INSIDE AFRICA

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EAGLESTONE SECURITIES

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In-depth:

Was the resource boom more akin to a resource curse for Africa?

The IMF's Regional Economic Outlook (REO – April 2016) notes that the region's dependence on primary commodities has increased since the 1980s with nearly half of the countries in the region subject to commodity price fluctuations. These economies, which contribute 70 % of the GDP of Sub-Saharan Africa are facing a sharp slowdown in real growth, with many also having to undertake large fiscal retrenchments and/or seek balance of payments support from the IMF.

We review the economic performance of Sub-Saharan Africa's (henceforth Africa) non-renewable resource producers since the early 2000s, the start of the commodity price boom contrasting this with the economic performance of Africa's non-commodity exporters over the same period. The negative economic impact of the current slump in commodity prices is indisputable, but it is worth asking whether Africa's non-renewable resource producers realized any tangible benefits from the commodity price boom. Our conclusion is that they did not, at least in terms of real per capita growth. And here's why.

Table 1: Composition of country groups

Group	Countries
Oil exporters	Angola, Cameroon, Equatorial Guinea, Gabon, Nigeria
Mineral exporters	Botswana, Burkina Faso, Ghana, Mozambique, Namibia, Niger, Zambia
Non -commodity exporters	Benin, Cape Verde, Ethiopia, Gambia, Kenya, Lesotho, Mauritius, Rwanda, Senegal, Seychelles, Swaziland, Tanzania, Uganda

Source: IMF

Per the REO, we categorise Africa's economies into three groups; oil exporters, mineral exporters and non-commodity exporters. Our aim is to explore how well the first two groups of non-renewable commodity exporters have performed in relation to those economies which have not been blessed, or cursed, with non- renewable resources. As often fragility dominates other factors, we excluded those economies classified as such, from all groups. South Africa, a much more industrialised economy than any other in Africa, is also excluded.

For each group, we compute a weighted average for each variable of interest, with the weights for each economy determined by that economy's weight in the combined GDP of its group at 2013 purchasing power parity prices. Nigeria dominates the oil exporters, with 77 % of their combined GDP, but for each of the other two groups, no single country dominates.

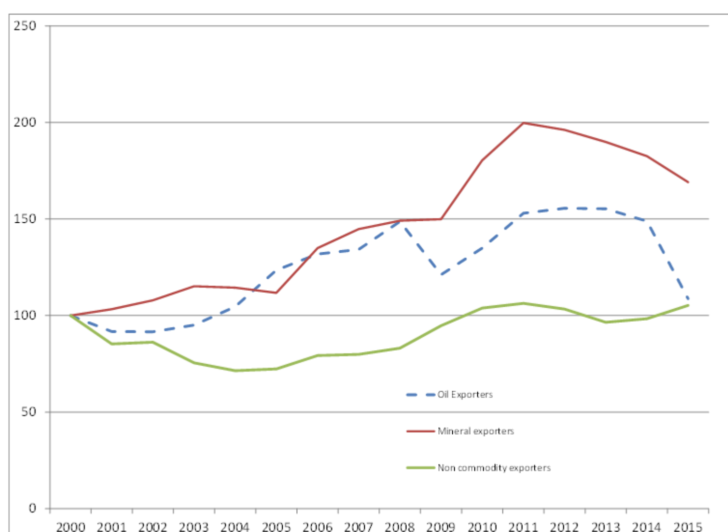
We begin by looking at the evolution of the external terms of trade (ToT) of the three groups. We then compare economic performance in terms of growth of real GDP per capita, during the commodity price boom (the ten years from 2004 to 2014). We also look at forecast growth to 2018.

Evolution of the external terms of trade

In terms of ToT, the differences among the three groups are striking. Both groups of non-renewable resource exporters enjoyed huge favourable shifts in their ToT, with that of the oil exporters rising in 2012 and that of the mineral exporters rising in 2011. The ToT of the oil exporters declined in 2013 and 2014 and fell sharply in 2015, whereas the fall in the ToT of the mineral producers was as severe. Mineral exports weigh less in the GDP of mineral exporters and they also tend to be oil importers. By 2015, the ToT for the mineral exporters fell but was still far above the 2000 level.

In contrast, the non-commodity exporters saw their ToT decline in the first half of the 2000s (this average masks large variations between individual countries), after which the ToT recovered in 2011. In sum, the non-renewable resource exporters enjoyed a much more propitious external trading environment during this period compared to those economies without non-renewable resources.

Figure 1: External Terms of Trade for Oil Exporters, Mineral Exporters and Non Commodity Exporters, 2000 = 100



Source: Derived from the REO database

Growth of per capita GDP

In terms of actual real per capita growth, the non-renewable resource producers did no better during the boom than the economies which lack non-renewable resources, despite the vastly more favourable external ToT for the former

Table 2: Average Real Per Capita GDP growth by country grouping

Country group	2004-14	2015-18 (forecast)
Oil exporters	4.6	0.2
Mineral Exporters	3.9	2.5
Non commodity exporters	4.4	4.0

Source: derived from REO

compared to the latter (see table 2). With the end of the boom, the economies of the non-commodity exporters are projected to perform much better than both the oil and mineral exporters.

These data indicate that, since the early 2000s, African economies, which do not have the benefit of being endowed with natural resources, appear to perform better than their neighbours who do. The former can match the latter's performance during commodity price booms and avoid the negative impact of growth which afflicts the latter during slumps, a finding which lends support to the notion of a "natural resource curse".

What has prevented the natural resource producers from benefitting from the commodity boom?

Why have the continent's natural resource producers failed to benefit from the long boom in commodity prices? We considered this via channels through which natural resources might support or retard sustainable per capita economic growth. The natural resources sectors are capital intensive and employ only a tiny fraction of the labour force. The vast majority of the workforce earns its living in the non-resource private sector. Natural resources cannot directly raise labour productivity and indeed may lead to Dutch disease whereby the costs of labour in the non-resource sectors increase in line with the (higher) wage costs in the natural resource sectors. Indirectly however, the natural resource sector has the potential to stimulate private investment in the non-resource sectors of the economy. This requires a favourable business environment. The costs of doing business and the competitiveness of the economy are important barometers of this. Two indices are of note – Doing Business Indicators and the Global Competitiveness Index.

Table 3 Distance to Frontier (DTF) in Doing Business Indicators and Global Competitiveness Index (GCI) Score 2014-15

Country group	DTF	GCI Score
Oil exporters	44.1	3.41
Mineral Exporters	57.6	3.71
Non commodity exporters	54.6	3.73

Sources: Doing Business 2016 and The Global Competitiveness Report 2014-15

Note: The maximum score for the DTF is 100 and the minimum is 0. The maximum score for the GCI is 7 and the minimum is 1.

The data in table 3 suggest that the oil exporters in Africa perform the most poorly across the three groups. Mineral exporters fare the best of the three groups for doing business, but lag behind the non-commodity exporters when it comes to global competitiveness. Non-commodity exporters score the highest of the three groups for global competitiveness, albeit marginally ahead of the mineral exporters. Oil producers score much worse than mineral exporters and the non-extractive resource exporters considering both indices.

Table 4 Composite Governance Indicators; 2000, 2004, 2019, 2014

	2000	2004	2009	2014
Oil exporters	-1.07	-1.21	-1.11	-1.14
Mineral exporters	-0.15	-0.14	-0.03	-0.11
Non commodity exporters	-0.63	-0.56	-0.57	-0.49

Source: Worldwide Governance indicators data base; World Bank

The governance indicators for the three groups reveal a similar story. The composite governance indicator is an unweighted average of six scores comprising voice and accountability, political stability, government effectiveness, regulatory quality, rule of law and control of corruption. Each score ranges from -2.5 to +2.5 with higher scores denoting better governance. Although non-governance indicators are poor for all groups of economies, the oil exporters have the worst governance indicators, whereas the mineral exporters have the best. Moreover, the governance indicators for the oil exporters have deteriorated slightly between 2000 and 2014, whereas the mineral exporters and the non-commodity exporters registered a slight improvement over this period.

Despite favorable terms of trade and a prolonged period of propitious commodity prices, the oil exporting countries on average performed no better than the non-commodity exporters in Africa. The slump in commodity prices over the last two years has brought about a sharp reduction in their growth rates, with the economy of the largest oil producer now in recession. The mineral exporters as a group appear somewhat less vulnerable to the commodity price downturn, in part because their economies are not as heavily dependent on net commodity exports and they benefit from more favorable import prices. Their economies appear to be better governed and more competitive.

The above evidence suggests that the resource boom over the decade since 2004 may have been more akin to a resource curse, in particular for the oil exporting countries of Sub-Saharan Africa. The poor performance of these economies on competitiveness indicators and governance scores attest to a weak foundation for the pursuit of structural reforms and diversification efforts. Yet these efforts are critical in order to launch these economies onto a higher more sustainable growth trajectory. The time for action is now. *(By Sudharshan Canagarajah, World Bank Blog)*

Fitch: Sub-Saharan Sovereign Debt Rises, Hampers Consolidation

Sovereign debt levels and debt servicing costs have risen in sub-Saharan Africa (SSA) in recent years and will continue to do so in 2016 and 2017, Fitch Ratings says. The high share of concessional debt means that interest costs are not excessive for most countries in the region, but their increase makes fiscal consolidation more challenging.

The median general government debt/GDP ratio for Fitch-rated SSA sovereigns climbed from 30.2% in 2011 to 49.7% in 2015. Our country-by-country fiscal projections imply that the median ratio will continue rising, to 51.4% in 2016 and 53.3% in 2017.

Two key drivers are the commodities slump that has led to a sharp decline in fiscal revenues among exporters, and continuing reliance by some sovereigns on infrastructure investment to drive GDP growth. Ghana will use the proceeds of this month's USD750m Eurobond to refinance existing debt and fund capital investments. Central government capex will exceed 10% of GDP this year in Rwanda, Uganda, Lesotho, Mozambique and Ethiopia.

The debt/GDP ratio is projected to increase for all Fitch-rated SSA sovereigns other than the Seychelles in 2012-2017. But the magnitude of the increase varies. Currency depreciation and falls in nominal GDP due to lower commodity prices have also increased debt ratios in many cases, including that of Mozambique, where the metical has fallen sharply. Mozambique shows the largest increase in debt/GDP in 2012-2017 (60 percentage points), and Nigeria the smallest (3.7 percentage points). Most SSA sovereigns started from relatively low levels of debt after restructurings and debt forgiveness in the 2000s. Rising debt has pushed up median general government interest expenditure as a proportion of revenues, from 4.8% in 2011 to 9.1% this year, and we project close to 10% next year. SSA sovereigns benefit from access to concessional lending (the median share of concessional debt in total external debt for
Fitch-rated SSA credits excluding South Africa in 2014 was 62%). Only in Ghana, Nigeria and Zambia do interest costs exceed 15% of revenues, mainly as a result of high interest rates on domestic debt.

Rising debt servicing costs are an obstacle to fiscal consolidation among SSA sovereigns, and larger or unchanged deficits will lead to further increases in public debt, pushing debt ratios higher.

SSA remains one of the fastest growing regions in the world. However, while debt-funded infrastructure investment will help remove constraints on long-term growth, its benefits may not fully materialise until governance and business environments improve. As such, its near-term impact on sovereign debt ratios will be negative.

As well as rising debt, potential Fed tightening, dollar appreciation and volatile capital flows may lead to tighter financing conditions. Some capex budgets have been cut, but without revisions to overall expenditure frameworks for 2016 and 2017, debt ratios are unlikely to fall.

Fiscal risks in SSA are one of the factors reflected in the balance of sovereign rating outlooks. Six of the 18 SSA countries rated by Fitch are currently on a Negative Outlook, and there are no Positive Outlooks. Persistent fiscal deficits and growing external deficits could result in negative rating actions, especially where debt levels are already high and liquidity buffers moderate. *(Economist Intelligence Unit)*

IMF, WORLD BANK & AFRICAN DEVELOPMENT BANK

The Pan African Farmers' organization delegation at the Bank to explore areas of collaboration

The Pan African Farmers' Organisation (PAFO) delegation, led by its President, Theo de Jager, paid a courtesy visit to the Bank Group on 30 September 2016 in Abidjan, to explore areas of collaboration with the Bank. The delegation held a series of technical meetings with the Bank's Agriculture and agroindustry Department (OSAN), the Civil Society Organisation Division (CSO). It also held talks with Bank Group President, Akinwumi Adesina and his cabinet members and reached key agreements including:

- Establishing a formal partnership between the Bank and PAFO. The CSO Division and OSAN will represent the Bank.
- In the process of developing a Memorandum of Understanding (MoU), PAFO regional members will share with the Bank best practices of partnership that have worked well with similar institutions.
- In the context of these discussions, PAFO would prepare a draft concept note highlighting the way forward, to share with the African Development Bank.

In this regards, President Adesina reiterated the importance of the Bank working with CSOs and stakeholders "in a special way" to implement the High 5s, in particular with farmers' organisations like PAFO to deliver the High 5s on agriculture transformation.

"Our visit to the African Development Bank today, is an important first. This is the best time to engage with the Bank. We listened to the AfDB's newly adopted agricultural strategy to transform Africa. This is a great idea for the continent," Theo de Jager told the Bank's Communication department, underscoring the relevance and the role the two

institutions would play in meeting the Bank's new vision to "feed Africa" and to increase agricultural production. "We need to build stout partnerships, given the Bank Group's strong commitment to make agriculture the engine of Africa's transformation. Our two organizations would work and take advantage of our partnership to meet the goal of feeding Africa through agriculture," he said.

Theo de Jager also highlighted access to finance, capacity building and technology (ICT) for women farmers and the youth. "We have a special programme to capture the youth and women in agriculture, but it will not be possible without capacity building, access to finance and technology."

It is worth recollecting that the Bank Group gave a strong signal in engaging with the CSOs, especially with the appointment of a Special Adviser to the President in charge of Civil Society Organisations. In this dynamic, the institution has placed CSOs at the heart of the High 5s. This was the focus of the 2016 Forum during the Annual Meetings in Lusaka, where management held high-level discussions on strengthening dialogue with CSOs concerning the energy, agriculture and youth employment.

PAFO is the continental umbrella platform for the continent's farmers and producers. The goal of PAFO is to make the voice of the African farmers and producers heard, and to promote their involvement in the drafting and implementation of development policies that affect agriculture and rural development at the continental level. Also in attendance were the representatives of the five sub-regional organisations, including Fatma Ben Rejeb, CEO, PAFO; Eastern Africa: Philip Kiriro (President) and Stephen Muchiri (CEO); Central Africa: Elizabeth Atangana (President) and Gustave Ewole (Executive); Western Africa: Djibo Bagna (President) and Ousseini Ouedraogo (CEO); Southern Africa: Theo de Jager (President and PAFO President) and Ishmael Sunga (CEO); Northern Africa: Abdelmajid Ezzar, Representative of the President and Mamadou Cissokho as a resource person.

AfDB issues 0.125% EUR 750 Million Global Benchmark due 7 October 2026

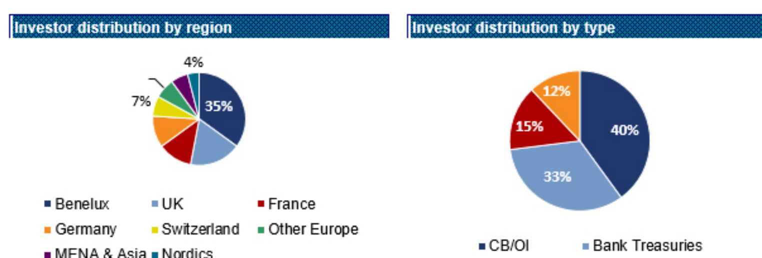
On Friday, 30th September 2016, African Development Bank (AfDB), rated Aaa (Moody's) / AAA (S&P) / AAA (Fitch), successfully launched and priced its inaugural €750mm 10-year EUR benchmark transaction due 7 October 2026.

AfDB decided to launch its debut EUR transaction to fulfil its EUR denominated needs and the 10-year transaction will serve as an anchor point to build out a full EUR curve over time. Barclays, Goldman Sachs International and SG CIB were mandated as joint lead managers on the transaction.

The mandate for a debut 10yr EUR benchmark was announced shortly after 2.30pm London time on Thursday, 29 September. With a target issuance size of €500mm, Initial Price thoughts of Mid-Swap (MS)-10 basis points (bps) were released simultaneously to the market for gathering Indications of Interest overnight.

On the back of constructive feedback from investors, books were officially opened in the European morning on Friday at 8.15am London with an unchanged price guidance of MS-10bps area. The deal met with immediate investor interest with books reaching in excess of €750mm (including €70mm Joint Lead Manager (JLM) interest) within 1.5hrs of book-building. Momentum continued to grow during the European morning with demand growing in excess of €850mm (including €50mm JLM interest) by 11.30am London, allowing the issuer to set the spread at MS-10bps and announce closure of books at 12.30pm London.

The final orderbook was of extremely high quality and saw 30 accounts participating, allowing AfDB to comfortably upsize the transaction to €750mm. The deal was priced at 2.20pm London with a re-offer yield of 0.152%, equivalent to a spread of 29.5bps vs German Benchmark Bond DBR 0.000% Aug-26



"We are extremely pleased with the outcome of our debut transaction in the Euro market and the response from high quality investors. Launching a Euro benchmark was perfect for duration and diversification purpose, responding to the needs of investors and aligned with our objectives," said AfDB Treasurer, Hassatou N'Sele. "It was great to see our inaugural EUR transaction so well received. We had done extensive investor work earlier in the year, which looks to have paid off. We took advantage of a window of issuance Thursday for Friday with a somewhat challenging backdrop and in spite of targeting €500 mm, based on current EUR needs, we upsized to €750mm due to higher than expected demand." AfDB Chief Treasury Officer, Keith Werner, added.

Distribution Statistics

Final distribution figures highlight AfDB's strong penetration across key regions in Europe. The orderbook was well diversified geographically with high quality orders from Central Banks and Official Institutions who took up the lion's share of allocation of 40%

AfDB launches a Green Mini-Grid Help Desk to support project developers deliver energy access in rural areas

The AfDB-hosted Sustainable Energy for All (SE4All) Africa Hub launched a Green Mini-Grid Help Desk for renewable energy mini-grid project developers during the 3rd International Off-Grid Renewable Energy Conference (IOREC) on October 1st in Nairobi.

Today, 645 million Africans, nearly 60% of the population of Africa, don't have access to electricity. According to the International Energy Agency by 2040, 70% of new rural supply in sub-Saharan Africa will be from off-grid and mini-grids, two thirds of which powered by renewables as a result of falling costs, technological advancements and more efficient appliances. Green Mini-Grids are "small" electricity networks developed to provide renewable power to households, businesses and institutions in rural African communities.

The GMG Help Desk provides on-line technical assistance on the myriad of activities important to the business cycle of developing and operating a clean energy mini-grid. The portal provides knowledge products and tutorials on setting up a mini-grid business, site selection, legal and compliance issues, mini-grid business models, technical system design, community and stakeholder engagement, financing, procurement, installation and commissioning, operation and maintenance. The portal includes country-specific information for much of the above. Project developers can apply through the portal for bespoke support on their projects.

The GMG Help Desk is part of the larger Green Mini Grid Market Development Program (MDP) implemented by the SE4All Africa Hub and funded through the AfDB's Sustainable Energy Fund for Africa (SEFA). Of the new GMG MDP Help Desk, Dr. Daniel-Alexander Schroth, Coordinator of the SE4All Africa Hub, said "mini-grids are a key piece of the energy access puzzle in Sub-Saharan Africa and the GMG Help Desk will be a key tool to accelerate the deployment of private sector-led mini-grid projects in support of the New Deal on Energy for Africa's vision of universal energy access in Africa by 2025".

The GMG Help Desk was designed and will be operated for the GMG MDP by Energy4Impact and INENSUS GmbH. Energy4Impact (formerly GVEP International), based in London, is a non-profit organization that advises off-grid energy businesses, in order to reduce poverty through accelerated access to energy. INENSUS GmbH is a German consultancy firm for private sector driven mini-grid electrification. ENERSA S.A. and JUMEME Ltd., which was supported earlier through a SEFA project preparation grant are INENSUS subsidiaries and mini-grid utility businesses in Senegal and Tanzania, respectively.

Peter Weston, Director of Investment Advisory at Energy 4 Impact, said: "We are pleased to work with the African Development Bank to increase access to electricity through the development of African mini-grids and to have the opportunity to assist mini-grid developers in overcoming the many challenges of project development."

Nico Peterschmidt, Managing Director of INENSUS, said: "We are excited to support African mini-grid developers given our long-term experience in developing and operating mini-grids in Africa."

Commodities, Rainfall, Instability Biggest Challenges —African Ministers

- Rising inflation, drops in currency due to political instability
- Low commodity prices adding to fiscal pressures
- Help from international community "paramount"

Low commodity prices, climate change, and insecurity are forcing many countries to make significant fiscal adjustments, African finance ministers said during the IMF-World Bank Annual Meetings in Washington, D.C.

Ministers from four of the hardest hit countries told journalists that falling export revenues are leaving large fiscal deficits and dampening growth prospects. South Sudan's finance minister, Stephen Dhieu Dau, said the sharp drop in international oil prices on top of recent political instability, has Africa's newest country experiencing an extreme income shock. "Our currency has lost 80 % since last year, and inflation reached 730 % in August," he said.

Dhieu Dau, said South Sudan is trying to implement reforms as well as a peace agreement to end the civil war that started in 2013, but the country needs help. "The international community participation to help our government and our reform agenda, I think is paramount," Dhieu Dau said. The effects of weak global demand is not limited to the continent's large commodity exporters. Benin's finance minister, Romuald Wadagni said whatever happens in neighboring Nigeria is felt in Benin. "Half of our revenues come from trade with Nigeria," he said. Benin is looking to expand its tourism and agriculture sectors as a means to diversify revenue sources, but the country is struggling with high debt. Wadagni said they started discussions recently with the IMF about a possible program.

Meanwhile, Guinea's first-ever woman finance minister, Malado Kaba, said her country is on the verge of favorably concluding its macroeconomic program supported by the IMF, which helped it turn the corner from the dire circumstances left by the Ebola epidemic. "So now our growth estimate is of 5.2 %, we've been able to substantially reduce inflation to about 8.4 %, and we have reconstituted our foreign reserves to three months of imports," Kaba said.

Zambia's Trade and Commerce minister, Felix Mutati, said the country's mining sector has been hit hard by copper prices that have fallen by more than 40 %, and power shortages caused by climate change. "With poor rains, our power generation was down by 50 %," he said.

But when asked about Africa's future prospects, Mutati said the problems that the region is facing can be solved through greater integration and trade. "It doesn't matter how you fall, it's all about how you rise," Mutati said. *(IMF)*

INVESTMENTS

AfDB to launch an Africa Investment Forum

The Board of the African Development Bank (AfDB) has approved the institution's proposal to launch an 'Africa Investment Forum (AIF)'—a meeting place for investors interested in Africa. The AIF will showcase bankable projects, attract financing, and provide platforms for investing across multiple countries. It will also serve as a unique forum for international business and social impact investors looking to transact and deploy funds in Africa and act as an avenue for connecting investors with both public and private sector projects throughout the continent.

According to Senior Vice President, Dr. Frannie Leautier: "The AIF will coordinate with other Africa investment fora and work to strengthen collaborative efforts to crowd-in necessary investment, and attract social impact financing to Africa. It will support AfDB regional member countries and potential investors through the provision of rigorous, authoritative and robust, business intelligence and analytical work on African's competitiveness."

The creation of the AIF was approved by the Bank's Board of Directors on 7 October 2016, along with the creation of a Water, Human and Social Development Department; an Infrastructure, Cities, and Urban Development Department; as well as a Syndication, Financial and Technical Services Department. These are refinements to the institution's new Development and Business Delivery Model (DBDM), which was approved by the AfDB Board of Directors on April 22, 2016. The DBDM aims to streamline business processes to improve efficiency, enhance financial performance; increase development impact, and move the Bank's operations much closer to its clients so as to improve delivery. The refinements were proposed by the Bank's Management, which is making great strides in implementing the DBDM.

On approval of the proposed amendments, President Akinwumi Adesina, Chairman of the Board said, "I commend the immense support and encouragement by Board members. The new structures are well thought out and will enable the Bank to achieve its transformation objectives. The African Investment Forum is a transformational instrument that will make it possible to crowd in investments to garner the huge financing required in critical areas, with the private sector playing a crucial role," he underscored.

The AfDB is on track with the implementation of its new structure, which will be rolled out in phases over the 2016-2018 period. The structure is designed to ensure the successful implementation of the Bank's Ten Year Strategy and its five scaled-up core development priorities for the continent, namely the High 5s – Light up and power Africa, Feed Africa, Industrialise Africa, Integrate Africa and Improve the Quality of life of the People of Africa. *(AfDB)*

General Electric to invest $150 million in Nigeria

U.S. industrial firm General Electric plans to invest around $150 million in Nigeria by 2017, a senior executive said. "There are development projects where we are investing," Jay Ireland, chief executive of General Electric in Africa told the FT Africa Summit in London. GE would also invest in oil and gas industry projects. Growth in Nigeria - an OPEC member whose economy, the largest in Africa, is in recession for the first time in more than 20 years due to low oil prices - has been stunted for decades by a lack of investment in its road and rail network. Ireland said the Nigeria investment was part of a plan to spend $2 billion in Africa in coming years. But the $150 million Nigerian investment falls short of the sum Nigeria's government has said GE would invest. President Muhammadu Buhari, in a speech marking Nigeria's independence day, said GE was "investing $2.2 billion in a concession to revamp, provide rolling stock, and manage" some of the country's railway lines. *(by Ulf Laessing and Alexis Akwagyiram, Reuters)*

Ethiopia Losing Foreign-Investment Appeal as Attacks Spread

Ethiopia's attraction as a favorite new destination for foreign investors is fast dissipating as businesses owned by Nigerian billionaire Aliko Dangote and Dutch fruit processors come under attack in growing political unrest.

The government declared a six-month state of emergency to deal with the violence accompanying protests by ethnic Oromo and Amhara communities that began 11 months ago over dispossession of their land, political marginalization and state repression. The security forces have killed more than 700 people during the demonstrations, according to the Association for Human Rights in Ethiopia. The government says the attacks are being orchestrated by "foreign elements." Last year, investors had been touting Ethiopia as a hot new investment destination, lauding the way the government has ramped up infrastructure spending and embraced foreign capital to propel economic growth at the fastest pace on the continent. That appeal is losing its luster as the protests present the biggest challenge to Ethiopia's ruling coalition since it gained power by force a quarter of a century ago.

'Tacit Support'

"Foreign investors are viewed as parties to the regime's development agenda and part of the wider international community's tacit support for Ethiopia in spite of human rights transgressions," Mark Bohlund, an economist with Bloomberg Intelligence in London, said by e-mail. "The attacks are likely to have a severe impact on foreign direct investment in the affected areas in the short term and prompt investors to suspend operations indefinitely until security has been restored."

Dutch-owned Africa Juice BV was set alight last week by a crowd of hundreds in Oromia, the country's most populous region, which has experienced fatal unrest since November. Another Dutch-owned business, Bishangari Lodge, was burned on Oct. 5. Trucks belonging to Saudi billionaire Mohamed al-Amoudi's Derba Cement and those of Dangote Cement Plc were damaged as demonstrators blocked roads and stoned vehicles. Opponents of the government argue

that Ethiopia's economic gains haven't been matched by increased political freedoms since the ruling party cracked down on the opposition in 2005, after losses in that year's elections. Critics of the government's human-rights record, including Amnesty International, cite the strict limits the state has imposed on independent media and its "pervasive violations" of civil political rights.

'Big Issues'

"The issues that need to be resolved are big, and investors will be wary as to whether the current government will be able to address them," Jared Jeffrey, a political analyst at NKC Africa Economics, said by e-mail. "The longer it takes for the necessary reforms to be made the more fragile the state will become and the higher the risk to investors." The latest burst of Oromo protests was triggered after about 200 people drowned or were crushed to death in ditches on Oct. 2 when regional authorities forcefully dispersed a protest by a large crowd at an annual cultural festival in Bishoftu, according to AHRE. Jawar Mohammed, an influential Oromo activist based in the U.S., said businesses that have displaced Oromo or have links to the ruling coalition are being targeted.

'Regime Affiliation'

"Companies are not attacked on the basis of being foreign or domestic," he said in an e-mail. "It's their affiliation with the regime." Africa Juice, which is about 200 kilometers (124 miles) southeast of the capital, Addis Ababa, employs more than 2,000 people to process passion fruit for export and produce fruit and vegetables for the domestic market, Chief Executive Officer Harry Van Neer said. The Hague-based company, operating on 1,600 hectares (3,954 acres) after buying the privatized state farms in 2009, has yet to make a decision about its future. "Once we know details and the situation then we will need to see," he said. "Two of the three farms suffered extensive damage."

Bishangari was first attacked on Oct. 3 and protected by elders from the local community, who the company had provided assistance to, said Omar Bagersh, one of the owners. Hundreds of protesters returned over the next two days to completely destroy the popular lodge. A U.S. citizen died on Oct. 4 on the outskirts of Addis Ababa when protesters threw a rock, according to the U.S. Embassy in Ethiopia.

Citing delays in infrastructure provision and a tax dispute, Israel Chemicals Ltd. announced last week it's exiting a potash project that had promised to be one of country's largest mining operations. The government is reassuring investors that it will restore order, said Fitsum Arega, head of the country's investment commission. "They are not happy with the situation but they are confident and taking our word that things will be normalized soon," he said. Jiangsu Sunshine Group, a Chinese textiles company, demonstrated that confidence by signing a "final agreement" to invest $500 million over four years at a factory in an industrial park in Adama city in Oromia region, Fitsum said. A Chinese-funded railway going through Adama that connects Addis Ababa with its main port in neighboring Djibouti was opened on Oct. 5, while the Gibe III dam, Africa's biggest hydropower plant, and also backed by China, began generating electricity a year ago. *(By William Davison and Helen Nyambura-Mwaura, Bloomberg)*

The Abraaj Group acquires stake in sub-Saharan Africa's urea fertiliser manufacturer

The Abraaj Group, an investor operating in global growth markets, today announced that it has acquired a minority stake in Indorama Fertilisers B.V., a urea fertiliser manufacturer in sub-Saharan Africa, through its Funds. The stake was purchased from Indorama Holdings B.V. Netherlands, a wholly owned subsidiary of Indorama Corporation, one of the world's fastest growing petrochemical companies with operations in Asia, Africa, Europe and North America.

Indorama Fertilisers operates a 1.4 million metric tonnes per annum urea manufacturing facility based in Port Harcourt, Nigeria. The plant has been developed to global environmental, social and construction standards. It plays a role in supporting the agricultural sector in Nigeria by providing a reliable supply of fertilisers for local farmers, thereby enabling import substitution and supporting the diversification needs of the Nigerian economy. Indorama Fertilisers is located to serve neighbouring West African countries and key Western hemisphere markets, including North America, South America and Europe.

The fertiliser industry is expected to experience long-term demand growth as increases in populations and incomes drive demand for food. Urea is the most widely used fertiliser globally and continues to grow in market share due to its high nutrient content and ease of handling and storage. Within this context, Indorama Fertilisers is positioned to become a global fertiliser leader, given its execution capabilities, competitive production costs, and the strength of its management team. Indorama Fertilisers wants to establish Nigeria's reputation as a key producer and exporter of fertiliser, channeling foreign exchange into the country, while also enabling Nigeria to meet the significant requirements of the domestic fertiliser market.

Abraaj, which has been investing in Africa for the past two decades, will use its expertise and networks to support Indorama Fertiliser's market penetration and future expansion plans, as well as help ensure best-in-class corporate governance.

Commenting on the investment, Arif Naqvi, founder and group chief executive, The Abraaj Group, said: "This is a landmark transaction for Abraaj in sub-Saharan Africa. We are privileged to be partnering with Indorama Corporation to create a fertiliser leader in Africa. Since establishment, Indorama Fertilisers has led the local market in an industry characterised by high levels of demand and insufficient supply of quality fertiliser in the region. Having successfully invested in the fertiliser business in North Africa, we look forward to leveraging that know-how and working with the

management team in developing the company's route-to-market infrastructure, build its network and support its capacity expansion and product diversification plans in the region."
Commenting on the investment, Sri Prakash Lohia, founder and group chairman, Indorama Corporation, said: "We are pleased to welcome The Abraaj Group as an investor in our fertiliser business as we endeavor to create a world-class manufacturing and distribution network for fertilisers in the African continent, to meet the needs of underserved farmers and help propel the growth of the agricultural sector even further."
The Abraaj Group has been present in Africa for two decades and deployed US$3bn on the continent to date in a range of sectors including healthcare, financial services, logistics, consumer goods, and food and beverage. In 2015, Abraaj raised $1.3bn for its Africa focused-Funds. *(How we made it in Africa)*

South Africa's Mondi to buy Russian packaging firm Beepack
South Africa's Mondi has signed an agreement to acquire Beepack from a private investor for 41 million euros ($46 million) as part of plans to expand its packaging business, the paper group said. Mondi, which is also listed in London, expects to complete the transaction in the fourth quarter, with CEO David Hathorn saying that the Russian business will support the development of Mondi's Corrugated Packaging operations in central and eastern Europe. "It enables us to enter a market with strong growth potential while expanding our geographic reach to better serve our customers," Hathorn said. Beepack generated revenue of 2.78 billion roubles ($45 million) in the year to Dec. 31, 2015, with adjusted earnings before interest, tax, depreciation and amortisation of 462 million roubles, Mondi said in a statement. The Russian company's Lebedyan plant about 400 km south of Moscow makes a range of corrugated packaging trays and boxes for food and agricultural products, including beverages, fruit and vegetables, poultry and dairy produce.
Mondi, which has operations in more than 30 countries, makes and sells consumer packaging and paper products as part of its Europe and International division's Packaging Paper business. In February Hathorn told Reuters that Mondi could borrow to fund acquisitions after spending 94 million euros buying consumer packaging businesses last year. ($1 = 0.8928 euros) *(By Nqobile Dludla, Reuters)*

Coca-Cola to Acquire SABMiller's Former Stake in Africa Soda Bottling
Company exercises change-of-control clause after Anheuser-Busch InBev acquisition
Coca-Cola Co. said Monday that it would exercise a change-of-control clause, allowing it to acquire SABMiller PLC's former interest in the soft-drink company's largest African bottling company. The move comes after Anheuser-Busch InBev NV on Monday closed its acquisition of SABMiller to create a beer behemoth with a large African footprint. As of late August, SABMiller had a 54% stake in Coca-Cola Beverages Africa, which distributes about 40% of Coke's volumes in the continent.
Atlanta-based Coke wants to keep AB InBev at arm's length amid speculation the Belgian beer giant eventually could try to acquire Coke. AB InBev also is a major bottler of nonalcoholic drinks in Latin America for PepsiCo Inc., Coke's longtime rival. Coke said it is negotiating with potential buyers who could acquire some or all of SABMiller's former interest in the African bottling business. The soft-drink company and South Africa-based Gutsche Family Investments, another longtime bottling partner, owned minority stakes in Coca-Cola Beverages Africa. "While the company respects [AB InBev's] capabilities, it has a number of existing partners who are highly qualified and interested in these bottling territories," Coke said in a company announcement. Coke has been divesting manufacturing and distribution assets world-wide, part of an "asset light'' strategy to focus on its more profitable concentrate business at a time when soda consumption is slowing.
Industry analysts have flagged European-based Coca-Cola European Partners PLC and Coca-Cola Hellenic Bottling Co. or Mexico's Coca-Cola Femsa SAB as being among potential partners in Africa. Coke has hundreds of bottling partnerships around the world. A Coke spokesman declined to comment on potential partners. Despite Coke's decision to exercise the change-of-control clause for Coca-Cola Beverages Africa, AB InBev will continue to have some interest in Coke bottling operations. The brewer's deal for SABMiller gives it a 20% interest in France's Castel Group, which bottles Coke products in more than a dozen African countries, including Algeria and Tunisia. The company also retains SABMiller's soft-drink bottling businesses with Coke in El Salvador and Honduras, which account for less than 1% of Coke's volume. A Coke spokesman said those agreements would be handled separately at a later date.
Coke typically insists on change-of-control clauses with its bottling partners, giving Coke the right to buy out a partner's share if the partner is acquired by someone else.
SABMiller's equity stake in the African bottling venture is estimated to be valued at about $4 billion, according to Sanford C. Bernstein analysts.
Coca-Cola Beverages Africa began operations in July, initially spanning 11 countries with plans to expand to 14 countries. It is based in South Africa, with more than 30 bottling plants spanning southern and eastern Africa.
When Coke announced its three-way partnership in late 2014 with SABMiller and Gutsche, it estimated the new bottling entity had $2.9 billion in annual revenue and $505 million in earnings before interest, tax and amortization. *(By Mike Esterl and Tripp Mickle, Wall Street Journal)*

BANKING

Banks

Bank of Mozambique Puts Moza Banco Under Administration

Country's fourth-largest lender had become 'unsustainable,' regulator says

Mozambican lender Moza Banco SA was placed under administration, according to the Bank of Mozambique, the country's central bank. The southern African country's fourth-largest lender was put under emergency administration because it had become "unsustainable," a statement from the regulator said.

It is minority owned by Portuguese Novo Banco, the "good bank" salvaged after the collapse of the now-defunct Portuguese lender Banco Espírito Santo in 2014. The Mozambican central bank said it was acting with a "view to protect the interests of depositors and other creditors," and it was in the process of appointing an interim board. Moza Banco didn't immediately respond to calls for comment. Novo Banco, the Portuguese shareholder, declined to comment.

Moza Banco, which last year was approached as a possible acquisition target by ex- Barclays Chief Executive Bob Diamond and his Atlas Mara fund, is the first banking victim of a severe financial crisis in Mozambique.

The small nation had been touted as a rising African star, having discovered vast gas reserves offshore, and as recently as last year was predicted to grow by 24% a year after 2021 by the International Monetary Fund.

But the crash of global natural gas prices pushed back plans for the country's natural resources development, and its economy was severely affected by a downturn in neighboring key partner South Africa.

A collapse in its local currency, the metical, led Mozambique to seek an IMF bailout, which it was granted in late 2015.

But in April, the IMF assistance program, put at some $300 million, was suspended after The Wall Street Journal uncovered a series of unrecorded state-backed loans valued at $2 billion the country had hidden from the IMF.

The economy has since been nose-diving, with inflation reaching 22% in August and the currency losing nearly half of its value against the dollar in the last 12 months.

An IMF team that visited Maputo this week for consultations called on the country's government to allow an international and independent audit of its debt, in particular the previously undisclosed bonds, and called on the central bank to raise interest rates to stem inflation and the currency's depreciation. *(By Matina Stevis, Wall Street Journal)*

Angola: BNA meets with American Bankers Association

The governor of the National Reserve Bank of Angola (BNA) Valter Filipe met in Washington (USA), with representatives of American Bankers Association and regulators, as well as the local high ranking financial institutions.

The meeting brought together representatives from Bank of America, EXIM, United Bank, World Bank, TedBank, Orchard Wealth and Legacy Management, Citibank and Capital One. The event aimed at presenting a plan to adequate the Angolan financial system to prudential standards and good international practices. Held with the support of the US/Angola Chamber of Commerce, the meeting presented the progress made in the country to adjust to the regulatory standards in force in the United States and Europe. Representatives from association of American banks, the Financial Information Unit, Angolan and American commercial banks, intervened in the meeting, held in the form of round table.

In its press note, the BNA said that the debate focused on improving the fight against money laundering, terrorist financing, behavioral and prudential supervision as well as information technology, human resources training and "compliance". According to Central Bank note, the National Reserve Bank of Angola is working with the Reserve Bank of South Africa and the Bank of Portugal, as well as the International Monetary Fund (IMF) and the World Bank (WB). This is a broad national front involving the BNA and national banks acting in the world financial centers, in order to bring credibility to the financial system. This steps allow the unlocking the problem that arises in relations with correspondent banks. BNA agenda also included meetings with representatives from the State Department, Justice Department and the Treasury Department. *(Angop)*

China: BIC to open branch in Macau

Macau - BIC Angola bank is setting up contacts in Macau to open a branch there or establish a bank under the local law.

This was announced in Macau by BIC CEO, Fernando Teles, while speaking about the participation of the Angolan bank in the Conference of Financial Area Businesspeople and Officials from China and African Portuguese Speaking Countries (PALIOP). "The Angolan banks are already present in Africa and Europe, but in China there are no Angolan banks. We are making an effort to eventually find a partner in Macau to open a bank, a branch of local law bank," said the manager of the top Angolan privately-owned bank in terms of expansion. "We have had meetings with some institutions to fulfill this intension," he said, adding that Macau is open to investment and is a platform for entry into the Chinese market.

The official explained BIC's interest to enter the Chinese market saying that besides Macau and Hong Kong, there is the continental part of the country that constitutes a great market and a very strong economy. Commenting on the 5th Ministerial Conference of the Forum for Economic and Trade Cooperation between China and Portuguese-speaking Countries (Macau), Fernando Teles highlighted the importance of the event as a platform for an exchange of

information and ideas. He spoke of the need for the Angolan businesspeople to attend the event, adding that China is a great economy. According to him, all African Portuguese speaking countries have a relation with China, through the exports or investments the Chinese are making in most nations, particularly in Angola. “There are many Chinese investing and this makes the relations between China and the various Portuguese speaking countries to continue growing everyday. Hence these forums are held regularly with a strong governmental presence of various countries, which helps overcome situations that at times take long to get solved,” he stressed. 5th Ministerial Conference of the Forum for Economic and Trade Cooperation between China and Portuguese-speaking Countries (Macau) was opened by the Chinese Prime Minister Li Kiaqing. *(Angop)*

Fund

Exploring the China-Africa Development Fund

China has so far invested billions of dollars in Africa, but this fairytale progress cannot be complete without mentioning the China-Africa Development Fund. The equity fund has been instrumental in supporting the trade and cooperation that has brought a clear developmental path for Africa. In fact, Chinese investment in Africa started picking up after the fund was established at the Forum for China-Africa Cooperation Summit in Beijing in 2006.

What makes this fund unique is that it actively participates in the investments by playing a major role on the market and bearing its own risks.The fund, which began operating in 2007, has become the first equity investment arm established by China to focus solely on investment in Africa.

Established by the China Development Bank, the fund is capacited to the tune of $5 billion, but at the Focac summit in South Africa last year, President Xi Jinping proposed an additional $5 billion.

What is important about this fund is that it focuses on areas that are crucial to the development of Africa and ensures that Chinese firms participate through partnerships.This promotes the concept of a "win-win" strategy in which both the African and Chinese firms benefit from the investment.

An important aspect of such joint ventures is that investment risks can easily be shared among the participating entities.This has led African firms and governments to strive to come up with viable projects that have the ability to make profits, while at the same time benefiting the people.

In fact, the China-Africa Development Fund has charted a new path in the cooperation between China and Africa in which the private sector plays a major role.In the past, development funds from China to Africa were being channelled as government grants.

With the quality of projects being undertaken by China in Africa now, government grants can no longer sustain the momentum.It became apparent that the grants were failing to meet the yawning gap in development that Africa faces. Now, the China-Africa Development Fund has managed to provide capital for some of the major projects on the continent.

The fund has forked out almost $3,5 billion on 87 projects in 30 African countries, including Zimbabwe.When all the projects become fully operational, Chinese firms would have invested almost $16 billion in such joint ventures.This alone shows that the China-Africa Development Fund can in future play an important role in changing the fortunes of the continent.

But the fact that Africa offers vast opportunities and is thirsty for investment is not enough for the fund to operate effectively.What is needed, first and foremost, is for African governments and their firms to identify viable projects that can easily attract the Chinese investors.Hard work must be put into coming up with such viable projects to convince the China-Africa Development Fund to consider such joint ventures.

Based on the work done so far, there is no denying that African countries have upped their game to attract investment from China.Explaining the fund to African journalists based in Beijing recently, managing director of operating management department, Mr Dong Fang, said its principles were based on "cooperation, development, responsibility and sharing".

That Africa is facing a momentum of rapid growth is not in doubt, and the China-Africa Development Fund aims at helping the continent grow further.Between 2000 and 2005, the continent's economic growth was 5,6 %, 5,8 % between 2005 and 2008, 3,5 % from 2008 to 2014 and three % in 2015.

This makes Africa the most dynamic economy in the world, second only to East and South Asia.Mr Dong said this is where the China-Africa Development Fund is needed -- to help accelerate the growth of African economies."Its investment philosophy include leading and supporting Chinese enterprises to invest in Africa, enhancing Africa's own ability to develop in a market-oriented way, sharing investment risks," he said. "We help Africa to fund itself as we focus on the fields that can strengthen the capability of host countries to grow their economies in depth like infrastructure, agriculture and livelihood, industrial capacity cooperation and resource development. "The firm does responsible investment which conforms to the social and environment standards, focuses on job creation, human well-being and local standards and requirements."

A look at some of the projects that the China-Africa Development Fund has funded show that they have the potential to bring more revenue in exports and taxes for African countries.These projects include the Hisense South Africa Home Appliances Industrial Park, which produces 560 000 television sets and 450 000 refrigerators annually, directly contributing 500 jobs and 2 000 indirect employment opportunities.

In Ghana, the fund has invested in the Sunon-Ansogi Power Plant with the production capacity of 0,56 MkW of electricity and will generate over 20 % of that country's power.The Suez Economic and Trade Cooperation Zone in Egypt has attracted 68 enterprises, brought a total of $1 billion and created 2 000 jobs.
Another venture is the China-Africa Cotton Cultivation Project, a model of successful cooperation between a company and peasant households.It was implemented in Malawi, Mozambique and Zambia where it benefited more than 200 000 households.
The fund also participates in the StarAfrica Digital TV project which has opened up channels in more than 10 countries, covered a total of 4,6 million users, and created 2 500 jobs.With trade between Africa and China reaching $222 billion in 2015 and projected to hit $400 billion by 2020, the China-Africa Development Fund is expected to play a more prominent role in the economic cooperation.
The fund managers are taking a heed to what Chinese President Xi Jinping said at the Focac meeting in South Africa last year with regards to cooperation with Africa.In pursuit of the vision pronounced by President Xi, the China-Africa Development Fund is opening up a new era in the Asian economic giant's relations with Africa.
At the Johannesburg Focac summit, President Xi said: "China-Africa relations have today reached a stage of growth unmatched in history. Let's join hands and open a new era in China-Africa win-win cooperation and common development."
According to the China Development Bank, the China-Africa Development Fund shares "investment risks with the enterprises and provides credit enhancement for relevant projects based on investment partnership". It helps bridge the gap between Chinese and African parties and helps Chinese firms familiarise with the investment environment in African countries. The fund operates through direct investment in enterprises and projects and acquiring shares, the bank says.It is also a quasi-equity investment dealing in preferred shares, convertible bonds and hybrid capital instruments.
The China-Africa Development Fund also invests in other funds in conformity with the Chinese diplomatic and trade cooperation policies for African countries.The China Development Bank says the fund can be accessed by eligible enterprises, with projects being recommended by governments and relevant organisations. "After receiving an investment application from an enterprise, the fund assigns a dedicated liaison officer to follow up and make relevant arrangements and due diligence and negotiations will be conducted when conditions permit," the banks says.
"Once a project has been internally approved by the fund, related documents will be executed between the fund and the partners and funding will be approved based on the schedule agreed upon between the two sides."Post-investment management will be conducted until the fund exits the project." *(By Lovemore Chikova, The Herald)*

Markets

Angola Central Bank Sells EU237.1m of FX in Week Ended Sept. 30

Avg. exchange rate 186.272 kwanza/euro, 166.718 kwanza/dollar, Banco Nacional de Angola says in statement on its website.

- Sells 46.3b kwanza of 91-, 182-, 364-day T-bills at 13.89%, 16.70%, 18.98% interest respectively
- Sells 2.8b kwanza of 2-, 4- and 5-year bonds at 7%, 7.5% and 7.75% coupon respectively
- Overnight rate, known as Luanda Interbank Offered Rate or Luibor, 14.47% vs 13.94% previous week *(Bloomberg)*

Capital market prepares protocol with commercial banks

A memorandum of understanding between the Capital Markets Commission (CMC) and some commercial banks in the country will be signed, under the bond issuance program intended for public infrastructure funding.

The project should be exercised through public-private partnerships, called Project Bonds Issuing Program, according to a press release from the CMC that reached Angop. Under the agreement, the commercial banks participating in the program should make the identification of the project and the structure of the bonds issue operations, while the CMC should ensure that potential issuers have the minimum requirements for the issuance of securities. Thus, the Capital Market Commission fulfills its promoting, regulator and supervisor role of the Securities Market in Angola. The commercial banks that will sign the agreement are the representatives of the Economic Bank, Bank Millennium Atlantic, Standard Bank Angola and Banco Caixa Geral Angola. *(Angop)*

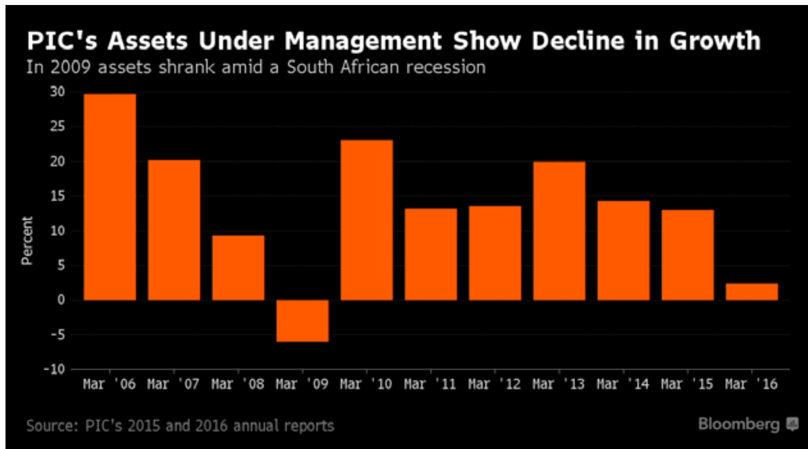
Nigeria on roadshow to promote $1 billion Eurobond

Nigeria's Debt Management Office (DMO) has launched a one-week roadshow to Britain and the United States to promote a planned $1 billion Eurobond issue to investors, a government official said. "The DMO is currently on a roadshow to the UK and U.S.," the official told Reuters, asking not to be named. "It's (a) pre-marketing engagement with prospective investors." Finance Minister Kemi Adeosun is scheduled to take part in the roadshow, the official said. Adeosun's office said the minister travelled to attend a World Bank meeting in Washington. Nigeria is yet to appoint advisers and bookrunners for the bond offer after bids for the roles closed on Sept. 19. The official said the appointments are still in process. The DMO has said it expects to raise $1 billion from the Eurobond market by mid-

December, part of Nigeria's plans to borrow a total of 1.8 trillion naira ($5.8 billion) from abroad and at home to fund an expected budget deficit of 2.2 trillion naira this year. Africa's top economy has slid into recession for the first time in more than 20 years, brought on by low oil prices that have slashed government revenues and weakened the currency. Last week, the president of the African Development Bank (AfDB) said its board will this month consider approving a first, $1 billion, loan to Nigeria to help cover this year's budget deficit. ($1 = 310.0000 naira) *(By Chijioke Ohuocha, Reuters)*

Africa's Biggest Money Manager Grows at Slowest Pace in 7 Years

The Public Investment Corp.'s growth in assets under management fell to the lowest pace in seven years after equity markets dropped and South Africa's economy slowed to levels not seen since the 2009 recession. Assets increased by 2.4 % to 1.85 trillion rand ($136 billion) in the 12 months ended March 31 from 1.81 trillion rand a year earlier, the Pretoria-based PIC, which manages the bulk of South Africa's government employees' pension money, said in its annual report on its website. Annual absolute growth of assets under management was about 43 billion rand, while net income rose 28 % to 424.2 million rand, the PIC said. The PIC's portfolio includes more than 12.5 % of the equity on the Johannesburg Stock Exchange, more than 42 % of all government bonds and 50 % of the debt sold by state-owned enterprises. An index of South African rand-denominated bonds lost 0.8 % over the period, while the FTSE/JSE Africa All Share Index rose 0.1 %, with only 68 of the benchmark's 162 securities showing gains in the 12 months. South Africa's economic growth slowed to 1.3 % in 2015 and is expected to expand 0.4 % this year, according to the central bank.

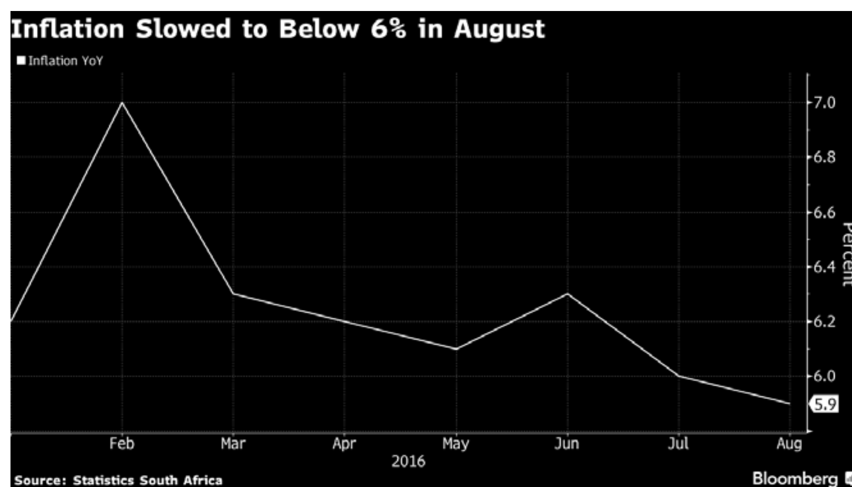


Key Risks

"Key risks to the domestic growth outlook are structural constraints, electricity supply, the persistence of domestic drought conditions on the agriculture sector and the broader labor market, a more significant slowdown in China and a credit-ratings downgrade to junk," PIC Chief Executive Officer Dan Matjila said in the annual report. "There is no doubt that we are experiencing difficult times and the road ahead will not be easy." Matjila was paid 10.67 million rand for fiscal 2016, according to the annual report. That was a 1.8 % increase on his pay a year earlier, when it totaled 10.48 million rand. "To grow and meaningfully transform the economy, the investment community, both asset managers and asset owners, must ensure that they invest in line with a long-term sustainable investment strategy," Finance Minister Pravin Gordhan said in the same annual report. "The focus can no longer be on short-term portfolio benchmarks; it must shift to sustainable returns over the longer term." *(By Renee Bonorchis, Bloomberg)*

S. Africa Central Bank Seeks Better CPI Outlook to Cut Rates

South African inflation forecasts would need to improve substantially for policy makers to start cutting interest rates, the central bank said. "Should conditions develop in line with the current forecasts, it may at some point become possible to conclude the policy tightening cycle," the bank said in its Monetary Policy Review released in the capital, Pretoria. "However, the bar for loosening is high, requiring a substantial, sustained improvement in forecast inflation, bringing it more comfortably within the" 3 % to 6 % target range, it said.



The Monetary Policy Committee has raised the benchmark repurchase rate by two percentage points to 7 % since January 2014 as it sought to control price growth. While inflation slowed to 5.9 % in August, the first time this year the rate fell below 6 %, the central bank said it will move above the upper end of the target range again from September until the three months through June next

year and won't subside below 5.4 % in any quarter until the end of 2018. "Although we get back into the target, projected inflation remains bubbling toward the upper end of the inflation target," Reserve Bank Governor Lesetja Kganyago said in Pretoria after the release of the report. "We would like to see that inflation is comfortably within that target range that is the higher bar that we speak of."

The five-year breakeven rate, which measures investors' expectations for consumer-price growth, has fallen 50 basis points since the start of September to 6.16 %. While the rate has come down, it remains high and outside the inflation target, Chris Loewald, deputy head of research at the Reserve Bank, said.

The MPC left borrowing costs unchanged at its last three meetings to help support an economy forecast to expand at 0.4 % this year, the slowest pace since a 2009 recession. The pause in the tightening cycle should provide time for some of the uncertainties around the inflation forecast to be resolved, the central bank said in report.

Achieving the government's goal of 5 % economic growth requires a broader reform agenda, the central bank said. In an environment of high debt, low investment and low confidence, monetary policy has limited capacity to boost growth, it said.

'Structural Slowdown'

"The economy is several years into a major structural slowdown," the Reserve Bank said. Without structural reforms "the economy is expected to expand at rates between 1 and 2 % for the foreseeable future, generating little or no improvement in employment or individual living standards," it said.

The deficit on the current account, the broadest measure of trade in goods and services, narrowed to 3.1 % of gross domestic product in the second quarter from a revised 5.3 % in previous three months after the nation recorded its first quarterly trade surplus in a year. The shortfall, which was 4.3 % of GDP last year, will stay between 4 % and 5 % of GDP in 2016 and 2017, the Reserve Bank said.

The rand weakened 0.2 % to 13.6288 per dollar by 8:15 a.m. in Johannesburg. Yields on rand-denominated government bonds due December 2026 fell one basis point to 8.57 %. The currency has gained 14 % against the dollar in 2016 after weakening 25 % last year. "The rand is exposed to both domestic and foreign risks," including further U.S. interest-rate increases and possible cuts in South Africa's credit rating, the Reserve Bank said in the report. While there may be scope for some currency appreciation "in the short and medium run, however, there are risks the currency could resume its depreciation trend," the central bank said. *(By Arabile Gumede and Thembisile Dzonzi, Bloomberg)*

ENERGY

Eskom secures 75% of borrowing requirements for 2016/17

State-owned power utility Eskom has secured 75% of the required funding for its 2016/17 capital expenditure programme after signing the first $500-million, or R7-billion, credit facility with China Development Bank (CDB).

The parastatal and the CDB signed the short-term credit facility agreement at Eskom's Megawatt Park headquarters, signalling the first of what Eskom CEO Brian Molefe described as a catalyst partnership for the utility's many power projects and initiatives.

CFO Anoj Singh said the group required R69-billion in funding for the 2016/17 financial year, of which 75% had been secured to date, with the $500-million credit facility bringing the total secured to R51-billion. This meant that Eskom could confidently wrap up the year's funding requirements through market-directed bond issuance and two to three smaller agreements with local banks, the discussions for which were currently under way, he told Engineering News Online. "This loan will also aide us in ensuring that we complete the current capital expansion programme and further stabilise Eskom's liquidity position," Molefe added.

The agreement is expected to cement Eskom's relationship with the Chinese bank, with around $5-billion still under negotiation between the utility and CDB. "We are pleased to see the conclusion of this first agreement with CDB and to lay the platform for future cooperation with our Chinese partners," he commented.

The CDB had set aside around $20-billion for energy projects in South Africa, Henan province Vice Governor Zhang Weining said. Eskom requires some R369-billion in working capital over the next five years as part of its capital programme to complete its ambitious Medupi coal-fired power station project, in Limpopo, its Kusile coal-fired power station, in Mpumalanga, and the Ingula pumped storage scheme, on the border between the Free State and KwaZulu-Natal *(By Natasha Odendaal, Engineering News)*

Enel's first South African wind farm connected to the grid

The 88 MW Nojoli wind farm, located in South Africa's Eastern Cape Province, has been connected to the grid.

The project, developed by Enel Green Power South Africa (EGP RSA), is Enel's first wind farm to start production in the country. EGP RSA has nearly 1 GW of wind and solar photovoltaic (PV) projects currently in execution, with three PV plants – the 82.5 MW Paleisheuwel plant, in the Western Cape, the 66 MW Tom Burke facility, in Limpopo, and the 10 MW Upington plant, in the Northern Cape – in production. A further 276 MW of renewables capacity is under construction, including the Adams and Pulida solar PV plants, both with capacities of 82.5 MW, as well as the 111 MW Gibson Bay wind farm.

The Nojoli wind farm is supported by a 20-year power purchase agreement with Eskom and was selected in October 2013 following the third bid window of South Africa's Renewable Energy Independent Power Producer Procurement Programme (REIPPPP). "The completion of Nojoli demonstrates our continued commitment to the South African REIPPPP", Enel's country manager in South Africa Bill Price said in a statement Price also highlighted the "swift time to production and favourable cost competitiveness" of its renewables projects relative to other new power generation sources. The new wind farm is expected to generate more than 275 GWh a year. *(Engineering News)*

Egbin Power to develop 900 MW gas-fired power plants in Tanzania

Nigerian power developer Egbin Power plans to build in Tanzania, two gas-fired power plants with a total capacity of 900 MW. "We plan to set-up two plants, each generating 450 MW....all we are awaiting now are the government approval and Tanesco's (Tanzania Electric Supply Company) proposal," the firm's CEO, Dallas Peavey said.

Details regarding the project's specifications and exact location have not yet been disclosed. However, the developer said it will invest $630 million in the project highlighting that it is ready to start works as soon as it gets all required approvals. "We are interested in power generation. We have the expertise and experience from our operations in the United States of America, Argentina, Africa and Europe," the official told Daily News. Egbin Power, subsidiary of Nigerian Sahara Group, has a portfolio of 1,320 MW of thermal plants using natural gas. *(Ecofin Agency)*

Global investors show interest in gas-to-power programme

Investors from around the world, including the US, Japan, Spain, South Korea and China, among others, have met in Cape Town this week to hear more about plans for South Africa's gas-to-power programme. A preliminary information memorandum (PIM), which establishes the scope of the Liquefied Natural Gas-to-Power programme for prospective and interested bidders, was unveiled at the South Africa: Gas Options conference in Cape Town, which has drawn over 450 investors, government officials and power developers. "We are looking for the best price. We need to have affordable gas for industrial and domestic users. It's going to be a competitive procurement process," Department of Energy (DoE) IPP Office head Karen Breytenbach told a press conference. The South African government intends to procure 3 726 MW of new independent power producer (IPP) gas-fired generation capacity, which will be generated from a variety of gas sources.

The government has allocated 3 000 MW to the LNG-to-Power IPP Procurement Programme, with 126 MW allocated to a domestic gas programme and 600 MW set aside for the appointment of a strategic partner for a gas-fired power generation facility.

The 3 000 MW will be split between two ports, Richards Bay, in KwaZulu-Natal, and Coega, in the Eastern Cape. The request for proposals (RFP) will be conducted in two phases, starting with a request for prequalification (RFQ) process, which will prequalify bidders that satisfy certain key financial and technical requirements required by the DoE. This will be followed by the RFP, where the prequalified bidders will be invited to pay an RFP access fee of R2-million. This will entitle them to access the RFP and a full suite of project agreements, enabling them to prepare their binding offers to the DoE. Breytenbach believes the investment will be worth it. "It's very different to what we have done before. We are taking a bundled approach. A consortium will buy the LNG and be involved in the private-sector programme to deliver gas in the pipelines and electrons," said Breytenbach.

DoE deputy director-general Omphi Aphane said he believed gas-to-power would be "game-changing" for South Africa, as it would spark industrialisation and job creation, as well as lower the cost of energy. He said the facilities at the two ports would service parts of Gauteng, Mpumalanga, KwaZulu-Natal and the Free State. "We think gas-to-power makes a great deal of sense. Together with renewables, this has proved to work in many other markets," said International Finance Corporation (IFC) principal investment officer Marcel Bruhwiler. He said the IFC would provide expertise and financing and was confident about the success of the project flowing from the government's renewable-energy programme. "More than 90 projects [with a combined value of] R200-billion have been procured in the renewable-energy programme," said Bruhwiler, adding that there had been no legal challenges and that the process had been completely free of any allegations of irregularities. "We see the PIM opening further opportunities for private investment in the energy sector. The use of natural gas is an important step in South Africa's energy economy. Together with abundant renewables, gas is a powerful combination and affordable for long-term power supply." Breytenbach concluded that the DoE was targeting Coega and Richards Bay, "as they are more ready than Saldanha Bay". "It may take a little longer to get Saldanha Bay ready for this project," she said. *(By Kim Cloete, Engineering News)*

AfDB launches a Green Mini-Grid Help Desk to support project developers deliver energy access in rural areas

The AfDB-hosted Sustainable Energy for All (SE4All) Africa Hub launched a Green Mini-Grid Help Desk for renewable energy mini-grid project developers during the 3rd International Off-Grid Renewable Energy Conference (IOREC) on October 1st in Nairobi.

Today, 645 million Africans, nearly 60% of the population of Africa, don't have access to electricity. According to the International Energy Agency by 2040, 70% of new rural supply in sub-Saharan Africa will be from off-grid and mini-grids, two thirds of which powered by renewables as a result of falling costs, technological advancements and more

efficient appliances. Green Mini-Grids are "small" electricity networks developed to provide renewable power to households, businesses and institutions in rural African communities.

The GMG Help Desk provides on-line technical assistance on the myriad of activities important to the business cycle of developing and operating a clean energy mini-grid. The portal provides knowledge products and tutorials on setting up a mini-grid business, site selection, legal and compliance issues, mini-grid business models, technical system design, community and stakeholder engagement, financing, procurement, installation and commissioning, operation and maintenance. The portal includes country-specific information for much of the above. Project developers can apply through the portal for bespoke support on their projects.

The GMG Help Desk is part of the larger Green Mini Grid Market Development Program (MDP) implemented by the SE4All Africa Hub and funded through the AfDB's Sustainable Energy Fund for Africa (SEFA). Of the new GMG MDP Help Desk, Dr. Daniel-Alexander Schroth, Coordinator of the SE4All Africa Hub, said "mini-grids are a key piece of the energy access puzzle in Sub-Saharan Africa and the GMG Help Desk will be a key tool to accelerate the deployment of private sector-led mini-grid projects in support of the New Deal on Energy for Africa's vision of universal energy access in Africa by 2025".

The GMG Help Desk was designed and will be operated for the GMG MDP by Energy4Impact and INENSUS GmbH. Energy4Impact (formerly GVEP International), based in London, is a non-profit organization that advises off-grid energy businesses, in order to reduce poverty through accelerated access to energy. INENSUS GmbH is a German consultancy firm for private sector driven mini-grid electrification. ENERSA S.A. and JUMEME Ltd., which was supported earlier through a SEFA project preparation grant are INENSUS subsidiaries and mini-grid utility businesses in Senegal and Tanzania, respectively. Peter Weston, Director of Investment Advisory at Energy 4 Impact, said: "We are pleased to work with the African Development Bank to increase access to electricity through the development of African mini-grids and to have the opportunity to assist mini-grid developers in overcoming the many challenges of project development." Nico Peterschmidt, Managing Director of INENSUS, said: "We are excited to support African mini-grid developers given our long-term experience in developing and operating mini-grids in Africa." *(AfDB)*

INFRASTRUCTURE

South Africa Picks Ports for $3.7 Billion LNG Infrastructure

South Africa will invest $3.7 billion at the ports of Richards Bay and Coega to build infrastructure for a gas-to-power program aimed at easing the country's dependence on coal. A plant at Richards Bay will generate 2,000 megawatts of electricity from liquefied natural gas imports, and another at the Coega industrial development zone will produce 1,000 megawatts, the Department of Energy said. The government will seek bidders to manage the projects, underpinned by a 20-year power-purchase agreement with state utility Eskom Holdings SOC Ltd.

South Africa formed a Gas Industrialization Unit in May to implement its 3,726-megawatt gas-to-power program after a series of managed blackouts last year curbed growth in a nation at risk of recession. By starting to import LNG, the government can take advantage of low prices for the fuel while reducing reliance on coal to power the continent's most-industrialized economy.

Richards Bay will initially require an annual 1 million metric tons of LNG and Coega 600,000 tons, Karen Breytenbach, head of the Independent Power Producer Procurement Program's office, said in Cape Town. The ports each need 25 billion rand ($1.84 billion) in infrastructure, she said. The program will look to hedge the cost of the LNG, which is priced in dollars. The cost of the power will be passed on to consumers through electricity tariffs.

South Africa will use vessels offshore to receive, convert and store the LNG it imports, avoiding the risk of gas plants becoming "stranded assets" if the country starts producing its own gas, Breytenbach said. It will also be quicker to use marine facilities, and onshore plants could follow if needed, she said. The nation's ability to transport gas overland is currently limited by poor pipeline infrastructure, but LNG can be sent by road and rail as a "temporary solution," according to the Energy Department. The gas-to-power program "is designed to ensure that the LNG import and regasification facilities are complementary to the development of indigenous gas and/or development of a regional gas pipeline network," the department said. Bidders to manage the port projects will be pre-qualified in April after making submissions in February. The final request for proposals is expected next August, according to the department. Apart from the 3,000 megawatts generated at the ports, the program will produce a further 726 megawatts from other projects. *(By Paul Burkhardt, Bloomberg)*

Chinese company to spend $20 billion developing second phase of Egypt's new capital

China Fortune Land Development Co. Ltd. (CFLD) has signed a deal to develop and manage 14,000 acres (5,700 hectares) of Egypt's new administrative capital at a cost of $20 billion, the Egyptian cabinet said in a statement. The development, which will include homes and offices and all relevant infrastructure, will take place in the second phase of construction of the new capital east of Cairo.

The new capital is one of a series of mega-projects announced by President Abdel Fattah al-Sisi designed to attract foreign investment and create jobs in a country with a booming population of 91 million. Heralding a new era of closer political and economic ties, China in January signed 21 investment and aid deals worth billions of dollars with Egypt during a visit by President Xi Jinping. Among the development and infrastructure investments was a deal to build the

new capital's first phase, which Egypt has said will cost some $45 billion. The new capital, planned to be the size of Singapore, is due to have an airport larger than London's Heathrow, a building taller than Paris's Eiffel Tower, and more than 10,000 km (6,200 miles) of streets and avenues. *(By Amina Ismail, Reuters)*

IFC close to $2.7 bln debt refinancing for Mozambique's Nacala railway

The International Finance Corporation, part of the World Bank, expects to close a $2.7 billion debt refinancing for the Nacala Corridor railway project in Mozambique early next year, a senior IFC official said. The refinancing could help to ease balance sheet pressure on Brazilian miner Vale which is developing the railway and a coal mine in the region. "The plan is to close by the end of the first quarter 2017," Marcel Bruhwiler, the IFC's principal investment officer for infrastructure and natural resources, told Reuters on the sidelines of a gas conference in Cape Town. Vale last month agreed new terms for the sale of stakes in the mine and railway project to fellow shareholder Mitsui & Co, a deal which hinges on the approval of a project finance plan. The newly built 912 km line, which links Vale's Moatize coal mine in Tete in the north of Mozambique to the Nacala port on the east coast and crosses over into Malawi, will also be used to move general freight and passengers as the southern African nation recovers after decades of civil war. Vital to enhancing access to global markets, the project has an initial capacity of transporting up to 22 million tonnes a year of which 18 million will be allotted to Vale's Moatize mine, the IFC has said. Bruhwiler said the IFC, the private lending arm of the World Bank, was looking to commit up to $200 million on its own account for the deal, in which it was the co-lead arranger together with the African Development Bank and the Japan Bank for International Cooperation. However, budgetary scandals as well as security concerns, which have included frequent stoppages along the different Sena-to-Beira port coal line due to gunfire, could lead to delays, he said. "Right now there are still many risks which could derail such a big undertaking, not the least it's the macro-economic and security situations," Bruhwiler said. The International Monetary Fund (IMF) in August demanded an external forensic audit of Mozambique's public debt to regain investor confidence after a scandal involving more than $2 billion in secret loans led to the international lender suspending budgetary assistance to one of the world's poorest countries. "Investors want to have clarity whether the IMF will re-engage at some point in time," Bruhwiler said, adding that he was "cautiously optimistic" the $2.7 billion syndicated loan will be successful given the strength of the sponsors and huge coal reserves in Tete province. *(By by Wendell Roelf, Reuters)*

TV Star Joins Vitol in Stake in Biggest African Coal Port

A South African coal entrepreneur who produced and starred in a reality TV show set in Cape Town has partnered with one of the world’s biggest commodity traders to buy a stake in the continent’s largest terminal for the fuel. Through Burgh Group Holdings, 38-year-old Quinton van der Burgh joined with Vitol SA to buy a 7.6 % stake in Richards Bay Coal Terminal on South Africa’s northeastern coast. They have the right to ship about 7 million metric tons of the fuel annually, strengthening Vitol’s position in the coal trade in a country that’s a key supplier to Asia. The two bought the holding from a company part-owned by the Gupta family, who are friends with President Jacob Zuma. Critics accuse the leader of allowing the family to use their connections for financial gain, which he and the Guptas deny. While the country is Africa’s biggest coal producer, its export capacity is constrained by limited port infrastructure. Only shareholders, who include Anglo American Plc, have an automatic right to ship through the terminal. “Everyone knows that we and Vitol were very close,” Van der Burgh said in a Sept. 23 interview. “We knew that allocation was lying and no one was doing anything with it.” His company spoke with the trader, who in turn approached the Guptas’ Tegeta Exploration and Resources Ltd., asking whether it could use the terminal or if the producer was willing to sell its portion, he said.

Family Business

Van der Burgh and his brothers Wayne, 44, and Stanley, 41, started the company for which Quinton is the chief executive officer 14 years ago, funding it themselves and focusing on mine prospects, he said. “In those days we weren’t even thinking exports -- it wasn’t within our grasp to actually understand it or even finance it," he said. “We started realizing five years ago that if you don’t own infrastructure and you don’t have a footprint, you don’t have a gateway to sell your coal.” Today, the company has six operational mines and 26 prospecting licenses, and sells about 200,000 tons of coal monthly to the state-owned power company, Eskom Holdings SOC Ltd. In December, Burgh and Lurco Group, which is controlled by black investors, bought the Inyanda coal-washing plant and rail siding from Exxaro Resources Ltd., which the partners will use to process the fuel for the utility. Inyanda and many of Burgh Group’s other operations are in the coal-rich areas surrounding the Mpumalanga province town of Witbank, where Van der Burgh has a lake-side mansion with a swimming-pool-sized aquarium, a bowling alley and a glass staircase over water fountains. Opulent homes also feature in The Shores, a series Van der Burgh produced about four American women who travel to Cape Town to work for him.

Oscar Pistorius

In 2012, the Star newspaper reported that Van der Burgh laid a charge of intimidation against Oscar Pistorius, who was sentenced to six years’ imprisonment for murdering his model girlfriend Reeva Steenkamp. The Paralympian had allegedly approached the businessman at the VIP room of a Johannesburg racetrack and swore at him about his relationship with a woman, according to testimony in his trial. Other businesses in the group include a plant-hire unit, a bottled-water venture and a clothing line designed by Cape Town-based Courtney Cousins. The reality show was

produced by Van der Burgh's Q-Up Entertainment, according to his website. Van der Burgh got to know Vitol just over two years ago, when the trader began to market his company's coal, shipping 50,000 to 100,000 tons monthly in 2015. Access to Richards Bay will allow Burgh Group to open up the reserves it's been developing for the last five years, the CEO said. It plans to increase coal-operation employees to 1,000 from 600 next year and double the amount for overseas shipment to 1 million tons monthly by then.
The agreement with Vitol and the Gupta family's Tegeta, announced Sept. 16, is still subject to conditions, including approval by shareholders of RBCT. Tegeta bought Optimum Coal, which included a mine and its stake in the terminal, for 2.15 billion rand ($156 million) from Glencore in December. "I hope it's going to be favored, in the context that we've got a very good standing relationship with Exxaro, with Anglo, with South32," he said, referring to some of the terminal's shareholders.

South Africa

Burgh Group is committed to its operations in South Africa, where coal prices have climbed 55 % this year but are still 64 % off a 2011 peak of $189.75 a ton. Anglo wants to sell its local coal mines to help cut debt and South32 Ltd., which was spun off from world No. 1 miner BHP Billiton Ltd. last year, says it won't start any new energy-coal operations in the nation. "Anglo American is selling, South32 is not really going to develop much more in this country, Exxaro is also going to be selling off a few of their assets," he said. "We are the aggressive ones trying to develop these assets and develop in the country. Where everyone is calling bloody murder in a bad coal market, we're seeing the light at the end of the tunnel." *(By Paul Burkhardt, Bloomberg)*

MINING

Vale Agrees on New Terms for Sale of Some Mozambique Assets to Mitsui

Completing long-delayed transaction would help Brazilian mining giant shore up cash position

Brazilian mining giant Vale SA said it has agreed on new terms for a long-delayed deal to sell some of its Mozambique coal assets to Japan's Mitsui & Co. Ltd. to shore up its cash position. Under the new terms, Mitsui would pay $255 million for about 14.25% of the Moatize coal mine that is 95% owned by Vale. The Japanese conglomerate would also pay $195 million if "certain conditions, such as the mine's performance," are met. In the original deal announced in December 2014, Mitsui had agreed to an upfront payment of $450 million. Including an equity stake Mitsui plans to assume in the Nacala Logistics Corridor, built to transport coal from Moatize to port, Vale said it expects to receive $768 million from the Japanese. Vale reiterated that it still anticipates receiving another $2.7 billion in project financing from sources including Japanese banks and multilateral lenders. Vale officials said earlier this year that financing the project had proven more complicated than the companies had expected. Project finance has required negotiations and due diligence with parties including the governments of Mozambique and Malawi, the African Development Bank and the International Finance Corporation. *(By Paul Kiernan, Wall Street Journal)*

Lucara Builds Technology to Unearth the World's Biggest Diamond

Lucara Diamond Corp. completed the first stage of upgrading its processing plant at the Karowe mine in Botswana that would introduce technology to recover some of the world's biggest diamonds. The upgrades will allow the company to sift diamonds as big as 90 millimeters (3.5 inches) amid tons of mining rubble, the Vancouver-based company said in a statement. Last year, Lucara recovered a 1,109-carat gem at Karowe, which was the world's second-largest diamond even after breaking off a 374-carat chunk in the process. Two African mines, Lucara's Karowe and Gem Diamonds Ltd.'s Letseng in Lesotho, consistently produce diamonds that rank among the biggest. It presents a challenge to miners, who have to crush vast amounts of waste rock to find the gems. Lucara and Gem are investing in bigger, costlier filters and laser diamond identification technology to find the large stones before crushing the ore. Lucara's new technology "would allow for the recovery of a diamond of similar size to the 3,106-carat Cullinan diamond recovered in 1905," it said. The Cullinan, retrieved with a pocket knife from the wall of a mine in South Africa, is the biggest diamond ever found and now makes up part of the British crown jewels. Lucara is also holding a sale of 12 diamonds with a combined weight of 1,100 carats from Nov. 7 to Nov. 14, according to the statement today. *(By Kevin Crowley, Bloomberg)*

Mozambique's coal industry enjoys renewed confidence

Japan's Mitsui and Co has agreed new terms with Brazil's Vale to acquire a 15% stake in the Moatize coal mine and a 50% stake in the Nacala Logistics Corridor for US$603m (plus a further US$195m if the mine meets performance targets, and a lending facility of US$165m). Reflecting the structural shift in commodity markets since the deal was first agreed in 2014, this marks a substantial drop from the original price of US$904m. The equity transaction also remains contingent on completion of the much-delayed US$2.7bn project financing deal. Nevertheless, the latest announcement reiterates the firms' commitment to Mozambique. Production at Moatize is being ramped up to a target of 18m tonnes/year (t/y) by 2018, which should reduce unit costs and shore up profitability, albeit after two years of heavy losses. There is also renewed confidence in Mozambique's other coal mining companies, amid a frenzied price rally in recent weeks; benchmark Newcastle Australian coal prices have climbed well above US$70/tonne, from barely US$50/tonne in early 2016. In an attempt to capitalise on surging prices on the spot markets, India's Jindal Africa has resumed production at Chirodzi mine with a target of 300,000 tonnes/month, and, taking a long-term view of India's

steel demand, Coal India has requested new concessions from the government after finding that its original assets were nonviable. We have long argued that rising coal production will be a key driver of Mozambique's medium-term GDP growth, and it remains on course to overtake aluminium as the country's main export in 2017. However, despite the recent price rally and renewed confidence among investors, we maintain our view that the coal rush will not be transformative for the economy. Total exports are unlikely to edge much beyond 20m t/y-around one-tenth of what is produced in neighbouring South Africa-because logistical bottlenecks block the coal region from international markets.
Moreover, prices are unlikely to rise high enough to attract investment into the giant infrastructure projects that would be needed to resolve this. Several companies are instead drawing up plans to invest in coal-fired power plants. However, the lack of transmission infrastructure makes these projects complicated and expensive. *(Economist Intelligence Unit)*

Nigeria mining ministry in talks over $500 mln fund and corporate bonds
Nigeria's government is in advanced talks with its sovereign wealth fund and stock exchange to create a $500 million exploration fund and corporate mining bonds to attract investment, its mining minister said. Kayode Fayemi also told Reuters Nigeria had made a "promising" nickel discovery and was looking for investors for a moribund steel plant, part of efforts to reduce reliance on oil exports.
The OPEC member has made boosting the mining sector a priority as a slump in crude sales, which provide 70 % of government revenues, has pushed Africa's biggest economy into recession. "We are looking at a $500 million fund from their side which would primarily focus on exploration," Fayemi, minister for mining and steel development, said in an interview, referring to the sovereign wealth fund. The ministry was also discussing with the stock market selling "corporate mining bonds" in partnership with mining and other investors. He gave no details or timeframe for either project. Nigeria has been trying to attract foreign mining firms. Currently, the only significant foreign investor in the sector, where 80 % of mining is carried out on an artisanal basis, is Australia's Kogi Iron. Nigeria has largely untapped deposits of 44 minerals, which include gold, iron ore, coal, tin and zinc, in more than 500 locations spread across Africa's most populous nation.
NICKEL DISCOVERY
The minister wants to increase mining's contribution to gross domestic product (GDP) to 10 %, from just 0.3 % now, within a decade. He said a geologically "strange" discovery of nickel in the northern state of Kaduna seemed promising. The discovery of some 40 million tonnes of nickel with a depth of five metres over a 13 kilometre area, around the town of Dangoma, was announced in August by an Australian team registered as Comet Nigeria Limited. "It could also be that what they are telling us is an under-estimation of what it ought to be by the time we do core drilling," he said. Fayemi also said there was a need to get a grip on Nigeria's informal gold rush which he said is dominated by smugglers. "Clearly a lot is being taken out illegally," he said, adding that gold was being smuggled to neighbouring Cameroon and Niger, as well as Togo and is registered in those countries.
Fayemi said his ministry did not have figures for gold production but the central bank had provided figures that his department was trying to validate. "They have given figures in the region of about 100kg of gold leaving the country on a daily basis," he said. "None of this gets accredited as gold from Nigeria," added Fayemi. The most recent official estimate of proven gold reserves is 300,000 ounces and dates from 2013 but Officials say it is likely to be more since no new research has been done for 30 years. Nigeria also hopes to revive the moribund steel plant in Ajaokuta. In August, a deal was reached with Global Steel Holdings, an Indian firm, giving the government renewed control after four years of mediation and eight years of inactivity. Fayemi said PricewaterhouseCoopers' was conducting an audit which began on Aug. 1 and would last 150 days, followed by a public bid process. The minister said companies from China, Ukraine, Russia and Belarus had expressed an interest in operating the plant. "By the time we put it out on offer to everyone we will get the best bidder who can really do what we want done with the steel plant," he said. Fayemi said the priority was to "produce steel locally rather than from scrap metal". He estimated that steel production could begin as soon as March 2019. *(By Alexis Akwagyiram and Felix Onuah, Reuters)*

OIL & GAS

Africa could be significant LNG importer by 2025 -Total
Africa could become a significant global market for imported liquefied natural gas (LNG) by 2025, with Egypt the main driver, as more countries eye gas-to-power projects, a senior official at Total said.
With hundreds of millions of people living without electricity in the world's poorest continent, African countries are increasingly turning to gas to take advantage of lower global LNG prices amid a supply glut. "It could be collectively a 20 to 30 million tonnes per year market by 2025," Tom Earl, vice president of gas and power development at the French oil major, told Reuters on the sidelines of a gas conference in Cape Town. He said Egypt could be importing between 15 million-20 million tonnes annually within a decade, although actual volumes would depend on the development of its huge Zohr gas field, which had an estimated 30 trillion cubic feet of gas.
West Africa was seen importing 5 million tonnes a year, Southern Africa 4 million and Morocco 2 million tonnes by 2025, Earl said. Egypt aims to import between 110 and 120 cargos of liquefied natural gas in 2017, the state-owned Egyptian Natural Gas Holding company (EGAS) said in June. "Africa really is going to take a central role, the projects

may be typically of smaller scale, but nevertheless they will collectively be very important," said Earl. He said Total was focusing on gas-to-power projects around the world and wanted to develop downstream markets to increase the uptake of gas, which is seen as a cleaner alternative to harmful coal-fired plants. "Total is willing to invest further downstream and that's important for us because it is developing future demand, future markets," he said. He said Total was considering all aspects of South Africa's plans to build two gas-to-power projects with a combined 3,126 megawatt capacity to diversify electricity production away from more environmentally damaging coal plants. The projects, estimated to cost around 50 billion rand ($3.7 bln), will initially require about 1.6 million tonnes of imported gas. Preferred bidders are expected to be announced early next year. ($1 = 13.5782 rand) *(By Wendell Roelf, Reuters)*

South Africa to name preferred bidders for gas projects in March

* Gas-to-power projects to add 3,000 MW to grid
* Exxon, Shell among bidders for LNG, power supply
* South Africa prefers floating LNG facilities

South Africa will announce preferred bidders for multi-billion dollar gas-to-power projects by the end of March as part of efforts to diversify electricity production away from more environmentally damaging coal plants, a government document shows. Tender documents in May last year asked consortia to submit plans to build South Africa's first liquefied natural gas (LNG) import terminal, gas-fired power plants, storage facilities and transmission pipelines, according to a department of energy memorandum due to be released and seen by Reuters. Exxon Mobil and Royal Dutch Shell are among more than 100 bidders for the gas projects, which South Africa hopes will add more than 3 000 MW to its current power production capacity of 42 000 MW. A separate 600 MW gas-fired power plant is also being developed in parallel by the department of energy's independent power producers unit. South Africa already imports gas from neighbouring Mozambique and could buy LNG from major African producers such as Nigeria and Angola, analysts said. A drop in global energy prices has encouraged South Africa to push ahead with gas-to-power projects as it looks to quickly increase electricity supply capacity following nationwide outages last year. "The current global gas and LNG market conditions are expected to represent an opportunity for South Africa to achieve an economically beneficial pricing arrangement in the oil and gas cycle," the document said. The department of energy has a preference for floating regasification and storage facilities due to the speed with which they can be built. The most likely location for new gas-fired power plants are at Richards Bay and Coega, the document said. South Africa has separate plans for huge nuclear power expansion which could cost up to R1-trillion ($73-billion). *(By Wendell Roelf, Reuters)*

Mozambique minister's sacking will not affect gas project decision: Eni

The sacking of Mozambique's energy minister will not affect Italian oil firm Eni's final investment decision on an offshore gas project there, Eni Chief Executive Claudio Descalzi said. Energy Minister Pedro Couto was sacked by the president, a month before Eni is due to finalise its decision on the Coral offshore gas project, worth tens of billions of dollars. No reason was given for his dismissal. "The government's decision will have no impact," Descalzi told journalists in Paris. Descalzi said all approvals for Coral had been obtained from the government and major policies and special decrees related to the project had been completed last year. "The last step is the project financing which is independent," he said, adding that a final investment decision could come as expected around October or November. The southern African state discovered offshore gas reserves six years ago amounting to some 85 trillion cubic feet, one of the largest finds in a decade. The gas offers Mozambique an opportunity to transform itself from one of the world's poorest countries into a middle-income state and a major global liquefied natural gas (LNG) exporter. Eni met bankers in London last week about project financing to develop the field. Descalzi also said that Eni was not looking to sell stakes in any other assets in Africa except in its Area 4 concession in Mozambique and in the Zohr gas project in Egypt. "In Zohr because we have 100 % of it and it is a big investment and production which is why it is reasonable to share the risk with other partners," he said. *(By Bate Felix and Stephen Jewkes, Reuters)*

Siemens Weighs Bid on $3.7 Billion South Africa LNG to Power

Siemens AG said it's weighing a bid for a $3.7 billion project as South Africa's program to generate power from gas gains momentum. "The process is moving now," Siemens South Africa Chief Executive Officer Sabine Dall'Omo said in a phone interview from Johannesburg. "South Africa is ready for foreign direct investment." Dall'Omo said Siemens has had "significant discussions" with potential partners about bidding for the contract to develop 3,000 megawatts of gas-fired generation at two ports on the east coast of South Africa. The plan announced by the Department of Energy on Oct. 3 involves importing liquefied natural gas to generate electricity sold under a 20-year power-purchase agreement with state-owned utility Eskom Holdings SOC Ltd. Energy Minister Tina Joemat-Pettersson declared gas-power development a priority in August last year as the government tries to reduce the nation's dependence on coal. The program will create jobs and build generating capacity that consumes less water than existing coal-fired plants, according to Dall'Omo.

Ambitious Timetable

The bidding teams will prequalify in April after making submissions in February, with a final request for proposals planned for August, according to the energy department. Participants within a group may include the developer of the

gas-fired plant, LNG supplier and fuel port and storage owner and operator. “The timetable seems ambitious, given the complexity,” Tracy Lothian, vice president of LNG global market development for Exxon Mobil Corp., said last week at a conference in Cape Town. Bidding consortia will need as much information as possible, she said.
Eskom CEO Brian Molefe created investor uncertainty in the energy industry in July when he questioned the need for procuring renewable electricity from private developers. One month later, he refused to sign an agreement for a solar-power plant that had already been approved by the government. Siemens will require “certain clarity with regards to the role that Eskom will take” in the gas-to-power program, Dall’Omo said, noting that the utility is one of its customers.

Complex Financing

While construction of the gas plants will be fairly standard, "the most complex and time-consuming portions will be the financing around the gas itself,” she said. That includes hedging the foreign currency risk associated with purchasing LNG, which is priced in dollars.
The project also requires third-party access to infrastructure so that LNG can be supplied to other power plants as well as used in commercial, residential and transport applications, BMI Research said in a report. “We note upside risk to South African gas consumption forecasts , which are currently constrained by domestic production and pipeline imports,” BMI said. A successful South African project could also have positive ripple effects on the wider region, which could tap the developing industry and expertise, according to Dall’Omo. "There’s massive influence into our neighboring countries,” she said. *(By Paul Burkhardt, Bloomberg)*

RETAIL

Africa’s Biggest Food Retailer Doubles CEO’s Pay After Bonus

Shoprite Holdings Ltd. doubled Chief Executive Officer Whitey Basson’s pay last fiscal year to 100.1 million rand ($7.4 million), thanks to a bonus from Africa’s largest food retailer for beating a profit-growth target. Basson’s remuneration included 49.7 million rand in basic pay for the 12 months through June, in line with the previous year, and a 50 million rand one-time performance-related bonus, the Cape Town-based company said in its annual report. Trading profit growth of 15 % beat an internal target of 11 %, the retailer said. Dave Lewis, the CEO of Tesco Plc, the U.K.’s biggest supermarket chain, got 4.63 million pounds ($5.96 million) in fiscal 2016. Iain Moir, the CEO of South African food and clothes retailer Woolworths Holdings Ltd., was paid 53.7 million rand in the year ended June 26, including base salary of 16.4 million rand and a performance-related bonus of 15 million rand.

The decision comes less than a year after the South African government-owned Public Investment Corp. voted against the company’s remuneration policy because the 50.1 million rand pay awarded to Basson was mostly a fixed payment, rather than a performance-based salary. The Pretoria-based PIC owns almost 10 % of Shoprite, according to data compiled by Bloomberg. The money manager couldn’t immediately comment on the 2016 pay. Other reasons given by Shoprite for the bonus include that Basson hasn’t received a basic pay increase since 2013 and no one-time payments for five fiscal years, according to the report. The retailer also cited the CEO’s length of service at the company. The 70-year-old has worked at Shoprite for 45 years and has been at the helm since 1979. “Recently in South Africa it has become a trend for retailers to recruit their CEOs from multinational retailers outside” the country, Shoprite said. “The war for talent in this space is not confined to the African continent.” Shoprite shares gained 1.5 % to 194.18 rand as of 3:01 p.m. in Johannesburg, valuing the retailer at 112 billion rand. The stock fell 4.1 % during the year through June, compared with a 1.9 % gain on the FTSE/JSE Africa Food & Drug Retailers Index. *(By Janice Kew, Bloomberg)*

AGRIBUSINESS

Ivorian cocoa exporters feel financing pinch from high farmgate price

Banks in Ivory Coast are reluctant to boost credit lines to local cocoa exporters struggling to cover extra costs brought on by a surprise hike in the farmgate price, exporters and bankers said, raising the prospect of contract defaults.
The government increased the guaranteed minimum price for farmers by 10 % to 1,100 CFA francs ($1.88) at the start of the 2016/17 season last week, rejecting a recommendation from the Coffee and Cocoa Council (CCC) to keep the price unchanged.
Under the top producer's forward sales system, exporters bid for the right to export certain bean volumes during specific time periods. However, they are then responsible for purchasing physical cocoa at the government-mandated price, and as they are only paid on delivery, domestic exporters need credit to fulfil their contracts.
Many exporters, particularly smaller domestic operators, were caught off guard by the price hike, which entailed a corresponding increase in the price exporters pay for beans at the ports of Abidjan and San Pedro. "The financing that

we have won't permit us to buy the volumes that we have purchased from the CCC because the farmgate price is high and surprised us," said the financial director at one small exporter. "So we're in discussions for an increase (in financing)," said the exporter, who asked not to be named.
While major international exporters have their own internal financing structures, smaller local operators typically rely on credit lines from banks in Ivory Coast.
If they cannot raise the funds to cover the additional cost of buying beans at the new price, some will be unable to buy enough cocoa to fulfil their obligations to counterparties and, therefore, default on contracts, exporters said. "Currently, all of our clients want an increase of 10 to 12 % from their initial financing requirements because of the price increases, but it will be complicated to satisfy everyone," said a banker with the local unit of BNP Paribas.
Prolonged dry weather earlier this year is projected to lead to a slow start to Ivory Coast's October-to-March main crop harvest, creating greater competition between exporters for available beans.
Bankers said they were not confident that small domestic exporters will be able to fill orders and pay back their loans. Any increased financing that is agreed will also come with higher interest rates, they said. "We have already taken a big risk financing them and we do not want to expose ourselves too much because they are only buying small volumes," said a banker with Societe Generale, one of the main lenders in the industry. "The risk (of default) is higher," he added. ($1 = 585.1000 CFA francs) *(By Joe Bavier and David Evans, Reuters)*

Cemoi Chocolate Sales in World No. 1 Cocoa Grower Beat Forecasts
French chocolate maker Cemoi Group said sales from its cocoa-processing plant in Ivory Coast exceeded forecasts in the operation’s first year as the company plans to increase output in the world’s biggest producer of the beans.
Demand for Cemoi’s chocolate spread and cocoa powder produced in the West African nation continue to rise, Chief Executive Officer Patrick Poirrier said in an Oct. 1 interview, declining to comment on revenue and volumes. Cemoi will double production at its plant in the commercial capital, Abidjan, to 10,000 metric tons in the next three years while starting sales in Nigeria, Poirrier said in May. “It’s still a burgeoning market, but there’s a middle class in Ivory Coast who wants to eat chocolate,” Poirrier said at a cocoa conference in Abidjan. “This is a test market, the idea is to go beyond and expand our network in West Africa which has a population about the size of Europe.”
Ivory Coast is recovering from a 10-year conflict that ended in 2011 and achieved economic expansion of 10.3 % last year, the highest in sub-Saharan Africa. Fast growth and a larger middle class have pushed up consumption of goods from bread to burgers and attracted Carrefour SA and Restaurant Brands International Inc.’s Burger King to open businesses in the nation. The country said in June it will reduce export taxes for local grinders in return for increasing processing capacity. Ivory Coast seeks to boost local processing to 50 % by 2020 from 33 % at the moment. Shipments of chocolate are tax-free since last year. Cemoi is one of only a few local makers of chocolate in Ivory Coast, where most of the grinding plants make semi-processed cocoa products. *(By Olivier Monnier and Baudelaire Mieu, Bloomberg)*

Nestle’s Nespresso to Suspend Coffee Imports From South Sudan
Swiss giant suspends operations after violence spreads to Central Equatoria in the south of the country
Nestlé SA’s upscale coffee brand Nespresso is suspending imports from South Sudan citing deteriorating security conditions, as civil conflict engulfs the coffee-producing regions in the world’s youngest nation.
The Swiss giant has been forced to suspend its operations in South Sudan after violence spread to Central Equatoria in the south of the country, Jacquelyn Campo, the spokeswoman for the South African Nestlé unit, said.
It is the latest blow for the economy of the five-year old nation, which started coffee exports for the first time last year in a bid to diversify its oil-dependent economy. It is also a setback for Nespresso’s efforts rebuild South Sudan’s coffee industry that collapsed years ago under the strain of decadeslong civil war. “As a result of the increasing instability we have had to temporarily cease operations while we closely monitor the situation,” Ms. Campo told The Wall Street Journal. “In the last year, we were making solid progress until the situation deteriorated.”
South Sudan gained independence from Sudan in 2011 but has seen rival tribes vying for more control sink the country in a brutal civil war since December 2013. Despite short respites from violence, fighting began anew in July, when government forces and rebels fought for days in the capital Juba. The fighting has since spread throughout the country, hitting the coffee-producing Central Equatoria region, 90 miles southwest of Juba.
The United Nations refugee agency said last week that as many as 100,000 people are trapped in the coffee-producing town of Yei, and spokesman William Spindler said farmers in the region have become “a direct target of the violence.”
Since 2011, Nespresso has been working with U.S.-based nonprofit organization TechnoServe to set up coffee mills and revamp defunct plantations, in an effort backed by actor George Clooney, who has been an activist in South Sudan for years but has drawn criticism from academics and analysts for his involvement in the conflict.
Central Equatoria had been relatively peaceful and the calm allowed Nespresso to reach out to hundreds of farmers, aiding the revival of the coffee industry. But the relative peace come to an abrupt halt following July’s clashes, and has uprooted tens of thousands of farmers, according to United Nations. Nespresso’s South Sudanese coffee beans first went on limited sale in France in October last year. The brand’s flight from South Sudan highlights the dangers that lurk for major coffee companies increasingly braving war zones in search of better-tasting coffee beans.

From Congo to Ethiopia, coffee giants like Starbucks Corp. and Keurig are forming partnerships with smallholder farmers as they seek to secure supply chains of high-quality beans. Direct coffee supply chains guarantee coffee majors a more reliable source of high-quality beans, as more buyers attempt to wean themselves away from the volatile coffee futures market, according to Edward George, a soft-commodities analyst with Togo-based banking group, Ecobank.
The economy of South Sudan, which hosts sub-Saharan Africa's third largest crude oil reserves, has continued to dip since the conflict erupted in 2013. Oil production is down 50% to 130,000 barrels-a-day and inflation soared to 660% in August. Insecurity and the sinking economy have driven away investors from South Sudan. Nestlé has followed in the footsteps of SAB Miller, the world's second-largest brewer currently being acquired by AB InBev, which left South Sudan in January, shuttering its brewery there because of a severe foreign-exchange shortage. Amid dwindling oil revenue due to low international prices and reduced output, South Sudan has been struggling to pay civil servants and finance vital imports, including food. But Nespresso, which has so far invested some $2.5 million in the South Sudanese coffee industry, says it is eager to return once security improves. "We hope that the situation becomes more peaceful so we can resume our work" Ms. Campo said. *(By Nicholas Bariyo, Wall Street Journal)*

Ghana Plans to Become Palm-Oil Exporter by TripUng Production

- Ghana to create a board to regulate industry by yea r-end
- Nation imports 50,000 tons per year to meet local demand

Ghana is planning to become a net exporter of palm oil by tripling prod uction in the next four years.
The West African nation currently produces about 250,000 metric tons of palm oil and imports about 50,000 tons to meet local demand, said Charles Mate-Karle, vice president of the Oil Palm Development Association of Ghana, a group supervising more than 20,000 farmers. Ghana will create a board to regulate the industry by year-end, he said. The association has programs designed to increase yields to 15 tons per hectare, compared with 5 tons per hectare, Mate-Korte said in an interview from Accra on Wed nesday. Small farmers and plantation operators currently cultivate about 364,000 hectares (899,000 acres) of the crop. "Ghana has the potential to triple output through an intensification program and a mix of interventions including best agronomic practices," said Isaac Gyamfi, managing director of Salidaridad West Africa, which promotes best management practices for commodities. "We are investing 26 million euros for traini ng programs aimed at improving maintenance and harvesting techniques for both smallholders and plantations so they achieve higher yields." Gyamfi said. *(By Ekow Dontoh, Bloomberg)*

Biggest Africa Cocoa Farm Takes Shape in Central Ivory Coast

In central-eastern Ivory Coast, a cocoa plantation that will be Africa's biggest, spanning an area equal to about 3,000 soccer fields, is taking shape. Solea, a unit of Brussels-based KKO International SA, is developing about 2,000 hectares (4,942 acres) of land near Bocanda and is trying to secure another 1,000 hectares. The project in the nation that's the world's top cocoa producer is unusual, because 90 % of its cocoa comes from family-run farms of 2 to 4 hectares. "We want to shake things up," Solea Deputy Managing Director Indranil Ghosh said as he was driven in a pick-up truck between lines of cocoa trees set to produce the chocolate ingredient for the first time this season. "Such a large area of irrigated and fertilized cocoa plantations doesn't exist anywhere else in Africa." About 800,000 farmers grow cocoa in Ivory Coast using a limited amount of fertilizer and reaping beans from aging trees. The result? Yields of about 500 kilograms (1,102 pounds) of beans per hectare, half of those in Malaysia.

Production 'Archaic'

Methods "remain archaic," said Ghosh. "Every year it's the same: production is good when rains are good, production is bad when rains are bad. We can't go on like this. It's like when Apple upgrades its operating system. In Ivory Coast, cocoa has remained at version 1.0, we want to improve the protocol and create a cocoa 2.0 and go higher." Ivory Coast's output fell 13 % in the 2015-16 season to 1.57 million metric tons after plantations were hit by the worst desert winds in 30 years. A smaller-than-forecast African harvest in the season ended Sept. 30 led to a global shortage of 350,000 tons, the worst in decades, Olam International Ltd. said last month. The nation became the world's No. 1 grower at the expense of its forests, which have made way for plantations.

Output Crunch

While demand for beans to make chocolate and cocoa butter for pharmaceuticals and cosmetics is increasing, global output isn't, Ghosh said. "Everyone is obsessed with processing, but there's no sustainable approach to make production answer tomorrow's needs." Solea wants to plant 4 million cocoa trees on 3,000 hectares by the end of 2018 and targets production of as much as 15,000 metric tons of beans, with a yield of 5 tons a hectare, when its trees reach maturity in 2024. Its two plantations -- Kotokonou and Akossikro -- are located on either side of the 725-kilometer (450-mile) N'Zi river in the central-east of the country, which was the hub of its cocoa belt in the 1960s. After years of extensive cocoa and coffee farming, the soils became unfertile, and decimated forests led to a drop in rain, prompting thousands of farmers to move to the nation's west in the search of better land.

Irrigation System

Kotokonou is divided in 24 blocks of 20 hectares each, surrounded by 47 kilometers of tracks. Trees were planted every 2.5 meters on 400-meter straight lines. Akossikro is still being developed. To overcome the lack of rain, Solea has set up a micro-irrigation system that supplies each of Kotokonou's 800,000 trees. A 2.5-kilometer tube links the N'Zi river

to a relay station, which connects to cocoa plants through thinner pipes. Each tree gets as many as 10 liters (2.6 gallons) of water and some soluble fertilizer from two drippers every second day. "Drip irrigation on a large cocoa plantation -- that's never been done," Solea Chief Financial Officer Laurent Skrypczak said. "We're adapting to cocoa what was done with fruit trees in Europe 40 years ago." Securing the land was difficult, KKO Managing Director and Founder Remy Allemane said in Abidjan, the commercial capital. "Finding 20 or 50 hectares is easy, but 2,000 hectares in one piece is almost impossible." Once found, it took months of talks to reach a deal with the local population. He signed leases of 35 years, the lifespan of a cocoa tree. In return, he committed to hire villagers and give landowners 5 % of the company's revenue. Solea employs 800 people. The company has spent 17 million euros ($19 million) on the project and wants to issue 12 million euros in convertible bonds by the end of the year to complete it and expand overseas, Allemane said.

Mercedes Seed

Solea uses a more-productive hybrid cocoa seed called Mercedes, developed by an Ivorian research institute. Its one flaw is that trees grow unequally, which the company wants to address through cloning. "We let the trees grow, suffer and then identify the best soldiers that resist dryness and we clone them on weaker trees," Ghosh said as he pointed a "mother tree" full of green pods as long as 20 centimeters (8 inches). KKO is in talks to acquire an Ecuadorian company that specializes in intensive cocoa farming as it aims to develop at least 1,500 hectares of densified plantations in the South American nation, Madagascar and Ivory Coast. An agribusiness group in Nigeria has approached KKO to develop a cocoa plantation on a 10,000-hectare area, Allemane said, without giving further details In Kotokonou's experimental section, Solea is looking at ways to have 6,000 cocoa trees per hectare -- compared with 1,300 in a regular Ivory Coast plantation. This has only been tested on an experimental farm in Ecuador, under different climate conditions. "Cocoa trees will grow more compact; we'll prune the leaves and pods will grow on the trunks," said Ghosh. "We know we're not going to succeed at first try, we'll probably make many mistakes. But it's worth it. If it works, it will be a revolution." *(By Olivier Monnier, Bloomberg)*

UPCOMING EVENTS

5th Korea-Africa Economic Cooperation (KOAFEC) Ministerial Conference in Seoul – 24-27 October 2016
http://www.koafec-conference.org/main.asp

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

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

The Africa Renewable Energy Forum – 2-4 November 2016, Marrakech, Morocco at Four Seasons Resort Marrakech
http://africa-renewable-energy-forum.com/

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

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

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

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Disclosures

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

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

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