verdean island of São Nicolau, the Cabo Verde (Cape Verde) government said. Located in Fajã, near Ribeira Brava, construction of the new dam, estimated to cost about 6.35 million euros, began in 2011, but several problems led to the suspension of the work, which was only resumed in early 2014 .

The dam, with a capacity of 300,000 cubic metres of water, will allow the irrigation of an area of 35 hectares and benefit some 175 local farmers, according to weekly newspaper A Semana.

The project was funded by a credit line from Portugal in the amount of 200 million euros, which has already made t possible to build another five similar facilities, four in Santiago Island and one on the island of Santo Antão.

By the end of this year, the island of São Nicolau will have two more dams in the Praia Branca and Curral Velho areas.

The first phase of the Cabo Verde "Renewable Energy, Environment and Water Mobilisation Programme," intended to collect 9.35 million cubic metres of water per year, includes collection of groundwater and surface flows in five dams that are already built – Salineiro, Faveta, Saquinho and Figueira Gorda on the island of Santiago, and Canto Cagarra in Santo Antão. *(Macauhub)*

Botswana firm plans solar power plant to produce up to 200 MW

Botswana's Shumba Coal said it plans to develop a solar power station to generate up to 200 megawatts (MW) of electricity as the world's top diamond producer struggles with power shortages.

Botswana is currently experiencing power and water shortages, which its central bank warned last month could undercut aims to maintain growth above 4 %. Shumba Coal said the project will initially produce 100MW and increase to 200 MW over an unspecified period of time.

The project will include an initial installation of 400,000 photovoltaic cells in an area of 200 hectares, the company said. "We see solar energy as complimentary to our coal-based energy projects," Mashale Phumaphi, Shumba's managing director, said in a statement. Power from the station would supply upcoming copper mines in the Kalahari copper belt, which are currently not connected to the national grid, he added.

Cupric Canyon Capital, a private equity firm backed by a unit of Barclays Plc, said on June 9 it would begin construction of a copper mine in Botswana's Kalahari copper belt in 2016, near where the solar power station will be located.*(Reuters)*

South Africa constructs world's largest thermal energy store

The Bokpoort thermal energy store (below), under construction in South Africa's Northern Cape, is a greenfield project with a net generation capacity of 50 MW with nine hours of thermal energy storage. It enables the sun's energy to be stored during the day and released in the evening. It is set to be completed later this year and will be the CSP (concentrating solar power) plant's with the longest amount of thermal storage in the world. It will be owned by ACWA Power Sola- frica Bokpoort CSP Power Plant (Pty) Ltd. *(African Business)*

Mozambique moves to exploit hydropower

Two large hydropower plants are moving closer to development, according to recent announcements by the projects' investors. After years of planning, efforts to capitalise on Mozambique's substantial hydropower potential are gradually being made, which could ultimately lead to the country's emergence as a regional power hub. Hidroeléctrica de Cahora Bassa (HCB), the state-owned company that operates the 2,075-mw Cahora Bassa hydropower plant, has announced that construction of the 1,045-mw Cahora Bassa North (CBN) project will begin imminently. Agreements with financiers and contractors will, according to the company, be concluded in a matter of months, paving the way for project completion in 2022.

Financing the project, estimated to cost US$700m, will, however, require a power purchase agreement (PPA). The most likely buyer is Electricidade de Moçambique (EDM), the state-owned utility, which is facing yearly demand growth of 15%. Alternatively, if the Mozambican government attempts to limit contingent liabilities, HCB may seek a regional offtaker, of which South Africa's Eskom is the most prominent. Difficulties in negotiating the commercial terms of PPAs often hampers the development of Mozambique's power projects, and the uncreditworthiness of Southern African utilities-including EDM and Eskom-may put financiers off.

Moves are also under way to expedite development of another long-mooted power project, the 1,500-mw Mphanda Nkuwa hydropower plant on the Zambezi river, which has development costs of over US$2bn. The State Grid Corporation of China, the world's largest state-owned utility, has announced that it will arrange financing for and the construction of project. The project is, however, complicated by a legal dispute with the previous developer, Brazil-based Camargo Corrêa. Moreover, even with the Chinese developer's commitment, the project's progress is still dependent on a PPA.

Both the CBN and the Mphanda Nkuwa projects have been in the planning phase since the late 1990s and the inability to agree terms and finalise construction indicates that the latest announcements from the developers should be treated with caution. Should these projects come on stream they would significantly increase power-generating capacity in Mozambique and boost the country's status as a key exporter of power to the Southern African region. However, given the delays experienced thus far, imminent construction is far from guaranteed. *(Economist Intelligence Unit)*

MINING

Indian consortium raises funds to invest in Mozambique

Indian state consortium International Coal Ventures Ltd (ICVL) has raised US$185 million to finance the increase in coal mining in assets it has in Mozambique, the CNBC-TV18 television channel reported. The consortium, which was set up by the Indian government for the acquisition of mining assets abroad to meet the need for raw materials of companies like Steel Authority of India Limited (SAIL), Coal India Limited (CIL) and NTPC Limited, has been seeking funds to apply at the mine in operation in Mozambique. CNBC-TV18 also said the US$185-million loan taken on from the India Export Import Bank had a maturity of six years and an interest rate pegged to LIBOR ("London Interbank

Offered Rate") plus 250 basis points . These funds will be used to purchase more modern mining equipment and establish a coal distribution network. The consortium, which brings together SAIL, CIL, NTPC Limited, National Mineral Development Corporation (NMDC) and Vizag Steel, in July 2014 acquired the coal assets of Anglo-Australian group Rio Tinto for US$50 million. *(Macauhub)*

British company buys license to mine for gold in Mozambique

British company Xtract Resources has issued shares to partially finance the acquisition of a gold mining license in Manica province, Mozambique, the company said in a statement. This issue of almost 1.5 million shares generated a cash inflow of 4.4 million pounds, which will be used in the acquisition of 100 % of the "Manica Gold" mining license from Auroch Minerals NL, which is listed on the Sydney Stock Exchange. The total cost of the license is US$12.5 million to be paid with a cash payment in the amount of US$4.5 million dollars, the delivery of shares valued at US$6.5 million and the assumption of US$1.5 million in outstanding debts. Xtract Resources, a 50-% subsidiary of the Cambrian Mining Plc group, also said that a preliminary study conducted by Auroch Minerals showed the deposit called "Fair Bride" has an annual gold production capacity worth US$55 million. *(Macauhub)*

Russian group Alrosa announces investments in Angola

Russian group Alrosa plans to invest over US$1.2 billion in two diamond prospecting projects to prospect in conjunction with Angolan state diamond company Endiama, the Russian group's chairman said in Luanda. Andrey Zharkov, at the end of a meeting with the vice president of Angola, Manuel Vicente, noted the Tchiuzo project, a mine in Lunda Norte province where the group plans to invest US$200 million, which should allow annual estimated diamond production of 2.5 million carats.

Also in partnership with Endiama and bringing in other partners, Alrosa plans to invest US$1 billion in the Luaxe project, also in the north of Angola, which will ensure annual production of about 10 million carats, according to Angolan news agency Angop. Alrosa and Endiama will also invest about 15 million euros in prospecting for new kimberlites (magmatic diamond deposits) over the next three years through the Kimangue company, which is part-owned by both groups.

The Alrosa group is present in Angola in Sociedade Mineira de Catoca (SMC), the company that operates the Catoca mine, in which the Russian group and Endiama hold equal stakes of 32.8 %.

The Catoca mine in the province of Lunda Sul, guarantees annual production of 6 million carats of diamonds – about 75% of Angola's total production – which generated sales of US$594 million in 2013, an increase of 2.6 % over the previous year, according to figures from SMC. The open pit mine is 600 metres deep, is expected to be in operation until 2031, is the fourth largest of its kind in the world and is also due to be the focus of new investments. *(Macauhub)*

Xtract bets on gold in Mozambique

XTRACT Resources intends building Mozambique's first large gold mine and restarting sizeable copper output in the Northern Cape, says CEO Jan Nelson, who was behind the growth of Pan African Resources into a mid-tier gold miner.

Xtract, which trades on London's Alternative Investment Market, has a cash-generating gold mine in Chile and has now turned its focus to the Manica gold prospect in Mozambique as well as a copper dump retreatment project in Northern Cape. Manica was once the flagship project in Pan African, which bought it in 2006. It was enough of an asset to attract the attention of then Johannesburg-listed Metorex, which folded its Barberton gold mine into Pan African in exchange for a controlling stake in the company.

However, the Metorex board took the view that Manica would not be developed, Mr Nelson said, adding that Xtract planned to bring the deposit into production of 50,000oz per year in the next 18 months.

"We understand the deposit. It's well drilled and the metallurgy is understood. I always wanted to develop it. I was just not allowed to develop it." Pan African sold Manica to Auroch Minerals, an Australian company, which took the project to within months of a finalised bankable feasibility study. Auroch estimated the Fair Bride portion of Manica would cost $28m to deliver 330,000oz of gold over seven years.

Xtract agreed to buy Manica for $12.5m. It raised £4.4m in a rights issue this week towards the cash and share deal.

Xtract could raise up to 40% of the $28m capital cost and could secure debt for the rest, Mr Nelson said. A Chinese company could sell it a processing plant in exchange for mined gold.

Xtract believed it could recover 85% of the gold from the sulphide ore deposit with a grade of 3.5g a tonne by using ultra-fine grinding to liberate the gold and putting it through a carbon-in-leach process, he said.

In the fourth year, underground development would cost nearly $15m. There was a chance to mine alluvial gold on Manica, bringing in a third party to build a plant and share profits with Xtract, generating revenue in six months, he said.

Xtract had agreed to a cash and share purchase of rock dumps at O'Kiep for $4.75m. "The two biggest dumps we've bought have 70% of all the metal value of the surface material contained in eight dumps in the area," Mr Nelson said.

The grade is estimated at 0.2% copper and the in-situ value is $400m. Xtract would spend $400,000 over the next six months to explore the dumps. A plant to process the copper could cost up to $60m and Xtract has to decide whether to produce copper cathode plate or a concentrate for sale. One market participant who had scoured the area for copper

assets said: “Those old miners were good and they didn’t throw a lot away. It’s going to be interesting to see what Xtract can really do with those dumps”. Village Main Reef, which is owned by China’s Heaven-Sent, had bought exploration tenements in Northern Cape, which included some of the old Metorex copper mining areas, said Marius Saaiman, a director at the Heaven-Sent operation. "It’s too early for us to talk about how prospective the area is," he said. *(BDLive)*

Rio Tinto in Mozambican joint venture with Savannah

Global miner Rio Tinto has agreed to combine its heavy mineral sands prospects in Mozambique with those of small developer Savannah Resources, pushing shares in AIM-listed Savannah up by as much as 141%. The two companies are to set up a joint venture including Rio Tinto’s Mutamba, Dongane and Chilubane assets and Savannah’s Jangamo prospects, Savannah said. Savannah will operate the joint venture and can earn up to 51% of the combined project by carrying out scoping and feasibility studies. Rio Tinto, which will be providing access to its existing camp, facilities and equipment to help speed up the work, has agreed to enter an offtake for all the heavy mineral concentrate products developed from the area. The deposits can produce ilmenite, titanium, rutile and zircon, which can be used in steelmaking, refractory ceramics and paints. The assets combination is a positive for both companies, Investec analysts said in a note. "Savannah gets greater scale (and assumedly some financial backing) and Rio gets Savannah to advance a project that will be way off its list of priorities," they said. The joint venture will require approval from Mozambique’s ministry of mineral resources and energy. Shares in Savannah were up 73% at 9.04am GMT while Rio Tinto’s shares were flat, in line with the UK-listed mining sector. *(BDLive)*

OIL & GAS

Uganda Selects 17 Oil Companies Selected for Second Bidding Round

Seventeen oil companies have been selected for the second round of the country’s first competitive oil bidding program

Seventeen oil companies, including South Africa’s petrochemical company Sasol Ltd. (SSL) and India’s ONGC Videsh, have been selected for the second round of the country’s first competitive oil bidding program for at least six blocks, which will be awarded this year, the energy and minerals ministry said.

The 17 were selected from a list of 19 companies that expressed an interest in the first bidding round, which was announced in February, Fred Kabagambe-Kaliisa, the ministry’s permanent secretary said in a statement.

The contracts for the blocks will be awarded this year with the companies going forward from the second round to be announced in August.

Uganda aims to attract more investors in its fledging oil industry. Oil companies have discovered at least 6.5 billion barrels of crude oil, from about 20% of its oil region, rendering the country’s crude fields the third largest by reserves in sub-Saharan Africa after Nigeria and Angola. “The six blocks on offer presents great opportunity to discover additional resources that will enhance the country’s sustainability of oil and gas production and commercialization.” Mr. Kabagambe-Kaliisa said.

Other bidders to go to the second round include U.K.’s Tullow Oil PLC (TLW.LN), Petoil Ltd. of Turkey, Rift Energy Corp and Glint Energy LLC from the U.S., Russia’s Africa Global Resources and China’s Brightoil Petroleum.

The blocks on offer lie along Uganda’s western border with Congo and include at least four lucrative discoveries, relinquished by the existing oil companies this year. Last week, Uganda resolved a long standing tax dispute with Tullow and analysts believe the development of the sector will now move faster after years of delays. Tullow along with China’s Cnooc Ltd. (0883.HK) and France’s Total SA (TOT) are already developing the country’s confirmed reserves, where they expect to deliver around 40,000 barrels-a-day of initial crude in 2018. The country expects to reach peak output of around 220,000 barrels a day by 2022. The East African region has been a hotspot for oil and natural gas exploration following a flurry of oil and gas discoveries in Uganda, Kenya, Tanzania and Mozambique. *(Wall Street Journal)*

Oman Oil Trader Seeks U.S., Africa Footholds

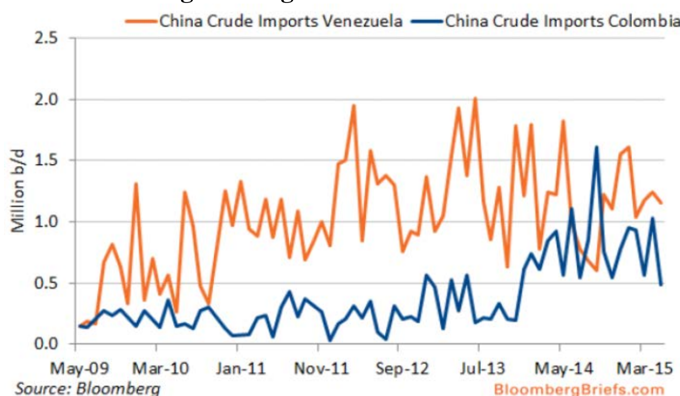
Oman, the largest oil producer in the Middle East outside of OPEC, plans to buy, lease or build fuel-storage tanks in East Africa to boost sales on the continent and open a U.S. office to trade refined products and Latin American crude. Oman Trading International intends to invest less than $50 million in facilities to store fuel in Mozambique or Tanzania to help supply markets in Africa’s landlocked interior, CEO Talal Al Awfi said. He declined to specify the target markets. His company, a joint venture with Vitol, plans to open a U.S. office in the first half of 2016.

Infrastructure investments in Africa and a physical presence in the U.S. are vital for the company to extend its reach beyond traditional markets in Asia, Al Awfi said. Oman sells most of its oil to China, where Middle Eastern crude producers face growing competition from suppliers outside OPEC. “We’ve seen fundamental changes in the market,” Al Awfi said. “Asia as a market is now enjoying a period where there are options with all the growth in oil production.”

An office in the U.S. will give Oman Trading a base to buy and sell Latin American crude, he said. Exports from Colombia and Venezuela, among other regional suppliers, have been pushed out of the U.S. market by increased local

production, and many of those barrels are now flowing to Asia, where Middle Eastern crudes were traditionally dominant, he said.

Oman Will Target Rising Latin American Crude to Asia



TELECOM

Ivory Coast nationalises three mobile operators over back taxes

Ivory Coast has nationalised three mobile telecommunications operators, saying they owe taxes and license fees, and plans to merge them into a single company before seeking a partner to take a majority stake, it said.
Communications Minister Bruno Kone said the companies, Libya's Green, the local unit of Lebanon-based Comium and Ivorian operator Cafe Mobile, had been given a May 5 deadline to pay around 90 billion CFA francs ($155 million) they owe to the state. "We decided to fuse the defaulting companies to make a single entity that we will restructure and seek a financial and technical partner ... to take 51 % of the new company," Kone told journalists.
Speaking after a cabinet meeting in the commercial capital Abidjan, Kone said the plan aimed to reimburse the state for the lost tax revenues while preserving the jobs of the three companies' employees. "We want to move quickly and I can tell you that we already have offers. But we will discuss it and arrive at a deal beneficial to the state and the future operator," he said. Two officials from operators being nationalised under the plan said India's Bharti Airtel Limited and Nigeria's Globacom Limited were among those that had shown interest in taking a stake in the new company.
Ivory Coast, French-speaking West Africa's largest economy, has a population of 23 million and an equal number of mobile phone subscribers. Together, Green and Comium had less than 1.5 million customers, according the most recent data from Ivory Coast's telecommunications regulator. Cafe Mobile suspended services last year. Kone said the government had also revoked an unused operating license owned by Abu Dhabi-based Warid Telecom. Ivory Coast's remaining operators are led by France's Orange followed by South Africa's MTN, Etisalat's Moov. ($1 = 586.5100 CFA francs) *(Reuters)*

South Africa: Orange Finally Opens Cape Town Store

After months of delays, the physical Orange Store opens in Cape Town.
The global mobile operation, intent on disrupting the South African mobile distribution ecosystem, has opened its first physical store in the country as a way of supporting its online platform, which is known for selling smartphones at low cost. "Orange's strategy is to be close to its customer base. We believe cross selling between the physical and online stores are a way to offer better services to all our customers," Sèbastien Crozier, CEO of Orange Horizons, told Fin24.
The store was initially slated for opening in January this year, but squabbles between the franchisee and Orange resulted in delays.
In the meantime, Orange continued to sell smartphones and other gadgets on its online platform, though Crozier conceded that a physical store presence is a necessity in SA. "The Orange Online Store is a great success in South Africa, and we understand the need of our customers to be able to go into a physical store to see, touch and test the products. It is also an opportunity for us to interact with our customers and offer them advice, as well as to showcase new products as connected devices."

Tourism market

In addition to selling gadgets, Orange will also use the physical store to leverage international tourism and its large customer base. "The store will also offer South African travellers the opportunity to purchase SIM cards for travel throughout Europe, as well as the opportunity to order any product that is not immediately available to be delivered to their home," said Crozier. But the physical store will also better help Orange understand which products to offer in SA as the company moves toward an internet service provider role. "We started with a digital presence, and believe that a physical store is the next step in better understanding the ZA market and provide new services before becoming an ISP, at the end of the year," Crozier said. While Orange has a significant mobile operator presence in Africa and Europe, the company doesn't have mobile network operations in SA. However, it uses its international inventory to offer often dual SIM smartphones locally and devices at lower prices than established distribution channels. Crozier said that following

the Cape Town store, Orange would investigate the viability of physical stores in other areas. "Our plan is to first target the areas where we have a large existing customer base from the Online Store. We plan to open stores in all the major cities. Johannesburg is one of them and we could open several stores there, depending on the demand. We also see huge opportunities in the rural areas, and are looking at the best ways of targeting these areas." *(Fin24)*

South Africa Sells Vodacom Stake to Help Rescue Eskom
Government says funds will cover $1.9 billion cash injection for electricity utility
South Africa's government has sold its 14% stake in mobile operator Vodacom Group Ltd., raising around $2 billion in cash to help refinance the country's beleaguered state-owned power provider. South Africa's Finance Ministry said that the shares were sold to the Public Investment Corporation, which oversees South Africa's $140 billion government pension fund. The proceeds from the sale of the shares in Vodacom, 65%-owned by U.K.-based telecom group Vodafone PLC, will fund a $1.9 billion cash injection to Eskom Holdings Ltd., the ministry said, and help cover the conversion of a $5 billion government loan to the power provider into equity. "These measures will further strengthen the company's balance sheet and will be complemented by cost reductions by Eskom," the ministry said.
Since late last year, a series of breakdowns at Eskom's outdated fleet of power plants has regularly plunged South African communities and factories into darkness. Economists say the frequent blackouts could drag economic output below 2% this year. As a result, Eskom's credit rating has fallen into "junk" territory, and the company has had trouble financing its operations and paying for overdue maintenance. This week another arm of South Africa's government blocked Eskom from hiking electricity levies. *(Wall Street Journal)*

Government sells its stake in Vodacom
The government has sold its 13.91% stake in Vodacom to the Public Investment Corporation (PIC) for an as yet undisclosed sum but sufficient to finance its promised R23bn allocation to Eskom. The Vodacom share price reacted positively to the news including the announcement that the Competition Commission would recommend its R7bn merger with Neotel to the Competition Tribunal. After opening at R139 a share it shot up to R144.53 in mid-morning trade.
The Treasury said in a statement that a number of funding options were considered, with the sale of the government's stake in Vodacom the most viable as it would ensure a swift realisation of the proceeds. This would bolster Eskom, while allowing the government to continue to deliver on its strategic objectives, the Treasury said.
On the price paid for the Vodacom shares Treasury spokeswoman Phumza Macanda said the pricing was based on market prices, namely the 30-day volume weighted average price. "We are anticipating that the proceeds will be in excess of the R23bn that will be allocated to Eskom," she said. "There was a discount of 10% based on the fact that it's such a large transaction." "The PIC's offer to government was in line with pricing quoted by other institutions when taking into account the large size of the stake and also provided the added benefit of keeping the shares within the broader family of public sector related institutions," the Treasury said.
The state-owned PIC, which is the investment manager for the Government Employees Pension Fund and is Africa's biggest fund manager, already holds 3.19% of Vodacom. The acquisition of the government's 13.9% stake could make the PIC the largest shareholder after Vodafone, the UK operator that owns 65% of SA's biggest cellular provider.
The Treasury said it would work with the Department of Telecommunications and Postal Services in executing the transaction.
Various options were considered before deciding on the sale of the Vodacom shares. These included the sale of listed shareholdings held directly by the state, the disposal of listed stakes held indirectly through development finance institutions, the sale of the government's unlisted shareholdings in state-owned companies or their subsidiaries, the ring-fencing and sale of assets held by state-owned companies and the sale of other assets, such as property, owned by the state.
Finance Minister Nhlanhla Nene has indicated previously that the R23bn will be paid to Eskom in three tranches, with the first being R10bn. This funding will have no effect on the government's fragile budget deficit.
The Treasury approached about 20 financial institutions, mainly banks, to assist it with identifying which nonstrategic state-owned assets should be sold to raise the R23bn needed by Eskom. The approach took the form of a "market sounding" in which the financial institutions presented options of assets that could be sold and the strategies that could be used for doing so. "Each of the options was assessed against a number of criteria, which included an assessment of the strategic importance of the assets and the timing of the receipt of the proceeds, in order to identify the most viable options for financing the allocation of funding to Eskom. The most suitable buyers will vary depending on the asset to be sold and the strategy for doing so," Mr Nene said in a written reply to a parliamentary question earlier this year. The R23bn funding comes in addition to the conversion of a R60bn subordinated loan into equity, which was approved by the National Assembly last week and which still has to get the green light from the National Council of Provinces before being signed into law by President Jacob Zuma. The cash injection and the loan conversion strengthen Eskom's balance sheet, lowering its debt:equity ratio from 75% to 69% and will allow it to borrow more on the capital markets.
Eskom is already borrowing on the strength of government guarantees, which this year total R152bn and are forecast by the Treasury to reach R173bn next year and R183bn in 2017-18. The utility is expected to borrow a further R250bn

over the next five years. Mr Nene's announcement comes in the wake of the refusal by the National Energy Regulator of SA (Nersa) to approve Eskom's application for a tariff increase, which would have raised an additional R25.8bn in revenue for the year to end-April 2016 and resulted in a 10.1% increase in electricity prices.
Earlier this year Nersa approved an additional 4.69% tariff increase, in addition to the multiyear price determination of 8%, to allow Eskom to retrospectively clawback previous unanticipated expenditure. The 12.69% tariff hike takes effect. Eskom motivated its need for a further tariff increase on the grounds that it needed additional funds to pay for the diesel it required to run its open-cycle gas turbines and thereby limit the extent of load shedding, as well as to purchase electricity.
In his parliamentary reply, Mr Nene said the government was developing "a much broader framework for evaluating what is strategic and core to government business and what is not. Such a framework would be discussed and approved through the normal channels of processing such policies before they become government policy". *(BDLive)*

Stringent terms for Vodacom-Neotel merger
The Competition Commission has recommended to the Competition Tribunal that it approve Vodacom's acquisition of Neotel, but with stringent conditions.
The terms take into account Vodacom's dominant position in the mobile network market and the contentious issue of its access to Neotel's radio frequency spectrum, which Vodacom has been prevented from using immediately. That condition is likely to be welcomed by its rivals. The merger would change the South African mobile network and fixed line industry significantly, said commissioner Tembinkosi Bonakele.
"We've taken due care in our analysis and recommendation to protect competition now and in the future, but the success of these conditions is predicated on the relevant government departments and Icasa (the Independent Communications Authority of SA) promulgating necessary policies and allocating spectrum for the benefit of the whole country," he said. The Competition Commission's approval comes two weeks after Icasa approved the deal with conditions that are yet to be disclosed.
The conditions also contain unprecedented investment commitments, which will go a long way towards improving telecommunications services in SA, said Mr Bonakele. Vodacom will be expected to invest R10bn in fixed network, data and connectivity infrastructure. At least 50% of the amount should be invested in all fixed network elements required to enhance services to homes and enterprises, including the development of value-added services. Vodacom had said previously that the acquisition of Neotel would help it fast-track its fixed line network rollout.
The commission has also recommended that within two years, Vodacom must ensure the value of the shares held by its black economic empowerment (BEE) shareholders increases by R1.4bn, which is the value attributable to Neotel, multiplied by 19%, which is the current BEE shareholders' direct shareholding in Neotel. Should the BEE obligations imposed by Icasa on the deal exceed the value set by the commission then the obligations imposed by Icasa will apply.
Vodacom may not retrench any Neotel employees.
The commission found the merger was likely to substantially lessen or prevent competition in the mobile services market. Vodacom is the biggest mobile operator in SA with 32-million subscribers. It also offers some fixed line services. Its rivals have opposed the deal, saying it will give the group unfair advantage and access to Neotel's lucrative spectrum, which none of them had. Cell C has previously said it would pursue "every legal avenue" to oppose it as the merged entity posed a serious threat to its business. The company said that it was reviewing the announcement and would comment at a later stage.
The commission said the additional spectrum from Neotel would result in spectrum "concentration effects that will likely consolidate Vodacom's dominant position". It recommended that Vodacom not use Neotel's spectrum to offer wholesale or retail mobile services for two years. This would give policy makers an opportunity to address the spectrum challenges in the industry, it said. The government's migration to digital broadcasting will release the spectrum that is needed by mobile network operators and other companies to roll out high-speed data networks. The commission found that the acquisition will also give first-mover advantages to Vodacom relating to network speed, capacity and mobile offerings. It said Vodacom would not be constrained by other competitors as they were unlikely to match its offering.
The commission said these factors would likely lead to reduced choice and higher prices to customers in the absence of effective constraints on Vodacom. The merger is also likely to have a significant effect on the structure of the local mobile markets and future competitive dynamics. Vodacom's spokesman, Richard Boorman, said the group welcomed the commission's recommendations that the Competition Tribunal approve the deal. The tribunal is now expected to set the matter down for a hearing. "We look forward to working with the applicable regulatory bodies to achieve a speedy outcome, which will ultimately result in increased investment in communications infrastructure and the accelerated rollout of broadband connectivity in SA," he said.
** This article was amended to show that the Competition Commission recommended to the Competition Tribunal that it approve Vodacom's acquisition of Neotel (BDLive)*

RETAIL

Edcon Holdings' $31 Million Bond Payment Looms

Edcon Holdings Ltd., the loss-making South African retailer, has to choose between spending the little money it has or not paying a 28 million euros ($31 million) coupon due as it seeks to restructure borrowings.

The company, with its bonds priced the second-lowest in Bank of America Merrill Lynch's 595-member Euro High Yield Index, has the option to delay payment by a maximum of 30 days before a default under the terms of the bond. The coupon is equivalent to more than half Edcon's working capital in fiscal 2015, with the company having warned in May that it might not be able to raise new funding or sell assets.

Edcon, South Africa's biggest clothing retailer with chains including Edgars and Jet, has about 25 billion rand ($2 billion) of debt and has cut jobs as a slowdown in South African consumer spending contributes to losses and slower sales growth across its more than 1,500 stores. Chief Executive Officer **Jurgen Schreiber** is stepping down as Edcon needs to start repaying about 4.5 billion rand of debt denominated in euros, dollars and rand next year. **Bain Capital Partners LLC**, which bought Edcon in 2007, has hired **Goldman Sachs Group Inc.** and **Houlihan Lokey Inc.** to advise on a restructuring.

Payment of today's coupon at a later date "usually just delays the pain and allows for a bit more time to negotiate with bondholders," Jean Pierre Verster, analyst at **36one Asset Management Ltd**., said. A deferred payment could affect the bond's ratings and yield "seeing that it is a clear sign that the company is in a difficult financial position."

No other South African company has delayed a coupon payment in the past five years, apart from African Bank Investments Ltd. which suspended all securities after collapsing last year. "Even if bondholders are clear as to why the coupon is being delayed, it will cause jitters for others such as landlords and employees," **Asief Mohamed**, chief investment officer of Aeon Investment Management, said. *(Bloomberg)*

AGRIBUSINESS

Mozambique stands by State guarantees for $850m 'tuna bond' – finmin

Mozambique stands by State guarantees given to international investors behind an $850-million bond to finance a tuna-fishing fleet and increased coastal security, Finance Minister Adriano Maleiane said. In a letter obtained by Reuters, Maleiane clarifies that a debt 'restructuring' announced in parliament last week was actually about the government cleaning up the accounting relating to the 2013 bond, and was not because it could not pay.

"The government reiterates that it keeps the guarantee issued in the initial conditions agreed with financiers," Maleiane said in the letter. The first bond repayment is due in early September.

The letter addressed to international donors made clear the government was assuming responsibility for the $500-million of the debt that related to maritime security. The remaining $350-million remained on the books of Ematum, the state firm set up in 2013 to build a tuna fishing fleet with the proceeds of the bond, the letter said. When the bond was launched, it was presented to investors as finding for "fishing infrastructure" but it quickly became apparent a significant proportion if the spending was for maritime surveillance and security. Maleiane, who is under pressure from donors to improve the transparency of the war-scarred but mineral-rich southern African nation's finances, said he was 'revisiting' the entire portfolio if public debt to improve the government's payment plan. *(Engineering News)*

Angolan group invests in agriculture and livestock in southern Angola

A private investment at Fazenda Vales Silvestres, an agro-livestock farm in the south of Angola, will enable the production of 20 million litres of milk and 60,000 tons of grain per year, according to the farm's managers.

Fazenda Vales Silvestres, located in the municipality of Caconda, in southern Huila province, on an area of 13,000 hectares, was officially opened and has created 420 direct jobs, plus another 1,000 indirect jobs, the managers said.

The operation includes a grain drying and storage unit, 2,200 head of cattle for milk production, a feed mill and pig farm, and there are also plans to export agricultural and livestock goods to neighbouring countries.

The project involves an investment of US$120 million promoted by Angolan group S. Tulumba – Investimentos e Participações, owned by entrepreneur Silvestre Tulumba Kapose, which also operates in real estate, hospitality, construction, automobile sales and food distribution. (macauhub/AO)

Mozambique economy: Ambitious plans for agricultural development

The agricultural sector contributes around 40% of economic activity in Mozambique and employs some 80% of the workforce. For the past five years, it has, however, been firmly overshadowed in the eyes of policymakers by the prospect of a natural resource boom. Now, with inequality between urban and rural areas rising rapidly, the government has returned its focus to agriculture in an attempt to boost the rural economy. Striking a balance between commercialised agriculture and smallholder farming is, however, a key policy challenge.

In 2012 The Economist Intelligence Unit highlighted the potential of agribusiness in Mozambique, with companies such as Mozbife, a UK-listed maize and cattle business, planning ambitious projects. Since then, commercialised agriculture has performed strongly, with foreign direct investment by agribusinesses and commercial farmers, many of the latter from South Africa or Zimbabwe, in bananas, horticulture and other speciality crops. Sugar is a particular success story.

There are now four sugar factories in operation, 25 producer associations and 486 independent producers, according to the Ministry of Agriculture, and annual exports of 240,000 tonnes earn an estimated US$120m in foreign exchange. Looking to leverage this success, the Mozambican government is now backing ambitious plans for larger-scale agricultural development.

Rise of the agricultural mega-projects

By echoing the development strategy employed in the mining sector, the government hopes that mega-projects will trigger the emergence of value-adding local industries. However, while the so-called agricultural development corridor approach is gaining currency among development economists, the mega-projects are beset with delays and controversy. Offering large swathes of land to investors-often at the expense of smallholder farmers-remains a highly unpopular policy move. Despite having one of Africa's most progressive land laws, implementation and interpretation of the law has been chequered, and land-related issues are likely to lead to political tensions as these mega-projects progress.

Kuwait's Al Badel International Development Company announced plans in June to invest US$1.5bn in a sugar-cane project in Massingir district, southern Mozambique, which will produce bioethanol for the domestic and regional market. Al Badel expects project agreements to be in place by December, with the first feasibility work taking place soon after. This has, however, been attempted before. In 2007 UK-based ProCana signed a contract to produce bioethanol from the same locality. The investors struggled to raise financing, and frustrated by the lack of work, the government rescinded the licence two years later. ProCana's project was also heavily criticised for destroying grazing land, and it is likely that Al Badel's efforts will receive similar complaints.

The largest of the mega-projects is the so-called ProSavana scheme-a tripartite project between the governments of Brazil, Japan and Mozambique, which intends to mimic the experience of Brazil's Cerrado region by turning Mozambique's savannah into arable land for industrial farming. Following a series of public consultations, the project's development plan was concluded in late May, and the cabinet is expected to approve it later this year. ProSavana has, however, been shrouded in controversy since it was first announced in 2010. Activists have labelled the project a government-mandated "land grab", in violation of multiple laws and putting the lifeline of subsistence farmers at risk.

Another US$4.2bn agricultural mega-project is being planned without any public consultation at all, according to a Mozambican advocacy group, Acção Académica para o Desenvolvimento das Comunidades Rurais (AADCR). The project intends to produce commercial cotton, corn, sugar and livestock in Lurio River Valley, north-eastern Mozambique, over 240,000 ha of land. This will, according to the AADCR, displace more than 100,000 local residents.

Attempts to improve smallholders' productivity

Growth in the agricultural sector has been high-averaging 5.2% since 2005, according to The Economist Intelligence Unit-but this is largely attributed to expanded areas of cultivation, rather than higher yields or productivity gains. The smallholder farming sector remains characterised by subsistence production, with limited use of external inputs or technology. Agricultural productivity in Mozambique is well below the average in
Sub-Saharan Africa and the Southern Africa region, and according to the African Development Bank, output per head is lower than it was before independence 40 years ago.

After a decade in which poverty reduction trends have flat-lined- indicating a disconnect with the robust real economic growth-there is renewed emphasis on smallholder agriculture in achieving broad-based growth, with direct impact on household income and livelihoods. The government's current investment plan, Programa Nacional de Investimento do Sector Agrário (PNISA), focuses on addressing the structural constraints that continue to limit productivity growth, such as farmers' access to finance. In May the Bolsa de Mercadorias de Moçambique (BMM), the country's state-backed commodity exchange, announced plans to launch a pilot warehouse certification programme, which will enable producers to raise bank credit using their stock as collateral.

Similar programmes have been successful elsewhere in Southern Africa in boosting liquidity in the agricultural sector and increasing competition among small producers.

However, although there are shoots of progress, such as the BMM, state-led interventions in smallholder farming have a poor record of success. Implementing PNISA will be difficult. It includes 21 programmes and 61 sub-programmes across multiple subsectors, costing an estimated US$4bn. State spending on agriculture has steadily increased-to 9.1% of the total budget in 2015, from 4% in 2012-but it still falls short. The World Bank is supporting the government's programme through institutional support and a US$50m loan. However, since Mozambique's first government-led agricultural development programme collapsed in the mid-2000s, most donors have preferred to back independent projects, where they perceive greater opportunities for success.

Striking a balance

Significant opportunities exist for both large-scale agribusinesses and smallholder farming. There is, however, a need to strike a balance between the two priorities. The government aims to achieve agricultural growth of at least 7% per year to 2020 through expanded productivity and a 25% increase in cultivated area. Other priorities are for a new agricultural law, which is currently being drafted by a parliamentary committee.

Although this renewed policy focus signals a potential opportunity, prospects for significant gains are tempered by the historical underperformance of the sector, and as momentum grows, there is a need to mitigate the risk of rising pressure on land. A lack of policy co-ordination between the industrialists and the agriculturalists, as well as the poor efficiency of public investment, will continue to threaten the sector's development. *(Economist Intelligence Unit)*

Cabo Verde wants to internationalise its sugarcane "grog"

The law governing the production and sale in Cabo Verde (Cape Verde) of sugarcane spirit, known locally as "grog", "grogue" or "grogu" is due to come into force on 12 August, after is publication in February,according to the Director General of Industry and Commerce. Amilcar Monteiro, cited by weekly newspaper A Semana, said the law was intended to safeguard and enhance the traditional "firewater" distilled in Cabo Verde for more than 300 years.

To do this, the government has set in motion the National Programme for Enhancement of Grog (Vagrog II) which is intended to license and approve producers and stills to certify the product in terms of quality and launch it as a Cape Verdean brand on the national and international market, competing on an equal footing with other, already recognised brands of spirits.

The Cape Verdean government intends to promote international registration in order to grant certificates of origin that will have "grog" recognised as a unique product in any potential export market.

For this to happen, Monteiro said, the "grog" produced in the country must comply with all the legal requirements, which are intended to give greater value to this product, which provides an income to a number of families in Cabo Verde.

Monteiro said producers are required to comply with safety standards in making "grog," in terms of hygiene and storage and that it will also be necessary to purge the production process of potentially harmful substances. Monteiro said the implementation of this programme had the support of the Brazilian Support Service for Micro and Small Enterprises (Sebrae), which included a trip to Brazil by producers from the island of Santo Antão and by technicians from the Brazilian government agency to Cabo Verde. (macauhub/BR/CV)

South Africa to import more white maize from Zambia: sources

South Africa is set to import more white maize from Zambia to prop up dwindling stocks from a harvest devastated by bad weather, trading and industry sources told Reuters.

Africa's biggest producer of the crop imported 163 tonnes of white maize from its northern neighbour in June, according to the South African Grain Information Service, as South Africa's 2015 harvest is expected to fall by more than a third.

Three industry sources said South Africa would get an unspecified amount of maize as a back up to its reserves.

Zambia's agriculture deputy minister said the government had issued maize export permits but declined to specify which countries shipments were destined or the quantity.

"We are exporting the maize because we need to create space for the new stock. Our storage capacity is only 1 million tonnes and we are expecting an additional 2.7 million tonnes of maize," Agriculture deputy minister Greyford Monde told Reuters.

In March, Zambia said it planned to export 800,000 tonnes of white maize to neighbouring countries whose crops were devastated by floods although this season's harvest was seen falling at least 18 % to 2.7 million tonnes.

South Africa is expected to reap the lowest harvest of the staple since 2007 due to drought. The harvest is forecast to be a third less from last season's produce of 14.25 million tonnes - the highest in 32 years.

Traders said prices for the maize contract for delivery in July fell 4.7 % to 3,003 rand ($243) following a Reuters report that South Africa booked white maize from Mexico. White maize is a staple for the poor majority and working class while yellow maize is mainly used for animal feed in the poultry and pork industries. ($1 = 12.3431 rand) *(Reuters)*

Shea butter booms in northern Ghana

Tamale, the capital of Ghana's northern savannah, is getting ready for the shea season.

The small bright green fruit, which contain a large, oil rich kernel, have started ripening and falling from the trees. In the markets, the women who trek into the bush to harvest the fruit, and spend up to a month extracting the butter by hand, are selling what is left of last year's haul at a discount.

The middlemen who have inserted themselves between the women who power the shea industry and the multinational companies increasingly snapping up their products, are scrambling to sell off wizened shea nuts well past their prime before the new crop comes in. About 8km away in a quiet village called Kasalgu, Senyo Kpelly is standing under the tin-roofed platform where around 200 women parboil, roast and grind shea nuts. He is taking a call from Swiss firm Barry Callebaut, the world's leading producer of bulk chocolate.

Shea butter, more commonly recognised as an ingredient in lipsticks and lotions, has become an increasingly vital ingredient in confectionary. Around 95 % of all shea products are used by companies such as Nestlé and The Hershey Company as a substitute for cocoa butter, to create the melt-in-your-mouth texture and clean snap consumers associate with good chocolate.

The market for shea butter has doubled in the past 10 years, according to the Global Shea Alliance, which is based in Ghana's capital, Accra. That demand has sent the price of unrefined shea butter soaring, from around $900 a metric tonne before the year 2000, to an average of $2000 over the past three years. Last year, after a bad harvest, prices reached a high of $4000 a tonne as demand outstripped supply.

The sudden explosion in the shea industry is a boon for northern Ghana, which is home to most of the country's poorest citizens, and has seen very little of the growth that has lifted the west African country's economy over the past decade.

Many in northern Ghana can still remember the exact - and fairly recent - date the power lines reached their village. Literacy rates are half the national average, and for the vast majority without a university degree or extensive training, jobs are scarce.
Agriculture, which is the only economic activity in much of the north, has been so hard hit by climate change that a wave of migrants – most of them young, unaccompanied women and girls – are flooding into larger cities in search of work, while men and boys stay at home to watch family farms or go to school.
The shea industry has been dominated by women for generations, largely because shea butter is a cooking oil first, and a cosmetic second. Now that the rest of the world is finally catching on, and the shea industry is worth $280m a year, many finally see homegrown economic opportunity for women in Ghana's northern savannah.
"In our attempt to improve the quality of our shea butter we located shea suppliers and discovered their social issues," says Mr Kpelly, after ending his call with the Swiss chocolate-maker. Mr Kpelly's company, Sekaf Ghana, buys nuts from around 3000 women.
In the beginning, "it was hard to get consistent bulk orders, the women did not have the facilities," he says. In response, the company fused traditional methods and scientific knowledge and built a factory which produces 250 metric tonnes of organic shea butter a year for export to buyers in Europe and the US.
Sekaf also makes Tama Cosmetics, a line of shea butter-based lotions and soaps which are sold largely in Ghana as part of a plan to add value to the raw material in an industry with serious limits. "The trees are not domesticated, so we cannot increase the quantity to meet demand," says Mr Kpelly. As a result: "Shea will remain a niche market, it cannot go into the mass market."
Other companies, like The Savannah Fruits Company, focus squarely on that niche, producing fair trade and organic shea butter with an emphasis on preserving shea trees, which grow in the wild, and can take up to 25 years to start fully fruiting. "It is a good thing for communities, they see the value of the shea trees, some of them cut them down for firewood," says Diana Banuro, general manager of the Savannah Fruits Company, which works with about 7000 women.
In 2014, the company exported about 40 shipping containers of processed shea butter to the Netherlands, where it was refined and sold to cosmetics companies. At present, there are no shea refineries in Africa.
"There has been increasing demand, but also an increasing number of players, so the supply of nuts is a bit tight," says Mr Banuro.
Ghana is the third biggest producer of shea products in the world - after Nigeria and Mali - exporting around 60,000 metric tonnes of shea nuts every year. Until the industry was liberalised in 1992, the government of Ghana bought and exported all shea nuts, according to Vincent Anchirinah, manager of the Shea Unit at the Ghana Cocoa Board.
There are currently plans to set up an independent Shea Board to establish floor prices, and to conduct much needed research. The government has already invested more than $800,000 in a plantation of 1 million high-yield seedlings over 5 acres of savannah. Researchers are hoping a new grafting technique will reduce the time it takes shea trees to bear fruit to just six years.

Empowering women?

There are parallels between the growth in the shea market and other valuable oils such as Moroccan argan oil, and Kenyan marula oil. All these products have been produced by women in poor, rural areas for generations. Improving quality, encouraging demand and increasing production is widely seen as a way to alleviate poverty.
Moroccan argan oil sells up to $400 a litre around the world and is used for everything from hair products to salad dressing. The oil is traditionally produced by Berber women, and as demand has soared, non-governmental organisations and government initiatives have helped organise producers into co-operatives designed to give poorer women in rural areas a chance to earn a living. The industry now provides an income for up to three million people in Morocco.
Marula fruit has always been harvested by women all over southern Africa. Until the late 1990s, the fruit was largely used to make Amarula, the South African cream liqueur made by multinational brewer Distell. In 1999 a women's co-operative began selling the oil extracted from marula kernels to the cosmetics industry and within a decade, retailer the Body Shop was using marula oil in over 140 products.
In Ghana, "One hundred % of the shea industry is women," says Fatima Alimohamed, the outgoing general manager of Ghana Specialty Fats Industries, which is owned by Singaporean firm Wilmar International. Wilmar, the biggest edible oil trader in the world, processes over 30,000 tonnes of shea nuts every year in its factory in Ghana's port city Tema.
However, the system may not be as beneficial to poor women as the industry would like to portray: "Women hardly get the money because the middle men tend to take it," Ms Alimohamed says.
Still, she sees the growth of the industry as beneficial for these producers. "Right now it is really making a difference. Even though they are not making 100 % of the money, they are benefiting from the demand," she says. "The challenge is how to remove the middlemen," so that more financial benefits accrue to the women driving the process. *(This is Africa)*

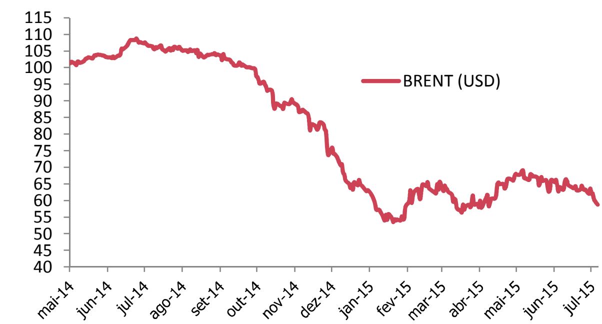
MARKET INDICATORS
06-07-2015

STOCK EXCHANGES		
Index Name (Country)	06-07-2015	YTD % Change
Botswana Gaborone Domestic Index (Botswana)	10.692,36	12,53%
Bourse Régionale des Valeurs Mobilières (Ivory Coast)	278,60	7,95%
Case 30 Index (Egypt)	7.870,78	-11,83%
FTSE NSE Kenya 15 Index (Kenya)	212,99	-1,16%
Morocco Casablanca Stock Exchange CFG 25 (Morocco)	20.337,13	0,50%
Nigerian Stock Exchange All Share Index (Nigeria)	32.539,28	15,89%
FTSE/JSE Africa All Shares Index (South Africa)	51.289,44	3,05%
Tunindex (Tunisia)	5.707,10	12,12%

Source: Bloomberg and Eaglestone Securities

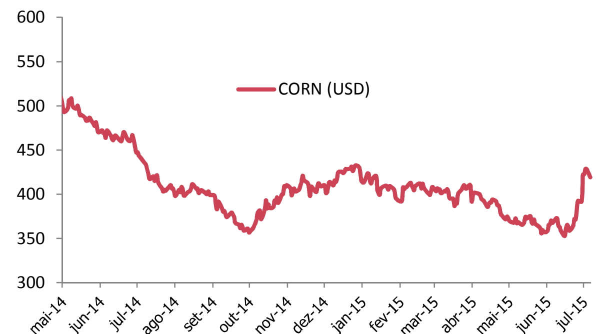
METALS		
	Spot	YTD % Change
Gold	1.166	-1,62%
Silver	16	-0,59%
Platinum	1.051	-13,00%
Copper $/mt	5.759	-8,59%

Source: Bloomberg and Eaglestone Securities



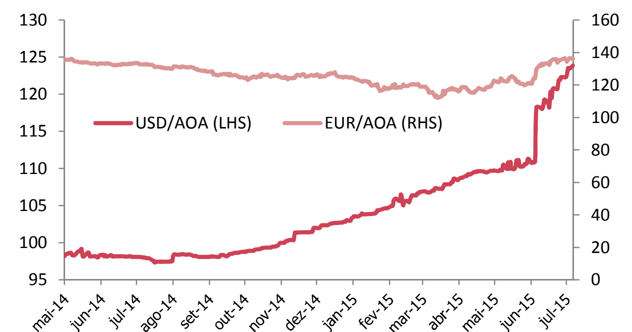
ENERGY		
	Spot	YTD % Change
NYMEX WTI Crude (USD/barril)	54,4	0,20%
ICE Brent (USD/barril)	58,8	-0,73%
ICE Gasoil (USD/cents per tonne)	544,3	2,74%

Source: Bloomberg and Eaglestone Securities



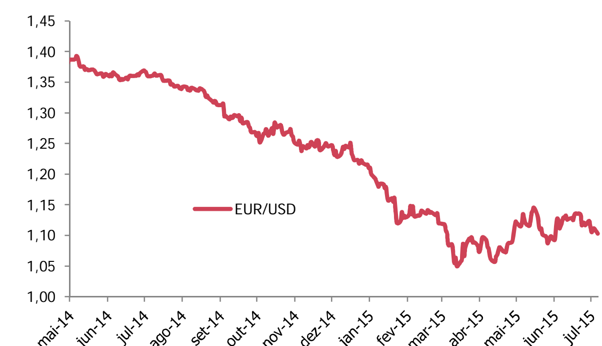
AGRICULTURE		
	Spot	YTD % Change
Corn cents/bu.	419,3	4,62%
Wheat cents/bu.	574,5	-3,36%
Coffee (KC) c/lb	126,6	-25,22%
Sugar#11 c/lb	12,4	-16,76%
Cocoa $/mt	3288,0	13,69%
Cotton cents/lb	66,9	9,51%
Soybeans c/bsh	1009,5	-2,04%

Source: Bloomberg and Eaglestone Securities



CURRENCIES	
	Spot
KWANZAS	
USD	123,376
EUR	136,083
GBP	191,846
ZAR	9,952
BRL	39,302
NEW MOZAMBIQUE METICAL	
USD	38,547
EUR	42,570
GBP	60,019
ZAR	3,113
SOUTH AFRICAN RAND SPOT	
USD	12,398
EUR	13,674
GBP	19,278
BRL	3,951
EUROZONE	
USD	1,10
GBP	0,71
CHF	1,04
JPY	135,29
GBP / USD	1,56

Source: Bloomberg and Eaglestone Securities



UPCOMING EVENTS

World Bank Seminar "Africa: Potentials and Challenges" July 7, 2015, Tokyo
Haleh Bridi, Director for External Relations and Partnerships, Africa Region, World Bank, will be featured as the keynote speaker to discuss potentials and challenges of Africa region, and future opportunities for collaboration with Japanese private sector and other partners.
The World Bank Tokyo Development Learning Center , 10F, Fukoku Seimei Bld., 2-2-2 Uchisaiwai-cho Chiyoda-ku, Tokyo

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

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

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

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

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

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

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

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

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

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

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

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Disclosures

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

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

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