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INSIDE AFRICA

Now is the time to invest in Africa

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CONTENTS

In-Depth:

- Angola Outlook 2
- Mozambique Outlook 3

IMF, WORLD BANK& AFDB 5

INVESTMENTS 8

BANKING

Banks 9

Markets 11

ENERGY 12

INFRASTRUCTURE 15

MINING 16

OIL & GAS 18

TELECOM 19

RETAIL 20

AGRIBUSINESS 21

UPCOMING EVENTS 22

BRIEFS

Africa

- Africa's Biggest Hydropower Dam to Supply Electricity to Sudan
- West Africa economic bloc says rules out devaluation of CFA franc

Angola

- Angolan group invests US$60 million in the largest shopping centre in Angola
- ENSA insurance company's net result increases over 44 per cent
- Poland strengthens cooperation in industrial sector
- Angola to Get $300m From World Bank to Boost Agribusiness:

Bostwana

- Botswana's 300 MW power plant stalled over $800m guarantee dispute

Burkina Faso

- Orange increases investment despite mixed results across Africa

Ghana

- Ghana to exceed 800,000 tonne cocoa target-Cocobod chief

Ivory Coast

- Ivory Coast, Ghana to work together to tackle cocoa price volatility

Kenya

- Kenya's debut mobile phone bond offer sells out in 13 days
- Kenya private-sector activity slows as consumer demand falls
- Kenya to sell 10-yr Treasury bonds in April - central bank

Mozambique

- Mozambique C. Bank Says 5 Local Banks Hold Part of Foreign Debt
- Mozambique's central bank cuts key lending rate by 50 basis points to 22.75 percent
- Barclays Bank Mozambique FY Net MZM575m vs MZM308m

Nigeria

- Nigeria cabinet approves $1.3 billion loan for Development Bank of Nigeria - finance minister
- Eni, Shell deny wrongdoing in Nigeria after allegations of improper payment
- Nigerian inflation falls to 17.26 percent in March

South Africa

- South Africa's Eskom signs power export deal with Botswana
- South Africa's Pick n Pay flags up to 20 pct rise in FY profit

Uganda

- Uganda says seeking $500 million loan from China for roads in oil area

In-depth:
Angola: Country Outlook

Political Stability: There is a danger of increasing protests given the country's continued fiscal difficulties in the current environment of low oil prices, particularly in the early part of the 2017-21 forecast period. Heavy-handed crackdowns on critics could act as a catalyst for more sustained instability. Nonetheless, whether via pre-emptive arrests and the trials of high-profile critics or the deployment of the security services against demonstrators, the ruling Movimento Popular de Libertação de Angola (MPLA) will continue to act strongly to suppress anything that it perceives as a serious threat to its hegemony, particularly in the run-up to the August 2017 legislative election.

Election Watch: The MPLA is likely to take advantage of its solid funding base--as well as moves to restrict the political space--to win another, albeit smaller, majority at the next legislative election, which is scheduled to take place in August 2017. (It currently controls more than 70% of the seats in the legislature.) It will thus retain its grip on all aspects of power, including the presidency; under the terms of the constitution, the president is no longer elected by popular vote but instead heads the list of the party with the most seats in parliament. João Manuel Gonçalves Lourenço heads the MPLA list and will almost certainly become the next national president. However, this is unlikely to lead to any substantial change in policy direction, at least in the short to medium term.

International Relations: Tensions with the international community are likely to rise around the 2017 election, given that the MPLA is expected to adopt increasingly heavy-handed efforts to maintain its hegemony and that any change in head of state will not be the direct result of a popular vote. Despite this, Angola will continue to seek to consolidate relations with key strategic partners and to diversify access to international finance. It will continue to prioritise relations with Lusophone states including Brazil and the former colonial power, Portugal--although relations with both will be put under strain by corruption allegations, and Portugal's laying of graft charges against Angola's vice-president, Manuel Vicente. Relations with global superpowers such as the US and China will also be a priority. Although the economic impact of the election of Donald Trump as US president may be constrained by comparatively moderate levels of bilateral trade and aid flows, there is a serious downside risk that the slowdown in Chinese growth will translate into fewer trade and investment deals.

Policy Trends: A fundamental rebalancing of the economy is needed, and will continue to be the focus of ongoing Article IV negotiations with the IMF--the most recent of which was concluded in January 2017--although the authorities appear to have ruled out a three-year extended fund facility (EFF) with the Fund, which would have been likely to include more stringent demands regarding transparency and exchange-rate deregulation.

Nonetheless, the IMF will continue to encourage the authorities to restore macroeconomic balances and build up reserves, constrain growth in the public-sector wage bill, take steps to contain public debt--which the Fund estimates has risen more than 30 percentage points as a percentage of GDP in three years--reduce the non-oil fiscal deficit and foster greater exchange-rate flexibility, supported by tighter monetary conditions to contain inflation. In the longer term, the authorities will be encouraged to improve the efficiency and transparency of public spending, and to create a business-friendly environment--notably by reducing costs in the non-oil sector--that will enable the private sector to lead economic growth.

Economic Growth: Growth is expected to recover during 2017-21, after registering an estimated expansion of just 0.6% in 2016. As oil prices recover, slightly more solid expansion in government and private consumption should see growth edge up to 2.4% in 2017--slightly ahead of the official forecast of 2.1% (largely because of differences in oil price assumptions)--and 3.5% in 2018. We expect growth to slip back to an average of 2.7% in 2019-21, given more moderate local output increases, compounded by an ongoing slowdown in Chinese growth that will unnerve global markets and lead to a renewed moderation in oil prices in 2019.

Inflation: After a sharp spike to an average of more than 32% in 2016, inflation should trend downwards in 2017-21. We expect the central bank's monetary policy committee to maintain a

relatively tight policy stance, as underscored by five interest-rate rises during 2015 and two 200-basis-point increases in 2016, and the government has announced some measures to combat inflation, including the introduction of price controls on some goods. That said, the decline is unlikely to be rapid. The kwanza's continued weakness against the US dollar will push up the cost of imported goods, and high government spending in the run-up to the election in 2017 and a partial recovery of global food and non-food commodity prices in 2017-18 will also generate inflationary pressure. All told, we expect annual average inflation to moderate from 23.4% in 2017 to 10.9% in 2018 as rising oil prices lead to improved dollar availability and reduce the pressure on the local currency slightly. Thereafter, the rate of decline will slow, with inflation averaging a still-high 7.7% in 2021.

Exchange rates: Although oil prices are expected to recover in 2017-18, they will remain well below their 2011-14 highs. Equally, although local production is likely to rise, increases will remain moderate, both because of technical issues and because Angola will come under pressure to restrict output as part of an OPEC agreement reached in September 2016. In this context, the currency, which lost 27% of its value against the dollar in 2016, will continue to decline over the forecast period, albeit at more moderate rates, and we expect the official exchange rate to depreciate from an average of Kz164:US$1 in 2016 to Kz178:US$1 in 2017 and Kz230:US$1 in 2021. The gap with the parallel-market rate will remain substantial, however.

External Sector: Angola is expected to run current-account deficits during 2017-21. Although oil prices will recover throughout most of the forecast period--the exception being a slight dip in 2019--the rebound will not be as substantial as after the 2009 price crash, meaning that the current account will not return to surplus as rapidly. After their sharp dip in 2014-16, total export earnings--dominated by oil--will bounce back in line with prices, while remaining well below their 2012-13 peak. Imports will also bounce back, reflecting a slight rise in government-led capital investment in the moderately more supportive oil price environment, although the ongoing devaluation of the kwanza is likely to continue to limit consumer demand. The trade surplus as a percentage of GDP will average 12% over the forecast period--still less than one-third the average in 2010-14. *(Economist Intelligence Unit)*

Angola: Quarterly economic indicators

Data and charts: Quarterly data

	2015				2016			
	1Qtr	2Qtr	3Qtr	4Qtr	1Qtr	2Qtr	3Qtr	4Qtr
Prices^a Consumer prices (2005=100)	153.2	157.5	163.5	170.0	184.5	203.4	225.0	239.8
Consumer prices (% change, year on year)	7.7	8.9	11.0	13.3	20.4	29.2	37.7	41.1
Financial indicators								
Exchange rate (av) Kz:US$	107.99	121.36	135.30	135.32	160.67	165.89	165.89	165.90
Exchange rate (end-period) Kz:US$	107.99	121.36	135.30	135.32	160.67	165.89	165.89	165.90
Deposit rate (av; %)	1.1	3.4	3.9	4.9	5.0	5.4	5.5	n/a
Lending rate (av; %)	18.0	18.0	15.9	15.7	15.8	15.8	15.8	n/a
3-month money market rate (av; %)	8.3	8.7	11.3	11.7	12.8	15.2	16.1	16.3
M1 (end-period; Kz bn)	3152.8	3082.7	3210.5	3419.8	3872.1	3989.6	3886.7	n/a
M1 (% change, year on year)	13.0	9.0	12.9	10.4	22.8	29.4	21.1	n/a
M2 (end-period; Kz bn)	5,127.3	5,235.1	5,739.7	5,703.7	6,304.5	6,567.4	6,534.7	n/a
M2 (% change, year on year)	11.6	11.9	20.7	11.8	23.0	25.4	13.9	n/a
Sectoral trends								
Crude oil production (m barrels/day)^a	1.77	1.76	1.77	1.76	1.77	1.74	1.72	1.61
Foreign trade (US$ m)								
Exports fob	8,237.5	10,063.5	8,175.0	6,681.8	5,223.2	n/a	n/a	n/a
Imports fob	-7,056.9	-4,959.9	-4,397.9	-3,639.2	-3,086.9	n/a	n/a	n/a
Trade balance	1,180.6	5,103.6	3,777.1	3,042.6	2,136.3	n/a	n/a	n/a
Foreign payments (US$ m)								
Reserves excl gold (end-period)	26,342	24,55	23,367	23,791	23,672	23,272	22,208	n/a

^a Including production in Cabinda.

Sources: Banco Nacional de Angola; International Energy Agency, Oil Market Report; IMF, International Financial Statistics.

Mozambique: Country Outlook

Political Stability: Mozambique's political stability will remain under threat as the fractious political elite struggle to respond to the economic crisis facing the country. Fierce rivalries within the long-standing ruling party, the Frente de Libertação de Moçambique (Frelimo), will continue to stir political volatility, although efforts by the president, Filipe Nyusi, to assert his authority over a hardline faction of the party will slowly edge forwards. The Economist Intelligence Unit expects Mr Nyusi to retain his position as party president at Frelimo's five-yearly congress in September and to

continue quietly replacing state officials allied to former presidents. However, Mr Nyusi lacks the political capital to manage the party's dissident factions, signalling that parallel power structures within Frelimo will continue undermining stability in government.

Election Watch: The next presidential, legislative and provincial elections are due in 2019, and the next municipal elections are due in 2018. We expect Mr Nyusi to secure the nomination as Frelimo's presidential candidate, as his loose alliance of moderates within the party will probably outnumber his rivals.

With a semblance of party unity prevailing during the election period, and Frelimo continuing to benefit from its influence over state institutions, we expect the ruling party to dominate the presidential and parliamentary polls. Regional disparities in electoral politics will nevertheless persist, with Frelimo dominant in the most populous southern provinces and opposition support stronger elsewhere. Provincial and municipal elections will be hotly contested, as Renamo's relative success at a local level is central to its demands for greater regional autonomy. In the 2014 legislative election Renamo demonstrated its ability to transform itself from a rebel movement into an electable party and, since it boycotted the 2013 municipal polls, it stands to make significant gains at city level in 2018; these are, however, likely to come largely at the expense of Movimento Democrático de Moçambique (the country's third-largest party).

International Relations: Following the revelation in April 2016 of illegal public borrowing, as well as allegations of state-orchestrated human rights abuses, relations with traditional development partners will remain tense. In late 2016 the government launched an independent investigation into its illegal debt; this, coupled with its re-commitment to the peace process with Renamo, should go some way to improving donor relations. However, we expect direct budgetary support to be mostly replaced by programme-related aid over the medium term, owing to donors' ongoing concerns about the government's management of its finances.

Policy Trends: The government's near-term priority is to restore macroeconomic stability, amid an unsustainable external debt burden, a sharp drop in capital inflows and sluggish economic growth. The IMF suspended the country's stand-by credit facility in April 2016, when the revelation of previously undisclosed public borrowing pushed the country into debt distress, and Mozambique's access to international credit is severely curtailed as a result. This, coupled with the inability of state-owned companies to service their liabilities, is undermining the government's capacity to cover its financing requirement. The liquidity crunch will therefore lead to a further build-up of arrears to suppliers and creditors in the near term.

Economic Growth: After falling to a 15-year low in 2016, we expect real GDP growth to recover slightly, to 4.2% in 2017, driven almost entirely by the minerals sector. The coal industry is poised for brisk growth, spurred by firmer international prices, relatively robust demand in India (Mozambique's main export market) and mining companies' recent efforts to boost efficiency. However, economic headwinds will persist elsewhere. Fiscal austerity, foreign-exchange shortages and high inflation will stifle domestic demand, and financial volatility will prolong the slump in investment.

Inflation: After climbing to an all-time high of 27% in November 2016, the headline inflation rate should gradually trend downwards over the course of the year owing largely to base effects. Nevertheless, inflationary pressure will be exerted by the lingering effects of rapid currency depreciation, high domestic food prices amid a drought-induced drop in production, rising global oil prices and some increases (albeit fairly modest) to state-regulated prices, with the annual average rate forecast at 20.2% in 2017. Aided by a tight monetary policy, a smaller fiscal deficit and more stable global prices, we expect inflation to fall thereafter, to an annual average of 5% in 2021.

Exchange Rates: After plummeting against the US dollar in 2016, the metical has strengthened in recent months, on the back of an upturn in export earnings and monetary tightening. Higher export earnings amid firmer mineral prices will continue to support the metical in 2017, but downward pressure will be exerted by low foreign-exchange reserves, weak aid inflows and sizeable fiscal and current-account deficits. We therefore expect the metical to depreciate to an annual average of

MT74.6:US$1. A tighter fiscal stance and a gradual upturn in capital inflows will slow the pace of depreciation thereafter, with the metical forecast to average MT96.6:US$1 in 2021.

External Sector: Export growth will be driven by coal, which is expected to overtake aluminium as Mozambique's main export in 2017. Several coal-mining companies are ramping up production in response to firmer prices and, barring any major disruptions to logistics infrastructure, the country will export record-high levels of coal in 2017. Export growth will stagnate in 2018-19 as prices for coal and aluminium are hit by a sharp economic slowdown in China, before accelerating slightly thereafter as prices stabilise. Weak domestic demand and US dollar shortages will curtail import growth in 2017-18, before a gradual economic recovery spurs demand thereafter.

(Economist Intelligence Unit)

Mozambique: Quarterly economic indicators

Data and charts: Quarterly data

	2015				2016			
	1Qtr	2Qtr	3Qtr	4Qtr	1Qtr	2Qtr	3Qtr	4Qtr
Prices^a Consumer prices (2000=100)	125.3	123.7	123.2	129.7	140.8	146.4	151.0	163.3
Consumer prices (% change, year on year)	3.3	1.5	2.2	7.2	12.4	18.4	22.5	25.9
Financial indicators								
Exchange rate (av) MT:US$	34.23	37.07	40.83	47.80	48.57	56.47	71.67	75.57
Exchange rate (end-period) MT:US$	37.10	39.00	42.80	45.90	50.90	63.60	79.10	71.40
M1 (end-period; MT m)	178,323	185,02	194,884	218,394	210,418	236,302	254,682	243,512
M1 (% change, year on year)	24.3	16.8	19.7	20.3	18.0	27.7	30.7	11.5
M2 (end-period; MT m)	265,473	281,212	298,693	333,465	328,971	352,563	382,026	367,165
M2 (% change, year on year)	22.7	22.8	26.8	26.1	23.9	25.4	27.9	10.1
Foreign reserves (US$ m)								
Reserves excl gold (end-period)	2,567	2,683	2,414	2,411	2,06	2,163	1,963	2,039

Sources: IMF, International Financial Statistics; UN Food and Agriculture Organisation

IMF, WORLD BANK & AFRICAN DEVELOPMENT BANK

IMF says Nigeria economy needs urgent reform, no FX curbs

The International Monetary Fund (IMF) warned Nigeria its economy needs urgent reform in a report published that highlighted the risks to growth for the recession-hit country and the dangers of a volatile foreign exchange market. The document, a report from IMF staff which Reuters saw an earlier version of last month, outlines a raft of failings in Nigeria's handling of Africa's largest economy and could affect talks over at least $1.4 billion in international loans. It strikes a more critical tone than the Fund's board adopted in a statement last week, though that also said Nigeria should lift its remaining foreign exchange restrictions and scrap its system of multiple exchange rates.

Nigeria fell into recession in 2016, its first in 25 years, largely due to the impact of low oil prices and militant attacks on energy facilities in the Niger Delta oil hub. Crude sales account for more than 90 % of foreign exchange earnings and two-thirds of government revenue.

The country, whose economy contracted 1.5 % last year, has also been plagued by a conflict with Boko Haram militants since 2009, creating a humanitarian crisis in the northeast which authorities are struggling to handle.

The Washington-based fund's analysis came on the same day that Nigeria's President Muhammadu Buhari held a launch ceremony for a flagship economic recovery plan.

But the IMF said the plan, criticised by economists for including few concrete measures, is not enough to drag Africa's biggest economy out of recession.

If Nigeria's economy is to recover, "much more needs to be done", the IMF said in the staff report. It also urged the major oil producer to introduce immediate changes to its exchange rate policy - characterised by central bank curbs, multiple exchange rates and an artificially high naira valuation - or risk "a disorderly exchange rate depreciation". The presidency, budget and planning ministry, finance ministry and central bank did not immediately respond to requests for comment. The Fund said the Nigerian authorities were concerned about the IMF staff report's view.

Nigerian authorities had said further measures were under way which included the implementation of a more flexible foreign exchange market and "maintaining tight monetary policy to underpin price stability", according to the IMF report.

Nigeria has not asked the Fund for fiscal support but its recommendations may influence institutional lenders ahead of the annual spring meetings with the World Bank.
The World Bank has been in talks with Nigeria for more than a year over an application for a loan of at least $1 billion and the African Development Bank has $400 million on offer. But talks have stalled over economic reforms. *(By Paul Carsten and Alexis Akwagyiram, Reuters)*

Nigeria cabinet approves $1.3 billion loan for Development Bank of Nigeria - finance minister
Nigeria's cabinet has approved $1.3 billion of loans from international lenders to fund the newly licensed Development Bank of Nigeria, the finance minister said. The money is made up of $500 million from the World Bank, $450 million from the African Development Bank, $200 million from German state bank KfW and $130 million from France's state development agency, said Kemi Adeosun, Nigeria's finance minister. The loan facility is still subject to approval by the National Assembly, she said. *(By Felix Onuah, Reuters)*

IMF Staff Completes the Fourth PSI Review Visit to Senegal

- The macroeconomic performance remained solid in 2016, with GDP growth above 6 % for the second consecutive year
- Prudent fiscal policy in line with WAEMU convergence criteria should also help safeguard the Union’s stability
- Reaching the Plan Sénégal Emergent (PSE) objectives also requires a faster pace of reform to promote private investment, including foreign investment

A staff team from the International Monetary Fund (IMF), led by Mr. Ali Mansoor, visited Dakar from March 30 through April 12, 2017, to engage in discussions as part of the fourth review of the three-year arrangement under the Policy Support Instrument (PSI) approved in June 2015.
At the conclusion of the visit, the team issued the following statement:
“The macroeconomic performance remained solid in 2016, with GDP growth above 6 % for the second consecutive year. Inflation remains low, owing to low international oil prices and an elevated supply of cereal products on the market. The external current account deficit improved due to higher exports and workers’ remittances.
“PSI program implementation continues to be satisfactory overall. All the quantitative criteria and indicative targets for end-December 2016 have been met. Tax revenue gains combined with a continued policy to streamline public consumption expenditure have helped contain the fiscal deficit within the target set by the program. Significant progress has also been made in meeting structural benchmarks.
“The outlook for 2017 remains favorable, with growth once again expected to exceed 6 %. This will nevertheless require continued fiscal consolidation, strengthened public financial management and enhanced governance, improvements to the business climate, and measures to promote SMEs and social inclusiveness. The discussions between the authorities and the team focused on these particular points.
“The IMF team welcomes the authorities’ determination to continue pursuing an appropriate fiscal policy through the maintenance of their initial fiscal deficit target of CFAF 349 billion (3.7 % of GDP) in 2017 to maintain the sustainability of public debt. Prudent fiscal policy in line with WAEMU convergence criteria should also help safeguard the Union’s stability. The team noted that public debt levels at end-December 2016 were higher than expected, owing to a reduction in balances on creditor deposits (*comptes de dépôts*) and advances that the government has made available to the national postal service (*La Poste*) over the last few years. The team encourages the authorities to take the appropriate measures to strengthen cash flow management and to prevent publicly-owned companies from imposing a heavy burden on public finances and the economy. The team also calls on the authorities to honor their commitment to privatize SONACOS and reduce the number of public agencies. To reach the growth targets set in the “*Plan Sénégal Emergent*” (PSE),

public expenditure should focus primarily on public investment, including in human capital, and social inclusiveness.
"Reaching the PSE objectives also requires a faster pace of reform to promote private investment, including foreign investment. Growth driven by public investment alone is not sustainable. In this respect, the team welcomes the progress made in this area, particularly, the law passed on the Special Economic Zone (SEZ). The team has encouraged the authorities to finalize the implementing decrees as quickly as possible, along with the final measures required for the law's effective implementation, while ensuring that the tax system will make it possible to raise the resources required to implement the PSE. The team also encourages the authorities to speed up the pace of ongoing reforms to promote SMEs, to enable them to play a full role in contributing to strong and inclusive growth, and job creation.
"IMF staff will recommend that management request the completion of the fourth review under the PSI, to be taken up by the Executive Board in late June 2017."
The team met with the President of the Republic, the ministers responsible for the economy, finance and planning the civil service, industry and mines, the BCEAO National Director, other senior government officials and development partner representatives. The team wishes to thank the authorities for their hospitality, as well as the close working relationship and climate of openness in evidence throughout the discussions.

AfDB pledges support to Batoka Energy Project at investors' conference in Zambia
The African Development Bank's Vice President for Power, Energy, Climate and Green Growth Sector Complex, Amadou Hott, was in Livingstone, Zambia, on 30 and 31 March 2017 attending the 2,400-MW Batoka Gorge Hydro Electric Scheme (BGHES) investors' conference, where stakeholders discussed progress and financial support to the scheme.
The BGHES is being constructed by the Zambezi River Authority, an organization equitably owned by the governments of Zambia and Zimbabwe, to develop, operate, monitor and maintain hydropower projects along the Zambezi River shared by the two Southern African countries. Zambia's Vice President and four ministers from Zambia and Zimbabwe were in attendance along with other development partners.
Addressing participants at the conference, Hott reaffirmed the Banks's support to BGHES and its role as the lead financier of the project. "The Bank has been working together with Zambia and Zimbabwe on major energy projects such as the transformative Itezhi Power Generation and Transmission Project, and rehabilitation of power infrastructure in Zimbabwe, among others. The Batoka Scheme is in line with the objectives of AfDB's New Deal on Energy for Africa." Hott said that the target for the New Deal for universal access to energy by 2025 requires the implementation of transformative regional projects such as Batoka.
The governments of Zambia and Zimbabwe have appointed the Bank as Lead Coordinator for the project, to be implemented in partnership with other development partners. Vice President Hott also held separate meetings with Ministers of Finance, Energy, Water and Sanitation and Mines, to discuss the progress made on the proposed Energy Sector budget support to Zambia, the way forward on the Batoka project and to update the Government of Zambia on the implementation of the New Deal on Energy. He further held meetings with representatives of the power utility company in Zambia, ZESCO, and the Industrial Development Corporation of Zambia, the Zambezi River Authority and Copper belt Energy Corporation.
AfDB and the New Deal on Energy for Africa
Africa constitutes only about 16 % of the global population, but 53 % of the global population is without access to electricity. Per capita consumption of energy in Sub-Saharan Africa (excluding South Africa) is 180 kWh, compared to 13,000 kWh in the United States and 6,500 kWh in Europe. Over 700 million Africans do not have access to clean cooking energy, and 600,000 African women and children die annually due to indoor air pollution arising from use of carbon-based fuels such as charcoal for cooking. This situation has to change if Africa is to realize the SDGs. The African

Development Bank is implementing the New Deal on Energy for Africa, to Light up and power Africa, with the aspirational objective of achieving universal access to energy by 2025. The Bank will invest US$ 12 billion in the power sector over the next five years and aims to leverage US$ 45-50 billion from the private sector.

INVESTMENTS

Angolan group invests US$60 million in the largest shopping centre in Angola

Angolan group Cochan has invested over US$60 million in the construction of the largest shopping centre in Angola, the recently opened Xyami Shopping Kilamba, according to a statement sent to Macauhub by the group. The Kilamba shopping centre is the fifth in the Xyami Shopping network, and is located in a town on the outskirts of Luanda built using a Chinese credit line. It has a gross area of 27,000 square metres, of which 80% is open commercial spaces, 65 shops, six cinemas and an outdoor car park for 1,100 vehicles. The managing director of real estate company Zahara Imobiliária, Duarte Cruz, said at the time that this new shopping centre will cover a lack of leisure, culture and retail opportunities in Luanda, "and is a space for all age groups." Zahara Imobiliária is a subsidiary of the Zahara group, of which the Cochan group is the main shareholder. The Zahara group, which is 100% Angolan, operates in several business areas such as hypermarkets (Zahara Comércio), supermarkets (Nosso Super), distribution, logistics, agriculture and services (Polida, Kuida, Protech, Muv), real estate (Xyami and Cinemax) and industry (Pangolé), has about 10,000 workers and a turnover of more than 150 billion kwanzas. *(Macauhub)*

EU-Tanzania seal $205m investment deal

The European Union has agreed to provide the Tanzanian government with TSh487bn ($205m) in budget support over the next four years ending in 2020.

The money will be used to finance priority expenditure in the Second Five Year Development Plan, particularly in the agriculture, energy, health and industrial development sectors. The first tranche will be dispersed this year, as the two sides have managed to separate the grant from their long-running dispute over the proposed Economic Partnership Agreement (EPA).

Doto James, the Permanent Secretary in the Ministry of Finance and Planning, said: "This confirms EU as one of our strategic and reliable development partner in terms of amount, reliability, predictability and amount of financial support as well as alignment of the support to country's plans and strategies. The partnership has remarkably enabled the government to implement its development strategies and plans."

In return for the financial support, the government has agreed to maximise its own domestic revenue raising. The head of the European Union delegation in Tanzania, Roeland van de Geer, added: "We're committed to supporting the government to address the challenges they are facing."

Trade Pact

Tanzania's relations with Brussels over the past year have been punctuated by negotiations over the EPA between the European Union and the East African Community (EAC). In November last year, Tanzania's parliament, or Bunge, voted for the country not to sign the EPA.

MPs were – and remain – concerned about the impact of the deal on domestic producers. EAC states can already export goods to the EU duty-free but this advantage would work both ways if the EPA were adopted. The EPA was supposed to have been signed in July 2016 but Tanzania asked the EU to extend the deadline. Kenya has both signed and ratified the EPA, while Rwanda has signed it. Burundi cannot sign it as the EU has suspended relations with its government. Some Ugandan politicians and businesses share Tanzania's concerns, but Kampala says that it will sign it. Tanzania has been less than enthusiastic and its government insists that all five member states should sign together or not at all. Talks on the EPA took eight years to negotiate and were finally signed in 2015.

At an EAC trade and industry ministerial meeting in February, Tanzanian representatives appealed for a wide-ranging study into the impact of the EPA on the region. In a statement, they argued: "The results will guide the ministers' and presidents' decision on the EPA in the next summit or even at a later stage. Signing a bad EPA will set a bad precedent, which will compromise the region's interests in subsequent Free Trade Area negotiations."

The concerns partly centre on the slow pace of trade integration within the EAC. The agreement with the EU is based on the premise that goods traded with the EU will circulate unimpeded within the EAC but some duty barriers still have not been lifted. The Tanzanian government has also complained that the issue of EU

sanctions on Burundi has not been properly addressed. The former EAC director of trade and customs Peter Kiguta said: “If Tanzania doesn’t sign the EPA and others do, this means the deal cannot be operationalised. It means EAC countries shall trade with EU under different trade regimes that are unilateral and can be changed by EU any time. This is not good for attracting investors into the region.”

Wider cooperation

However, it does not appear that the dispute has affected wider relations between the Tanzanian government and Brussels, as the EU has continued to back other schemes in the country. Most recently, in February, it provided the World Food Programme (WFP) with a €9.5m grant towards the €24.5m cost of a nutritional programme in parts of Dodoma and Singida regions in Central Tanzania. The WFP country representative, Michael Dunford said: “The project will work to improve knowledge on nutrition, dietary diversity and practices in water and sanitation hygiene.” Brussels is also helping to fund the development of ecovillages in Tanzania under the Global Climate Change Alliance. *(By Neil Ford, African Business)*

Korea-Africa Business Forum urges greater Korean Private Sector engagement in Africa

The African Development Bank (AfDB) and Busan Metropolitan City have jointly urged South Korea’s private sector to do more business with Africa.

The call was made at the Korea-Africa Business Forum held at Busan Exhibition & Convention Center on 3 and 4 April 2017, supported by Korean Ministry of Strategy and Finance.

The AfDB mission led by the Vice President for Finance, Charles Boamah and the Executive Director for Canada, China, Korea, Kuwait and Turkey, Hau Sing TSE, provided information on investment, procurement and recruitments at the Bank during two-day forum. Boamah encouraged Koreans to join the Bank and to support Africa with Korea’s experience and technology. "We welcome South Korea’s private sector to work with us to bring the capital, technology and entrepreneurial skills to Africa’s youth, to spur the next generation of entrepreneurs,” he said.

For his part, Executive Director Tse who is also Dean of the Board, also emphasized the need for the Korean private sector to participate in African businesses.

Tadashi Yokoyama, Head of AfDB Asia External Representation Office, explained the Bank’s High 5 development priorities and gave a picture of Africa’s general business environment. Other staff provided information on the Bank’s procurement, sovereign operations and recruitment processes. These were followed by interactions with Korean private sector.

The panel discussion was moderated by Ambassador Kim Il-soo, Executive Director of Korea-Africa Center, with the ambassadors of Angola, Kenya and Ethiopia to Korea in attendance The Bank’s team held a special meeting with African beneficiaries of the KOAFEC Next African Leader Program scholarships, currently studying for Masters Degrees in ICT run by Korea Advanced Institute of Science and Technology (KAIST), (established in 2010 by the AfDB-KOAFEC Trust Fund). Cultural events were held on the last day with the participation of African People's Association in Busan. These included a fashion show of African attires, cultural dances and music. The Busan Foundation for International Cooperation (BFIC) organized a photo exhibition. The forum, hosted by Kim Young-whan, Vice Mayor of Busan City, and Song In-chang, Deputy Minister of Strategy and Finance attracted more than 600 participants. The event Foreshadowed the Bank's 53rd Annual General Meetings to be held in Busan from 21-25, May 2018.

BANKING

Banks

Nigerian banks prosper while economy stalls

Three of Nigeria’s five biggest banks, as measured by the African Business’ Top Banks survey, have announced impressive financial results for 2016.

United Bank for Africa (UBA), Access Bank and Zenith Bank have all registered big increases in revenues and profits, while the national economy continues to struggle. UBA’s financial report, which was released on 27 March, revealed a 22% increase in gross earnings from N315bn ($991m) in 2015 to N384bn ($1.2bn) last year. The bank’s pre-tax profits jumped 32% to N91bn ($286m). The bank has successfully expanded outside of its domestic market, with operations in 19 African countries, plus the UK, US and France, all contributing to the positive financial results. UBA has 11m customers worldwide. A spokesperson said: “UBA’s subsidiaries outside Nigeria are increasingly gaining market share, reinforcing the strong and impressive subsidiary contribution to the Group, estimated at one-third of profit in 2016, from a quarter in 2015 financial year.”

The contribution of UBA's non-Nigerian operations have contributed to the 20% rise in the company's share price in the twelve weeks between 1 January and the announcement of its financial results. Nigerian banks are now beginning to join those from South Africa, Kenya, Morocco, the UK and France in establishing operations in many different African markets. None as yet, however, can genuinely claim to be Pan-African banks.

Nigeria's financial authorities are keen to encourage more initial public offerings (IPOs) in order to strengthen the markets and generate more financing for private companies. In particular, the Securities and Exchange Commission wants to reduce the charges for new listings. However, it will probably take a recovery in oil prices to stabilise the economy and inject more liquidity into the system.

Access and Zenith

Meanwhile, Lagos-headquartered Access Bank has announced total revenue for 2016 of N381bn ($1.20bn), with a pre-tax profit of N90bn ($283m), representing increases of 13% and 20% respectively. Group managing director Herbert Wigwe said: "We remain cautiously optimistic about the macroeconomic environment in 2017. "Nonetheless, our objective of delivering sustainable shareholder value remains unchanged. We will also continue to maintain our proactive and disciplined risk management practices and leadership in sustainability initiatives."

For its part, Zenith recorded a 23% rise in post-tax profits, from N105bn ($330m) in 2015 to N130bn ($409m) for 2016. Its gross total assets increased from N4 trillion ($12.5bn) to N4.739 trillion ($14.9bn) over the same period. It has announced a dividend of 202 kobo a share for the year.

However, Zenith has halted plans for bond and equity issues because of Nigeria's economic difficulties. The sales, which it had been hoped would raise up to N100bn, had been announced in February but the bank did not believe that the health of the capital markets had improved sufficiently to proceed. A Zenith spokesperson said "The request for shareholders' approval to raise fresh capital has been withdrawn", after its annual general meeting in Lagos. The chairman of the Progressive Shareholders Association of Nigeria, Boniface Okezie, said: "I think the decision of the bank should be respected. It is better that it did not go ahead with the offer than to lose out at the end. A bank like Zenith Bank cannot afford to fail at this time because they are the leader in the sector as of today."

Wider context

While the Nigerian Stock Exchange (NSE) lost 6.2% in Naira terms and 40% when measured in US dollars last year, Zenith shares gained 5% last year. However, all of these gains have already been wiped out, as Zenith's value has fallen in the line with the performance of the wider NSE. These fluctuations seem to have more to do with the trials and tribulations of the Nigerian economy than the bank's performance. The Nigerian economy contracted in the final quarter of 2016, giving a 1.5% fall in GDP for the entire year. It is difficult to judge President Muhammadu Buhari and the new government for the recession, which is the first in Nigeria for a quarter of a century. The crisis is primarily the result of low oil prices, low oil production and a lack of foreign currency. Zenith chairman Jim Ovia said: "As a bank, we are monitoring developments both in the local and global economy and applying pragmatism and dynamism as appropriate. Our strategy and approach to the pursuit of financial inclusion and sustainability gives us a lot of competitive advantage to explore even new frontiers in the market." *(By Neil Ford, African Banker)*

Mozambique: Massive Increase in Capital Requirements for Banks

The Bank of Mozambique has announced a massive increase in the capital requirements for commercial banks operating in the country. Speaking at a Maputo press conference, the governor of the central bank, Rogerio Zandamela, said the minimum share capital required for a commercial bank has increased from 70 million meticais (about 1.05 million US dollars) to 1.7 billion meticais (25.6 million dollars). This is an increase of 2,328 per cent. Existing commercial banks are given three years to raise their share capital to this level. The central bank also increased the minimum solvency ratio for a commercial bank from eight per cent to 12 per cent. Again, the banks have three years to reach this ratio. Zandamela said the central bank's Monetary Policy Committee decided to reduce one of the Bank of Mozambique's own benchmark interest rates.

The Standing Lending Facility (the interest rate paid by the commercial banks to the central bank for money borrowed on the Interbank Money Market) has been cut by 50 base points, from 23.25 per cent, to 22.75 per cent. However, the Standing Deposit Facility (the rate paid by the central bank to the commercial banks on money they deposit with it) remains at 16.25 per cent. Likewise, the Compulsory Reserves Coefficient - the amount of money that the commercial banks must deposit with the Bank of Mozambique - also remains unchanged, at 15.5 per cent.

But, as Zandamela promised in February, the central bank has also introduced a new interest rate, known as the Interbank Money Market Rate (MIMO), which is set at 21.75 per cent. The Bank's interventions on the interbank money market to regulate liquidity will be based on this new rate.
The introduction of the new rate, Zandamela said, “It is intended to strengthen the mechanism for forming interest rates in the economy, making it more transparent and in line with good international practices”. Macroeconomic indicators were pointing in the right direction, the governor said. Inflation has fallen sharply. Inflation in March, as measured by the consumer price indices in the three largest cities (Maputo, Nampula, and Beira) was only 0.88 per cent, compared with 1.25 per cent in February and 2.15 per cent in January. Accumulated inflation, since the start of the year, is 4.3 per cent. The annual inflation rate (1 April 2016 to 31 March 2017) was 21.57 per cent. This compares with inflation of 25.27 per cent for all of 2016. Zandamela expected inflation in 2017 to reach 12.2 per cent.
The Mozambican currency, the metical, has continued to gain ground against the dollar. It appreciated by 6.65 per cent against the dollar between 31 January and 6 April. At the height of the depreciation of the metical in mid-2016, it was quoted at around 80 to the dollar. The Bank of Mozambique's reference exchange rate was 66.51 meticais to the dollar. In some of the commercial banks, the rate has fallen to 65.4 to the dollar.
Since the end of January, the metical has also gained 4.1 per cent against the South African rand. Appreciation against the rand should make the large amounts of food and drink imported from South Africa cheaper. The rand has been tumbling in value since President Jacob Zuma sacked his well respected Finance Minister, Pravin Gordhan, on 30 March. In early March there had been about 5.3 meticais to the rand - the rate quoted by the main commercial bank, the Millennium-BIM, is 4.75 meticais to the rand.
The balance of trade improved in the first quarter of 2017, with the value of exports rising and that of imports declining. From January to March, Mozambique's exports amounted to 938.7 million dollars, which compares with 696.9 million dollars in the same period of 2016. Comparing the two quarters, imports fell from 1.238 billion to 1.017 billion dollars. Zandamela said that some of this improvement was due to price increases for key Mozambican exports (eight per cent for aluminium, and three per cent for natural gas), but also the truce declared by the rebel movement Renamo has allowed great improvement in transport conditions. Mozambique's net international reserves have risen from 1.787 billion dollars at the end of December to 2.068 billion on 6 April. This is enough to cover 5.3 months of imports of goods and non-factor services (excluding the foreign investment based mega-projects).
Despite an overall improvement, there remain “risks and uncertainties”, said Zandamela. Some of these arise from the increase in the prices of goods controlled by the government (such as fuel and electricity), from excess liquidity in the banking system, and from the continued suspension of direct budget support by foreign donors. All 14 donors and funding agencies who used to support the state budget suspended their disbursements after the discovery, in April 2016, of over 1.1 billion dollars in undisclosed government-guaranteed loans (to the security-related companies Proindicus and Mozambique Asset Management, MAM). It is not known if or when budget support will resume - but certainly not before the independent audit of the hidden debts, by the US company Kroll, is complete, or before the government has managed to reschedule the public debt, bringing in to sustainable levels. *(All Africa)*

Markets

Templeton's Hasenstab buys Ghana's cedi bonds

Franklin Templeton's high-profile bond fund manager Michael Hasenstab has taken a "substantial" position in Ghana's cedi-denominated government bonds via this week's jumbo debt auction, a source with knowledge of the matter told Reuters. The investment by Hasenstab, whose flagship $41 billion Templeton Global Bond fund seeks to pick up out-of-favour credits and made successful contrarian punts on Ireland and Hungary in recent years, is a boon for Ghana as the new government tries to stabilise the economy and review terms of an International Monetary Fund loan. Ghana's Monday (3rd April) sale of $2.2 billion worth of bonds was the single-biggest daily transaction in sub-Saharan Africa. It included a debut 15-year bond that raised 3.42 billion cedis ($790 million) at a 19.75 % yield.
The Finance Ministry statement had reported "a very substantial investment in the 15-year bond by a very well respected global financial investor". The ministry could not immediately be reached for comment. But a senior government official, speaking on condition of anonymity, said Franklin Templeton had participated in the sale. The first source declined to say why Hasenstab had made the investment. But the move is in keeping with the fund manager's strategy of buying unloved assets and betting on eventual turnaround and full payout over the maturity of the debt. Hasenstab, who oversees portfolios worth over $120 billion in total

from his office in San Mateo, California, was not available for comment. It is not clear which of Hasenstab's funds was behind this week's Ghana investment. He has held Ghanaian debt before, however, in 2013 purchasing 10-year dollar bonds for his emerging markets fund. In recent months, Hasenstab moved to his biggest position in Latin American, buying up Mexican bonds which had been battered by U.S. President Donald Trump's trade and immigration threats. His Global Bond Fund ranks No. 1 in terms of performance over a 10-year period in its category, according to fund research house Morningstar. *(By Matthew Mpoke Bigg, Reuters)*

Angola's Inflation Set to Moderate Further in 1H as Kwanza Gains

Angolan Inflation May Have Passed Peak

The Bank of Angola is unlikely to ease monetary policy anytime soon given pressures on the kwanza. It held its policy rate at 16% on Jan. 31 for the sixth consecutive meeting. Consumer prices rose 2.3% on a month-on-month basis in February, in line with the pace in preceding months. Year-over-year inflation eased to 39.45% in February from 40.4% in January and has arguably hit a cyclical peak. Price growth should slow further in 1H as a result of a healthier balance of payments and a firmer currency. Price growth should slow further in 1H as a result of a healthier balance of payments and a stronger currency. The MPC meets again on March 27. *(Bloomberg)*

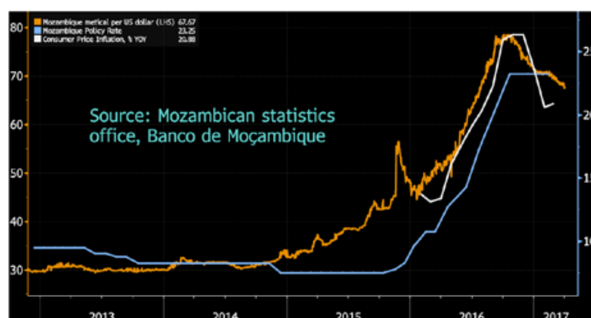
OPEC Deal Halts Erosion of Angola's Foreign-Exchange Reserves

Kwanza Pressure May Ease on Higher Oil Prices

Angola's foreign-exchange reserves are likely to increase gradually this year after an agreement on Nov. 30 among OPEC members to reduce output lifted oil prices. Currency reserves rose $600 million in February to $20.9 billion, after dipping by $3.5 billion in 2H16. The price of brent crude rose 20% to about $55 a barrel in January and February, from $46 on Nov. 29, before declining to around $50 in March. Angola's crude output remained at 1.7 million barrels a day from December to February. *(Bloomberg)*

Mozambique Inflation May Stay Above 20% Even as Metical Gains

Metical Strength to Help Disinflation



Mozambique's inflation accelerated to 20.8% year-over-year in February from 20.6% in January, even as food prices eased. Mozambique's central bank decided to keep its key interest rate at 23.25% on Feb. 13 and announced the introduction of a new policy rate on April 15. The impact of tropical cyclone Dineo and reduced base effects from price increases in February to June last year will probably keep inflation above 20% in 1H. The metical gained after the central bank raised interest rates by 600 basis points on Oct. 21, and has continued to advance even after the government defaulted on a Eurobond coupon payment in January. This should moderate inflation, but lower food prices will be needed to bring inflation below 15%. *(Bloomberg)*

ENERGY

Economics now key driver of commercial rooftop solar adoption as supply stabilises - Juwi

Renewable energy engineering, procurement and construction services group Juwi Renewable Energies expects the commercial solar market in South Africa to undergo a significant shift in the coming months as

independent power producers (IPPs) begin playing a more prominent role. CEO Greg Austin says the market has hitherto been characterised mostly by direct sales to corporates or property developers, which have invested in rooftop or ground-mounted systems to bolster security of supply, reduce costs or improve their environmental performance.

Juwi itself has participated in the development of three commercial projects, the most recent being a 960 kW rooftop solar photovoltaic (PV) plant at Growthpoint's Brooklyn Mall, in Pretoria. The installation of 9 600 thin-film modules is nearing completion and the system is expected to enter commercial operation in mid-April. The company has also installed a rooftop system at the Northgate Mall, as well as a ground-mounted titled single-axis facility at the Council for Scientific and Industrial Research's campus, in Pretoria.

However, Austin says that the next wave of developments are likely to be led by IPPs, which are pursuing a pipeline of opportunities mostly in Gauteng and the Western Cape, but also in the Eastern Cape and KwaZulu-Natal. "As the costs of these projects fall, we can go into lower irradiation areas." He estimates the size of commercial market to stand at around 200 MW from 2017, with a current installed base is around 300 MW. juwi is actively pursuing a 50 MW pipeline, mostly in partnership with IPPs. "We are confident of securing another 5 MW in the commercial space during 2017."

Interest in such projects has persisted despite the restoration of supply stability in South Africa, with projects now being pursued primarily for their economics. "A year ago, it was all about beating the municipal tariff. But we have so undershot the tariff that projects are being pursued purely for commercial reasons."

Outside South Africa, juwi is also actively pursuing several projects in the rest of the sub-Saharan Africa region, particularly those associated with greenfield or brownfield mining projects, where hybrid solutions are likely to be more competitive than standalone diesel generators. The company is using a 10.6 MW solar, 6 MW battery and 19 MW heavy fuel oil (HFO) hybrid plant development at the DeGrussa copper-gold mine in Australia to showcase the advantages of such solutions and Austin is confident of clinching a deal this year for a solar PV, HFO hybrid plant proposed at a gold mine in West Africa.

Besides the large government-backed programmes for utility-scale projects in South Africa and the rest of Africa, juwi is focusing on offgrid and hybrid projects in the rest of sub-Saharan Africa.

Despite these opportunities, however, the company sees South Africa's Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) as a key market, notwithstanding recent delays brought about Eskom's refusal to sign power purchase agreements (PPAs) for projects procured during the fourth bid window.

juwi has been involved with five REIPPPP-related solar PV projects, with a combined capacity of 121 MW, and is eager to see the signing of the PPA on the 138 MW Garob wind farm that juwi developed and which was procured during the fourth bid window. There have been signals that the project could reach financial close in early April, following President Jacob Zuma's State of the Nation pronouncement that Eskom would buy power from renewables projects already procured under the REIPPPP.

Nevertheless, juwi and others in the sector are paying close attention to whether Zuma's decision to reshuffle his Cabinet – replacing Energy Minister Tina Joemat-Pettersson with Mmamoloko Kubayi in the process – will have any implications for the projects. "We believe there is a strong economic case for proceeding with the round-four projects, which will result in an additional R50-billion-worth of direct investment in South Africa's energy sector," Austin concludes.

(By Terence Creamer, Engineering News)

South Africa's Eskom signs power export deal with Botswana

South Africa's state-owned power utility Eskom said it had signed a new three-year deal to export electricity to Botswana. Eskom, the sole power provider in South Africa, has struggled to meet power demand in the country in the past due to its ageing infrastructure. The utility now has excess capacity of 4,000 megawatts (MW) after new generation units were brought online and maintenance was carried out on power plants. "Eskom reaffirms its position that we are 'open for business' and stand ready to undertake further long-term supply agreements," Interim Eskom CEO Matshela Koko said. South Africa signed a similar deal last month with its neighbour, Namibia. *(By Joe Brock, Reuters)*

South Africa has real bioenergy potential

South Africa definitely has exploitable bioenergy potential," stated Council for Scientific and Industrial Research principal engineer Crescent Mushwana at the recent launch of the South Africa Bioenergy Atlas in Pretoria. "Bioenergy from organic waste, residues from forestry and agriculture [lignocellulose], and eradication of alien invasive plants is feasible." These all amount to 'low-hanging fruits'. "The economic

viability of biofuels from purposely cultivated crops is currently negatively affected by the low price of oil." However, most agricultural residues are already allocated to other uses, he cautioned, such as soil and nutrient regeneration. On the other hand, there is a lot that can be done in urban areas. "Biomass potential is always closely correlated with population density," he highlighted. And areas of dense population tend to have good infrastructure, making it easier and cheaper to deploy biomass as an energy source. "Organic waste is largely concentrated in big urban areas."
Organic wastes are turned into biogas using simple devices called digesters. Basically, these are airtight containers in which a biological process called anaerobic digestion takes place. Ideally, the temperature has to be controlled for optimal efficiency. The result is a mixture of methane (the major part) and carbon dioxide gas. The methane can be used as fuel to generate electricity. The residues can be used as fertiliser. "Organic waste looks like a [low-cost] winner in all cases. "Lignocellulose is a very important factor we should look at," he pointed out. "In the short term, there is potential for what can be done with existing operations." This could include co-located electricity generation at sawmills and sugar mills. "[T]he bioenergy potential in the country can be exploited currently with available technology," summed up Mushwana. "Bio-energy from organic waste and lignocellulose is cost competitive currently. Bioenergy has the potential of 3 500 MW for electricity generation and a total of 487 pJ/a (equalling 135 TWh) total energy contribution in all sectors. Bioenergy has the potential to contribute sustainably to the energy mix of the country. All the tools are here – all the resources are here."
The goal of the atlas is to act as a "decision support tool" to help government in planning, investment and deployment decisions regarding bioenergy technologies for heating and transport fuels, as "This . . . is a product we're really proud of," affirmed Department of Science and Technology (DST) deputy director-general: technology innovation Mmboneni Muofhe at the launch. He assured that the South African view on bioenergy was that it must not put food security at risk by using food crops. "The DST has developed a tool which we can use … increasing the participation of bioenergy in our programme," stated Independent Power Producer Office head Karen Breytenbach. "The Bioenergy Atlas closes the gaps in the data and information necessary for planning and decision-making," pointed out Department of Energy renewable-energy initiatives coordinator Noma Qase. "For example, it confirms the potential of the resource for consideration in the energy mix." South African Independent Power Producers Association chairperson Thomas Garner highlighted that the DST is playing a key role in developing renewable energy, addressing energy scarcity and inclusive development, and assured that bioenergy would be a part of the country's future energy mix. "It sets the stage for South Africa's transformation into a low-carbon energy future We look forward to a low-carbon energy future." *(By Martin Zhuwakinyu, Engineering News)*

Nigeria: Cross River State to construct a total of 36 MW micro power plants
The Government of Cross River has concluded plans to construct a 2 MW multi-fuel power plant in each of the 18 local councils of the State. The State Governor, Ben Ayade (photo) who disclosed this, said the move is aimed at boosting electricity supply in the rural communities of the State. "*I have 18 local government areas and it is my commitment to ensure that every council and village has electricity under my watch*," he said. According to him, the plants would combine renewable and non-renewable energy sources as the state is "*considering the option of using solar for the day and gas fire for the night*." "*We are trying to have an industrial setting where we will actually be dealing with power supply and solar base systems to stranded communities*," the governor added.
The project, which is scheduled to be completed by 2019, will be executed in partnership with Industrial Project Services SA Ltd, a South African company."*This will be the first solar power project to be undertaken in South-South Nigeria at a commercial scale. Once this succeeds, it means that we would have opened the door to the real big market of Africa which is Nigeria and if you have the Nigerian market, Africa will simply follow*," Ayade explained. *(By Anita Fatunji, Ecofin Agency)*

AfDB lends Tanzania $29.8m for natural gas developments
The African Development Bank (AfDB) has approved a $29.8-million loan to Tanzania to help the country mobilise domestic resources and unlock the potential of its natural gas resources through leveraging domestic markets and local content initiatives.
The project will help Tanzania "capture the best value from its natural gas resources through a sound regulatory framework to manage natural gas reserves and to attract investment, as well as support the government negotiations teams to ensure the country gets the best deals and [that] local content policies [are designed] to create jobs in the gas sector," the AfDB said in a statement. The project will also contribute to

designing strategies for domestication of natural gas, so that the gas resources can be used locally and regionally to develop the energy and industry sectors.
While the large offshore gas discoveries can be a game-changer for the country, doubling gross domestic product, developing access to energy at national and regional levels and facilitating industrial development, it also represents significant challenges. “The AfDB is stepping up its support to the government of Tanzania to develop the gas sector that is potentially transformative for the country,” AfDB Tanzania country manager Chidozie Emenuga said. Local content is a key priority for the country to ensure that the local private sector can benefit from large foreign investments, estimated at about $40-billion, to develop the liquefied natural gas production and export facilities. *(By Chanel de Bruyn, Engineering News)*

Botswana's 300 MW power plant stalled over $800m guarantee dispute
The 300 megawatt (MW) expansion of two units at Botswana's Morupule B coal fired power plant has been delayed due to a dispute with the contractor over an $800 million guarantee, a cabinet minister said. Japan's Marubeni and South Korea's Posco Energy were last year awarded the contract for the expansion, but a row between them and the government over a sovereign guarantee has delayed the plant's expansion. The minister of energy Security and Green Technology, Sadique Kebonang, said the builders were due to start work in January but demanded the payment of a $800 million guarantee in case the loss-making Botswana Power Corporation failed to pay. Kebonang said only parliament, which is on a recess until July, can approve such a payment. Officials at Japan's Marubeni and South Korea's Posco Energy were not available to comment. The plant would eventually generate a total of 1,200 MW when all the expansions are completed by May 2020.
The government hopes to export power to other countries in the region after the expansion is completed. The coal-fired power station was originally built by the China National Electric Equipment Corporation (CNEEC) at a cost of $970 million but has often broken down, leading to a reliance on diesel generators and imports from South Africa. ($1 = 10.5932 pulas) *(By Brian Benza, Reuters)*

INFRASTRUCTURE

Chinese company lays deck of Maputo/Catembe Bridge in Mozambique
The deck of the bridge between Maputo and Catembe should be laid by December, with the China Road and Bridge Corporation (CRBC) starting the process in July, said the president of Empresa de Desenvolvimento de Maputo Sul, Silva Magaia. Silva Magaia also told daily newspaper Notícias that the working platform – a kind of road suspended on metal cables – is now being installed and will allow builders to work between the two towers ahead of releasing the cable from which the 680-metre deck will be suspended.
Assembly of the working platform should be completed in May, followed by the release of the two steel cables, each 50 centimetres in diameter, which will support the deck. The metal deck was built in China and the ship carrying the 57 pieces is due to dock at the port of Maputo in late May or early June, which will be when the pieces will start to be re-assembled. Each piece is 12 metres wide and 26 metres long, three metres thick and weighs about 125 tonnes. The pieces will be welded together, according to Silva Magaia.
With full completion scheduled for the end of 2017, the bridge, which will be just over 3 kilometres long, the 680-metre deck will suspended over the bay, with pillars at both ends.
Construction of the bridge is part of the Maputo/Ponta de Ouro road construction project, a distance of 209 kilometres, a development that is divided into three parts – the first section from Maputo to Katembe, over 35 kilometres; the second section comprising Katembe/Ponta de Ouro (109 kilometres) and includes the repair/construction of roads between Katembe/Bela Vista and Bela Vista/South Africa and the third section of 63 kilometres covering the repair of the Bela Vista/Boane road. This project will cost an estimated US$700 million and is funded by a loan from the Export Import Bank of China. *(Macauhub)*

Port of Djibouti to become ‘Shekou of East Africa’, according to Chinese investors
China Merchants Group (CMG) has announced that it wants to turn the Port of Djibouti into a big hub port, similar to the Shekou terminal in Shenzhen, China. The Port of Shenzhen – which includes the Shekou terminal – handles around 24m TEU, or standard sized containers, last year, making it the third biggest container port in the world. CMG bought a 23.5% stake in the Port of Djibouti and 67% equity in nearby Doraleh Container Terminal earlier this year for $185m. CMG, which is based in Hong Kong, already operates in Nigeria and Togo in Africa.

CMG president Li Xiaopeng said: "Making full use of Djibouti's geographical advantages, we are in the process of making the country the 'Shekou of East Africa'. We will use our experience in Shekou and adjust the model to local conditions. We will put this model into practice in countries such as Djibouti." It should have the financial muscle to invest heavily in the country. On 4 April, its port subsidiary, China Merchants Port Holdings, announced a post-tax profit for 2016 of $706m, up 14% on 2015, fuelled by growth in both container and bulk volumes.

The company began developing a 50-square km free trade zone at Djibouti in November 2016. It expects to invest $400m in the project, although tenants are expected to invest far bigger sums. In common with Ethiopia, Djibouti is keen to attract manufacturing investment, including in the automotive sector, from companies that are being affected by rapidly rising wage costs in China. It has also mooted the possibility of attracting financial services companies to the zone.

CMG completed the first phase of Doraleh Multipurpose Port at the end of March at a cost of $590m. It is owned and operated by CMG and Djibouti Port SA. It will have 15 berths spread over four terminals: container, bulk, breakbulk and roll on-roll off. Crucially, given the growing size of container vessels in particular, the berths will have a draught of 16-18 metres. Two Chinese firms, XCMG and ZPMC, have provided the cranes used at the port.

Djibouti's growth has also been aided by the completion of the $4bn electrified railway from the port to Addis Ababa last year. It already acted as the main port for landlocked Ethiopia but the new line cut the travel time from two days to ten hours. Apart from being more efficient, the railway should help Djibouti maintain its position as the Ethiopian entrepôt in the face of expected competition from the planned new port at Lamu in Kenya.

Government strategy

The government seems to be basing its economic strategy on its port capacity and the free trade zone, taking advantage of its location at the entrance to the Red Sea, on the shipping lanes between Asia and Europe. It calculates infrastructural investment in the country over the period 2014-16 at $2bn, with $15bn planned over the next five years. This is a huge sum given the size of the country. It could be argued that while Djibouti can function as a transhipment hub, it does not have the population – skilled or otherwise – to support a large city. With a population of just 950,000, it seems unlikely that the scale of its ambition can be achieved without immigration, although the government denies this. However, the same could be said of Abu Dhabi and Dubai just 50 years ago. Indeed, Shekou – which lies near Shenzhen in Guangdong Province – has itself been transformed by CMG from a small fishing village into a sizeable city.

Corruption claims rejected

The future of Djibouti's ports seems a lot clearer after the conclusion of a legal dispute. The government had submitted a claim to the Court of Arbitration in London that DP World paid money to the chief executive of the port and free zone authority, Abdourahman Boreh, for the concession to operate Doraleh Container Terminal. The Court rejected the claim and ordered the government to pay all costs, ruling: "Mr Boreh did not at any stage breach his duty of probity to Djibouti." London Commercial Court had already rejected civil claims against Boreh brought by the government. DP World is expected to remain involved in operating both Doraleh and Djibouti, which lie just 11km apart, although its concession for the latter runs out in 2020. CMG is now heavily involved in both projects. *(By Neil Ford, African Business)*

MINING

Mozambique Coal on course to become the country's largest export

After a period of rock-bottom prices and heightened security risks, there is renewed momentum in Mozambique's coal industry; mining companies are ramping up production in response to firmer global prices and would-be new entrants are promoting integrated coal-to-power schemes. Although the global outlook is hardly supportive of a country hoping for a coal boom, we expect higher production to make coal the largest source of export earnings over the medium-term. But investment into new projects is likely to remain weak, owing largely to obstructive government policy, signalling the pace of expansion in the sector will be steady, but fairly unspectacular.

With reserves estimated to be in excess of 20bn tonnes, the government has long promised that Mozambique could emerge as one the world's top ten coal producers. Exports of coal-both thermal coal, used in electricity generation, and coking coal, used in steel manufacturing-began in late 2011, following substantial investment into mining and transport infrastructure during the commodity boom of the past decade, but the industry experienced something of a false dawn. Since 2012, the collapse of coal prices, compounded by

operational difficulties, logistical challenges and a resurgence in political instability, has resulted in significantly slower expansion than both the government and mining firms had expected. Over much of 2015-16, all of the country's mines were unprofitable. However, a more benign environment has emerged in recent months as a result of two key dynamics. The first is international prices, which have recovered strongly since hitting a ten-year low in the first quarter of 2016 on the back of market tightening and improving sentiment as China's demand for coal imports strengthens. The second is an improvement to the security situation in coal-rich central Mozambique, with fears of attacks by Renamo (an armed opposition party) on coal-carrying infrastructure fading as a ceasefire agreement continues to hold.

Renewed confidence among companies in the industry

Brazil's Vale has concluded a long-awaited sale to Japan's Mitsui of a 15% stake in Moatize mine (Mozambique's largest coal mine and the fourth-largest in the world) and a 50% stake in the Nacala logistics corridor (a 700-km purpose-built railway and associated coal terminal). Mitsui's entry into the sector is a vote of confidence, albeit with the final price revised downwards sharply since the deal was first discussed three years ago. For the first time, Moatize was profitable in the final quarter of 2016, and Vale expects a rapid acceleration of production in the coming years, from 8.7m tonnes in 2016 to 13m tonnes in 2017 and 18m tonnes in 2018. This alone would probably be sufficient for coal to overtake aluminium as Mozambique's largest source of export earnings in 2017.

Elsewhere in the industry, firms that had suspended unprofitable operations during the price slump are revisiting their plans.

International Coal Ventures Limited-a consortium of five Indian companies that own Benga mine-has announced that it will re-launch operations in the coming months, while another Indian firm, Jindal Power and Steel, resumed production at its Chirodzi mine in October 2016 and has plans to scale up output to 3m tonnes per year. Jindal is among a handful of firms that also hope to monetise thermal coal by developing power plants to supply either Mozambique or its neighbours. The most advanced of these plans is a joint venture by UK-listed Ncondezi Energy and China's Shanghai Electric Power, which intends to bring a 300 mw power plant on line by 2018 to be fed by a new open pit mine.

Steady-but unspectacular-outlook

The global environment is not particularly supportive for a country looking for a coal boom. Global coal demand is expected to remain fairly flat over the coming years, as an upturn in coal demand in US is offset by falling demand in China. A slight dip in Chinese coal production in 2017 will provide some support to prices, but we expect global coal prices to fall in 2018 as an economic slowdown in China depresses local coal demand and translates into weak global sentiment towards commodities.

However, while Mozambique's coal industry is certainly not immune to the China-driven trends, dynamics in India, its main export destination, are more important. India's import-replacement strategy is likely to weigh on demand, but-with consumption growing at around 5% per year, plans to scale-up domestic production progressing more slowly than planned and state-owned Indian firms heavily invested in Mozambique's sector-we think it will remain a key market for Mozambican coal. Meanwhile, Vale has diversified its export markets, with no sales earmarked for China and anticipated sales split across northeast Asia (notably Japan), North America and the southern hemisphere, including India, Africa and Brazil. As production is ramped up, unit costs will fall and coal from Moatize is likely to be fairly competitive in these markets.

We therefore expect coal exports to rise steadily over the medium term. We are, however, less optimistic about the prospects for greenfield projects. In an environment of fairly weak coking coal prices, mines' profitability will depend on monetising thermal coal as well. Developing power plants to utilise thermal coal is a logistical solution in power-starved southern Africa, but we expect integrated coal-to-power schemes to be fraught with challenges. Few entities that buy power in region (most of which are state-owned distributors) have the financial capacity to agree the requisite long-term power supply contracts and, of those that do, inadequate transmission infrastructure will prevent the new power suppliers from reaching them. Addressing these challenges is not insurmountable, but it would require intervention from the Mozambican government to ensure electricity tariffs cover costs and transmission infrastructure is fit for purpose. As it attempts to wrestle with a liquidity crisis and rising discontent, we think these interventions are unlikely in the coming years and development of any major new projects is likely therefore to be pushed beyond the 2017-21 forecast period. *(Economist Intelligence Unit)*

Botswana's 300 MW power plant stalled over $800m guarantee dispute

The 300 MW expansion of two units at Botswana's Morupule B coal-fired power plant has been delayed due to a dispute with the contractor over an $800-million guarantee, a cabinet minister said. Japan's Marubeni

and South Korea's Posco Energy were last year awarded the contract for the expansion, but a row between them and the government over a sovereign guarantee has delayed the plant's expansion. The minister of energy Security and Green Technology, Sadique Kebonang, said the builders were due to start work in January but demanded the payment of a $800-million guarantee in case the loss-making Botswana Power Corporation failed to pay. Kebonang said only Parliament, which is on a recess until July, can approve such a payment. Officials at Japan's Marubeni and South Korea's Posco Energy were not available to comment. The plant would eventually generate a total of 1 200 MW when all the expansions are completed by May 2020. The government hopes to export power to other countries in the region after the expansion is completed. The coal-fired power station was originally built by the China National Electric Equipment Corporation (CNEEC) at a cost of $970-million but has often broken down, leading to a reliance on diesel generators and imports from South Africa. *(By Brian Benza, Reuters)*

OIL & GAS

Shell admits that it knew part of money paid for OPL 245 block would go to Malabu Oil and Gas

Coming as a new development in the OPL 245 block scandal, Royal Dutch Shell admitted that it knew that part of the payments it made to Nigeria's governement for the rights to the block would be transferred to Malabu Oil and Gas. This was revealed by Shell spokesman, Andy Norman, in an email to *Reuters*. The representative said the group was aware that the government*"would compensate Malabu to settle its claim on the block*". This contradicts the group's former version where it claimed that all the money it paid under the deal went to the Nigerian government. Malabu Oil and Gas which was owned by Dan Etete (photo), previously minister of oil in Nigeria (from 1995 to 1998), had control over the block. A fact which Shell says it did not know about. "*Over time, it became clear to us that Etete was involved in Malabu and that the only way to resolve the impasse through a negotiated settlement was to engage with Etete and Malabu, whether we liked it or not*," Norman said.

Regarding the controversial oil block, the deal for its acquisition dates from 2011. In the eye of the storm are Shell, Eni and many Nigerian authorities including Etete who was convicted in France for money laundering. In details, Shell and Eni paid about $1.3 billion to the Nigerian government. However, it was discovered that 70% of the money was wired to Malabu's accounts. The controversial block is considered the largest oil block in Africa with over 9 billion barrels of crude and is located in the Niger Delta region. *(By Schadrac Akinocho, Ecofin Agency)*

Sasol finalises currency hedges worth $4bn

Energy and chemicals group Sasol reported that it had finalised currency hedges with a total notional amount of $4-billion for its 2018 financial year. The hedges represent about 70% of its expected net rand/US dollar exposure for the period, which runs until June 30, 2018. The programme is based on zero-cost collar instruments, using a yearly average floor of R13.46 to the dollar and an annual average cap of R15.51.

Sasol has cautioned that ongoing rand/dollar volatility poses earnings risks, with a 10c move in the rand/dollar exchange rate having a R740-million impact on annualised earnings. News of the hedges comes amid heightened rand/dollar volatility, following President Jacob Zuma's March 31 Cabinet reshuffle. Prior to that event, the rand had been one of the best performing currencies globally in 2017, reaching a 20-month high of R12.31 to the dollar on March 27.

Speaking on February 27, Sasol CFO Paul Victor said the the strong rand/dollar exchange rate might negate the improved fundamental performances of the company during the second half of its 2017 financial year.

However, since the March 31 reshuffle the currency had weakened materially, trading at levels approaching R14 to the dollar.

Sasol said the hedges would provide it with some cash flow and balance-sheet protection, with gearing and net debt to earnings before interest, taxes, depreciation and amortisation levels expected to peak during the 2018 financial year.

The currency hedges follow Sasol's December announcement that it had entered into crude oil put options, to provide protection against adverse movements in commodity and final product prices. A $1/bl change in the crude oil price affects the group's earnings by as much as R730-million. "Sasol has completed the majority of its rand/US dollar hedging programme for the 2018 financial year ending on 30 June 2018 using zero-cost collar instruments," the company said, adding that it would make further announcements should additional material hedges be put into place. *(By Terence Creamer, Engineering News)*

Angola needs price of oil to rise US$82 per barrel to balance the state budget
Angola needs the price of oil to rise to US$82 per barrel to balance its State Budget, Fitch Ratings said recently. Fitch added that the price needed to balance the budget had fallen for most countries whose sovereign risk it analysed, due to measures taken by the governments of Europe, the Middle East and Africa, with exactly the opposite occurring in Angola, Nigeria and Gabon. In a report on the impact of falling oil prices on countries in the EMEA region (Europe, Middle East and Africa), Fitch noted that adjustment measures allowed its balanced budget forecast to cover more countries than in 2015. "Most oil exporting countries are still under pressure because of low prices, almost three years after the oil shock," said the research note adding that "oil prices have begun to recover, but remain below levels that would balance the budgets of most major oil exporters," in the EMEA region. According to Fitch's forecast oil prices are expected to average US$52.5 per barrel this year, an increase compared to US$45.1 last year, "but still below the minimum value to balance the budget for 11 of the 14 countries to which Fitch assigns sovereign debt ratings. *(Macauhub)*

TELECOM

Burkina Faso: Orange increases investment despite mixed results across Africa
Orange has rebranded its mobile services in Burkina Faso as Orange Burkina Faso, as it steps up its investment in the country.
Orange bought the service from Bharti Airtel last January, along with operations in Sierra Leone, for an undisclosed figure. The move comes as Orange's services elsewhere in Africa have struggled to grow, according to the company's latest results. Bruno Mettling, who is both deputy CEO of Orange and CEO of Orange MEA (Middle East and Africa), said: "It is a great honour for the Orange group to inaugurate its presence in Burkina Faso at a time when the country is resolutely engaged in a vast economic development programme. The arrival of the Orange brand testifies to our commitment to providing the benefits of the digital ecosystem to the entire population of Burkina Faso."
Orange is the biggest telecoms operator in the country, with 6.3m subscribers. It plans to expand its 3.75G and mobile banking services in a country that has one of the least developed mobile telecoms sectors in Africa. The CEO of Orange Burkina Faso, Ben Cheick Haidara, said: "We are at a decisive turning point in the development of the telecoms market. Our ambition is to continue the work accomplished in recent years in the mobile money and mobile internet fields." It is also investing heavily in fibre optics.

Annual results
The company lumps all results for the MEA region together in its annual report, so there are no separate figures for Africa. However, only two of the 21 markets in its EMEA region are in the Middle East, Iraq and Jordan, so the overall figures are likely to be a fair reflection of its performance on the continent. Orange's MEA income grew by just 2.6% in 2016 to €5.25bn and its earnings before interest, tax, depreciation and amortization actually fell, by 1% to €1.66bn, in comparison with a 5% rise the previous year. These figures do not suggest that the company is on course to meet its target of increasing its annual revenues in Africa by 20% over the period 2015-19. The firm cited economic difficulties in Democratic Republic of Congo and Egypt, plus "an unprecedented level of disconnections linked to the strengthened requirements regarding verification of customer identities in most countries" as major factors in the performance. It has more subscribers in Egypt than in any other country. Orange MEA had 120.7m subscribers at the end of 2016, a rise of 7.2m over the year, although it gained 7.4m when it took over operations in Sierra Leone and Burkina Faso.

Strategic priority
Orange insists that Africa remains a "strategic priority" and intends to keep growing its operations on the continent. Bharti Mittal is considering selling more of its African assets and so could provide one option. In February, Yannick Decaux, Orange's commercial director for Africa, said: "We are looking for acquisition opportunities in Africa; it is a priority region for us. We are speaking to everyone."
The big hole in Orange's West African operations is Anglophone Nigeria, but this is already a fairly competitive market, so acquiring an existing operator may be the best way to enter the market. There is certainly more scope for Orange to grow its revenues in Sub-Saharan Africa than in the French company's home market. It has recently increased its stake in Orange Tunisia to take control of the company, but most of its expansion will be targeted at Africa south of the Sahara. A spokesperson for the company said: "With a fast growing demography and rapidly growing economies, Africa is without any doubt a certain bet for

future growth. We remain confident that over the next 20 or 30 years Africa will see the highest level of growth in both population and the economy.”
In the medium term, much will depend on the speed with which the price of smartphones continues to fall, as this will boost the consumption of wireless data by African subscribers. Orange is also expanding Orange Money, its main money transfer and mobile financial service, across West Africa. Its African mobile money revenues are increasing by more than 50% a year. *(By Neil Ford, African Business)*

Kenya's debut mobile phone bond offer sells out in 13 days
Kenya has fully sold its debut mobile phone-based bond worth 150 million shillings ($1.45 million), with investor demand forcing the issue to be closed ahead of time, the Treasury said. The East African nation started selling the three-year bond, called M-Akiba, on March 23, becoming the first to issue a mobile phone-based bond in the world. The offer was open for three weeks but it closed when the target amount was reached. The 150 million shillings raised is the first tranche of the bond; the balance of 4.85 billion shillings goes on sale in June. The bond sale is a further advance in financial technology for the country that pioneered mobile money with M-Pesa in 2007. Some 102,000 people registered on their phones to invest in the bond, but only 5,000 of those made actual purchases, ranging from the minimum 3,000 shillings up to 1 million shillings - the maximum bought by a single investor, the Finance Ministry said. "This makes the average investment in M-Akiba to be 20,000 shillings," a ministry statement said. ($1 = 103.1800 Kenyan shillings) *(By Duncan Miriri, Reuters)*

RETAIL

South Africa's Shoprite looks beyond Africa to Eastern Europe
Africa's biggest grocery retailer Shoprite is considering a push into Eastern Europe, where it hopes to use knowledge gleaned from former suitor Steinhoff International, its new CEO told Reuters.
The move signals a change in strategy for Shoprite under Chief Executive Pieter Engelbrecht, 47, as sovereign rating downgrades and a weak economy cloud prospects at home. It also leads it down a competitive path crowded with established retail giants such as Tesco, Carrefour, Lidl and Aldi .
Engelbrecht, who took over from 37-year veteran Whitey Basson in January, said the company wants to enter markets in Eastern Europe that either "have low competition or high economic growth".
Shoprite has grown rapidly over the past two decades as shoppers from Lagos to Luanda increasingly shunned street markets and spent more of their wages in formal retail stores, but still less than 20 % of its sales are outside its home market. "We will look at other developing countries. That is also something that came out with our Steinhoff discussions and they've got good presence there, so we would like to leverage off that knowledge and definitely have a look at the East Bloc countries," he said in an interview at the company's head office outside Cape Town.
Steinhoff in February called off a plan to merge its African clothing and furniture assets with Shoprite's stores, a deal bankers had said could create a giant valued at more than 180 billion rand ($13 billion). "The two types of entry countries that you look at is either one with low competition or you look at one with high economic growth," he said, adding that a trip to the region was planned although he did not say which countries he was considering. "We will go slowly. We are not going to over commit ourselves to learn if the market accepts us. So we will first establish a couple of stores and make sure the market likes us, and if we find acceptance then one can look at a merger or acquisition."
However, a move to Eastern Europe would be fraught with risks and would not likely provide the profits necessary to offset the impact of reducing its exposure to the impact of credit ratings downgrade on South Africa, analysts said. "So whatever ratings uplift one can expect from reducing South African exposure, might well be given up on lower profit margins and execution risk from such an acquisition," said Unathi Loos, an Investec Asset Management retail analyst. But Shoprite's experience in selling to low income earners in far-flung cities across Africa could help it mount a strong challenge. The company is also pondering a move into the South American market, Engelbrecht said.
South Africa
Engelbrecht, a chartered accountant who - before a serious neck injury - had dreams of playing rugby professionally, said Shoprite was maintaining sales and customer growth in South Africa and should reach its profit targets this year, but was concerned that a weaker rand currency could hurt consumers. South Africa's rand was the worst performing emerging market currency this month, retreating more than 10 % against the greenback, as the shock of a midnight cabinet reshuffle and subsequent credit ratings downgrade weighed on

sentiment. Engelbrecht said Shoprite had a strong balance sheet to help weather the volatile rand and was talking to banks to raise between 10 billion and 15 billion rand for its capital requirements over the next six years. Though raising funds in South Africa is likely to be more costly due to the downgrades, Shoprite can still tap foreign markets through its structures in Mauritius. And raising funds in Eastern Europe could be significantly cheaper than in South Africa, analysts said. ($1 = 13.6146 rand) (*By Louise Heavens and Susan Thomas, Reuters)*

AGRIBUSINESS

AB InBev to Wring Potential from Africa Beers with Export Push

Anheuser-Busch InBev NV will export African beer brands to its markets around the world as the Budweiser maker seeks to maximize the potential of a continent that was key to its decision to buy rival SABMiller for $103 billion. "There are so many very unique African brands and I think it is time to sell African beers to the greater market," said Ricardo Tadeu, a 40-year-old Brazilian who moved from Mexico to head up AB InBev's African operations. "There is huge potential for these brands to be exported."

The world's biggest brewer plans to sell packs of eight African beer brands outside the continent, including Castle, the dominant brand in South Africa, Kilimanjaro of Tanzania and Nigeria's Hero. At the same time, the company will introduce global beer brands such as Budweiser, Stella Artois and Corona in African markets, Tadeu said in an interview at AB InBev's Johannesburg office.

Tadeu is responsible for spurring growth on a continent where AB InBev didn't have a foothold before completing the purchase of SABMiller in September. About 65 million people are due to reach the legal drinking age by 2023, creating an opportunity for brewers, although Tadeu must also tackle slowing economic growth across some of the biggest markets. South Africa, where SABMiller first set up shop in 1895, expanded 0.3 % in 2016, the slowest pace since 2009, while Nigeria is in recession after the collapse in oil prices hurt its biggest source of revenue.

Acquired Taste

With consumers in some African markets drinking an average of less than 10 liters of beer per head a year, Tadeu sees an opportunity to increase that to the average of 45 liters to 65 liters in other markets. Rolling out existing brands and increasing consumption will be key to African growth, he said.

Since taking over from SABMiller's Mark Bowman, Tadeu has traveled extensively across the continent, often in the private jet used by his predecessor, and said he now drinks African beer brands by choice. Castle, in particular, has a "great opportunity" to become more global, he said. "I love Castle Lite," Tadeu said. "When you mention Bud Light I don't see much space for that here, because I think Castle Lite is such a great light beer."

New Investments

Within the next 12 months, AB InBev plans to invest between $150 million and $200 million on two new production lines in South Africa and look for cost cutting opportunities. The company agreed to create a 1 billion-rand ($73 million) fund to support the local beer industry and protect jobs to win government approval for the SABMiller deal, one of many concessions it made around the world to secure the takeover.

In Nigeria, AB InBev could spend as much as $400 million to build a new plant, the executive said, although the brewery will not follow Heineken NV, the world's second-largest brewer, into other West African countries such as Ivory Coast and the Democratic Republic of Congo.

At the same time, AB InBev doesn't have plans to reduce its presence in any of the 31 African markets in which it now operates. "We are prioritizing what we need to do in Africa, rather than trying to find new things," Tadeu said. *(By Janice Kew and Loni Prinsloo, Bloomberg)*

Ivory Coast, Ghana to work together to tackle cocoa price volatility

Ivory Coast and Ghana, the world's top cocoa producers, will deepen collaboration in order to coordinate their production strategies to tackle price volatility, the heads of the two country's marketing boards said. The two countries plan to hold regular meetings and are establishing a technical committee to discuss how best to manage production and ensure sustainability, they said following a meeting in Ivory Coast's commercial capital, Abidjan. *(By Ange Aboa, Reuters)*

UPCOMING EVENTS

5th Africa Financial Services Investment Conference 3-5 May 2015 Park Plaza Riverbank London
http://www.afsic.net/

African Utility Week 16-18 May 2017 CTICC, Cape Town, South Africa
http://www.african-utility-week.com/

19th annual Africa Energy Forum (AEF) from 7-9 June - Bella Center, Copenhagen, Denmark
http://africa-energy-forum.com/

AfDB's 53rd Annual Meetings, in Busan, Korea, from May 21-25, 2018
The Korea-Africa Business Forum and Cultural Exchange in Busan, has the specific goals of making the Bank's 53rd Annual Meetings successful by promoting the Korean general public's and private sector's interests in Africa. *https://www.afdb.org/en/news-and-events/the-korea-africa-business-forum-and-cultural-exchange-16819/*

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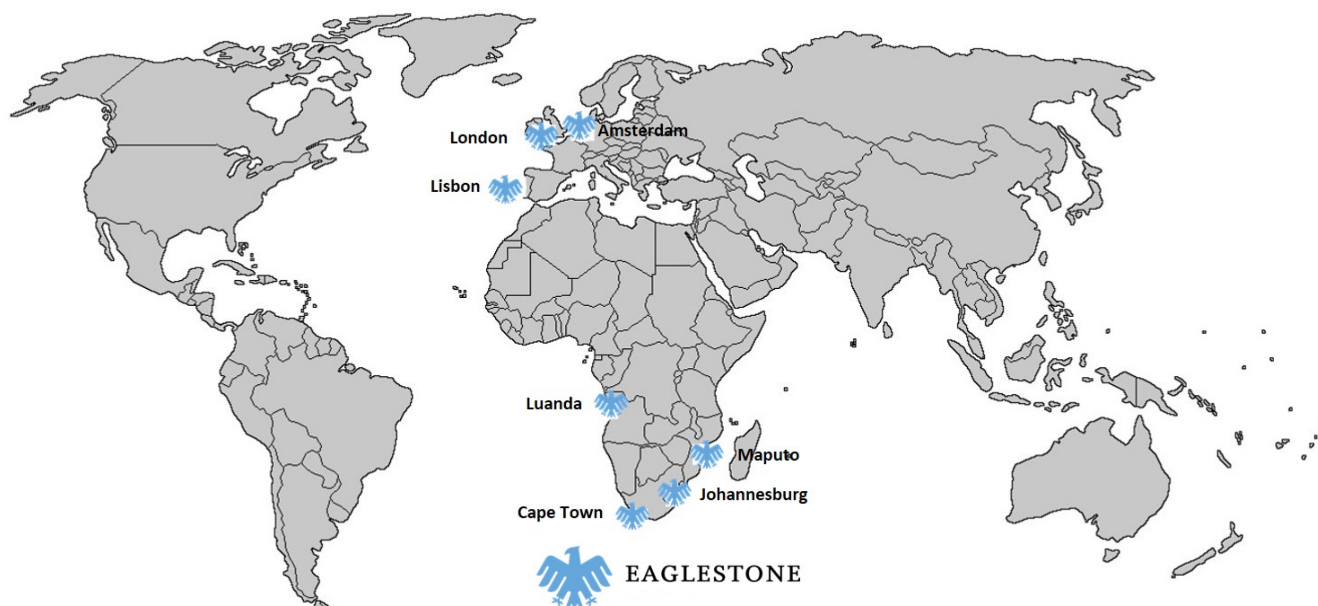

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Disclosures

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

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

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

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

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