INSIDE AFRICA

Now is the time to invest in Africa

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EAGLESTONE

CONTENTS

BRIEFS

Africa

- West Africa exchange targets telecoms listings, international clearing agreements

Angola

- IFAD invests USD 38.2 million in family farming
- Angola issues US$3 billion in Eurobonds

Cabo Verde

- Cabo Verde Electricity and Water Company to be privatised in 2019/2020

Congo Republic

- Congo Republic says it has met criteria for an IMF deal

Egypt

- Egypt, Cyprus to sign deal to connect Aphrodite gas field with Egypt
- Egypt aims for $10 bln foreign investment in oil, gas in 2018/19

Ivory Coast

- Ivory Coast bank assets up 11 pct in 2017 on solid economic growth
- Societe Generale Ivory Coast unit's 2017 net profit up 12 pct

Kenya

- World Bank approves $180 mln loan guarantee for Kenya's energy sector
- Mauritius bank SBM to put $60 mln of extra capital into Kenya's Chase

Morocco

- Moroccan King to Sign Trade, Mining Deals With Congo Republic

Mozambique

- Mozambique gas company ENH hires Lazard to raise US$2B
- Natural gas will cover 50% of Mozambique’s electricity needs
- New Beira fishing port 97% complete
- Mozambican government approves new minimum wages

Nigeria

- China signs 15 bln yuan currency swap agreement with Nigeria

South Africa

- South Africa's credit demand growth quickens to 5.96 % in March
- Barclays Africa fires KPMG as auditor
- South African glass bottle maker Consol cans IPO plans

In-depth:

Why Africa must shift from dependence to diversification, now

Over the last decade, Sub-Saharan Africa (SSA) has experienced historically high economic growth rates. The region has made significant social progress too. These gains have largely been driven by favourable commodity prices, financing conditions and improvement in macroeconomic management.

However, the high growth rates have not been sustained for long periods in many of these African countries. The plunge in prices of commodities like oil, copper and cocoa, with its resultant adverse impact on many economies reveals how dependent African countries are on natural resources. According to the International Monetary Fund, about 28 countries in sub-Saharan Africa are resource-rich, with these resources accounting for over 80% of Gross Domestic Product (GDP). Many of these countries depend on a few commodities, which account for the bulk of GDP, exports and fiscal revenues. Some other countries have often experienced recurring macroeconomic instabilities because of fluctuations in commodity prices, external demand and extreme weather conditions such as droughts and floods.

For instance, the collapse of oil prices tipped the Nigerian economy into a five-quarter recession in 2016, from which it is now just recovering. Angola, Equatorial Guinea, Congo Republic and Gabon also experienced sharp economic slowdowns in 2015-2016 due to low oil prices. Zambia, where copper accounts for 60% of exports, was also hard hit by the slump in copper prices. These experiences underscore the need to diversify economies and build resilience against such large external shocks.

Growth accelerations in most African countries in the last few years have not been driven by expanding manufacturing sectors, which usually underpins structural transformation. In fact, the contribution of the manufacturing sector for SSA has decreased from 15% of GDP in 1981 to about 10% of GDP in 2016. Indeed, Africa’s structural transformation has lagged behind that of other regions.

This can happen through “the Dutch Disease” effects, corruption, rent seeking behaviour by political elites and conflicts. The Dutch Disease occurs when natural resource booms increase domestic income, real exchange rate appreciates, and there is reduction in competitiveness of other tradable sectors such as manufacturing, potentially leading to deindustrialization. The resource dependence syndrome is also associated with market instability, which raises uncertainty, and hurts investment in the form of financing of recurrent expenditures at the expense of public investments, distortion of incentives to invest in robust and efficient institutions, and public services which support socio-economic development.

Commodity prices – which collapsed by over 60% since 2014 – are likely to remain low for some time, highlighting the dawn of a new normal for commodity markets. Clearly, this requires structural adjustments for many commodity-exporting African economies. While adjustments can be painful, this is a window of opportunity for African countries to undertake reforms that embrace economic diversification.

Abundant natural resources can be exploited to increase the range of exports and goods a country produces, especially through beneficiation and value addition like metal products, refined petroleum products, manufactured, beverage products, among others. At the same time, natural resource rents can be leveraged to develop other productive sectors of the economy such as manufacturing, infrastructure, tourism and services, which can support the broadening of the economic base and drive sustainable economic growth. This way, jobs could be created for the rapidly growing young populations, profit margins and return on investment could be improved, wider economic prosperity can be attained and poverty reduced. Leveraging finite natural resource endowments to develop other sectors of the economy is an opportunity for Africa to finance its own development and secure long-term sustainable growth.

As we have seen in the last two years, overdependence on a few markets such as China has exposed a number of African countries to the slowdown and changing structure of the Chinese economy.

Structural economic transformation can be a pathway to sustained, inclusive economic growth. A number of countries that started with similar conditions and resource endowments as most African countries have succeeded in structurally transforming and diversifying their economies and have managed to sustain higher growth rates for longer periods. For instance, Malaysia, Indonesia and Chile have leveraged on their natural resources to diversify their economies, while Poland and Vietnam have succeeded by integrating into the world economy through global value chains. In these countries, the process of structural transformation has often entailed a shift from low-productivity to high-productivity sectors.

Although economic diversification remains elusive in most African countries, some countries are making progress. For example, Mauritius has made some progress in transforming its economy from a sugar-dependent economy into a major financial services hub, with a vibrant export sector in tourism, textiles, clothing and jewellery. That is, from 98% of exports in the 1970s, sugar now accounts for about 5% of exports in Mauritius. Botswana is striving to diversify its economy along the value chain by developing diamond cutting, polishing and marketing hubs. For Kenya, its dynamic private sector is helping to lay a foundation for stronger growth in services, such as financial services, telecommunications, and tourism. Rwanda’s efforts to diversify its economy are driven by significant reforms of its business environment and initiatives for economic and regional integration. It has managed to channel significant public resources into programs to boost growth, increase agricultural productivity, expand infrastructure investment, foster wider access to financial services and encourage higher-value economic activities.

Indeed, these countries have managed to withstand the commodity price shock of 2014-2016 and maintained solid growth rates. Productive sectors such as agribusiness, light manufacturing, textiles, energy, tourism, financial services and other service sectors appear to present visible opportunities for diversification and structural transformation of African economies.

Economic diversification will be a game changer for Africa’s future. It will not happen overnight. It is a long-term process that builds on existing endowments, expansion of underlying capabilities and works best with long-term plans and policies. Policies to support diversification should focus on building enabling macroeconomic and business environments, sound institutional structures, human capital development, and conducive infrastructure. This will allow the private sector to expand their activities, exploit new opportunities, and enhance the needed shift from commodity dependence to active economic diversification. And the time to diversify is now! (by Seedwell Hove for AfDB)

***Seedwell Hove** is a Senior Macroeconomist at Quantum Global Research Lab (QGRL) with a wealth of experience in African economies.*

IMF, WORLD BANK & AFRICAN DEVELOPMENT BANK

The Board of Directors approves a Mutual reliance for procurement in joint co-financed public sector operations between African Development Bank and European Investment Bank

The Board of Directors of the African Development Bank (AfDB) has affirmed cognizance of the strategic role of sustainable procurement and governance and has approved the Policy paper entitled: Mutual Reliance for procurement in joint co-financed public sector operations between African Development Bank and European Investment Bank.

The objective of the Mutual Reliance Agreement (MRA), called Procedural framework, between the Bank and the European Investment Bank (EIB) is to delegate procurement related tasks in project preparation, implementation and monitoring to the maximum possible extent to the institution that is subsequently assuming the responsibility as Lead financier. Within the overall framework, and recognizing differences across regions, it is envisaged that AfDB and EIB will play a balanced role as Lead financiers.

This MRA on procurement policies and procedures will facilitate joint co-financing of investment projects and thus responds to the objective of the Bank Group’s Ten Year Strategy aimed to expand

the sources of financing for Africa, including through co-financing arrangements with partner development institutions.
AfDB and EIB share the same public procurement principles of economy, efficiency, transparency and accountability and have been actively participating in the MDBs' procurement harmonization efforts within the MDBs' Heads of Procurement group. The MRA has been developed for procurement and integrity issues under public sector projects that are co-financed on a joint basis.
Presenting the document to the Board, the Bank Group Officer in Charge of the Fiduciary Services and Inspection Department, Eric Yoboué underscored the relevance of the agreement, noting that it would particularly contribute to a better division of labor between financiers and would also increase the coherence and development impact of joint financing operations and activities to the benefit of the Bank's Regional Member Countries. "The MRA will contribute to the success of larger-scale development projects and programmes, in particular in situations where a single financier is not able to manage the project or work, due to limited financial, risk bearing and/or project management capacity," he said, adding that the agreement would create substantial synergies to leverage efficiency gains from development cooperation at the operational level.
The EIB is the long-term lending institution that has made long-term finance available for sound investment in order to contribute towards EU policy goals. With the African Development Bank, EIB has co-financed private sector projects to support sustainable economic development and social progress in AfDB's regional member countries, thus contributing to poverty reduction in Africa.

Cairo to Cape Town road boosts cross-border economies, links Tanzania to rest of Africa
Rehema Tukai grew up in Kondoa and works in Dodoma, Tanzania's capital city. Until now, visiting her family in Kondoa involved a five-hour journey along a bumpy and dusty road. Thanks to a new road co-funded by the African Development Bank, it takes her a little over one hour to travel the same distance.
Tukai was one of several locals to celebrate when the President of Tanzania, John Pombe Magufuli, and the President of the African Development Bank, Akinwumi Adesina, commissioned the Dodoma-Babati road project on Friday.
Until its completion, the Dodoma-Babati road was a critical missing link in the 10,228-kilometre Trans-Africa Highway, linking Cairo to Cape Town, connecting nine African countries from South Africa to Egypt, through Zimbabwe, Mozambique, Zambia, Tanzania, Kenya, Ethiopia and Sudan.
With the completion of the road, traders and travelers now conduct immigration procedures on only one side of the border, reducing time and costs. Thanks to these efforts, the volume of trade between Tanzania and the rest of Eastern and Southern Africa has risen to US $1.1 billion in 2016, a level both Adesina and Magufuli described as historic.
Magufuli said the Dodoma-Babati road will improve the lives of people living in Tanzania and neighbouring countries. "Projects financed by the African Development Bank have a real impact on people," Magufuli said, thanking the Bank and the Japan International Cooperation Agency (JICA) for their strategic partnership in co-financing the project.
"Roads change everything. They bring hope alive. Such is the case of this road. While economic activity expands, so will family connections. It has brought much joy to families," said Adesina, referring to beneficiaries such as Tukai.
The 251-kilometre road is expected to provide rural communities with renewed hope, through expanded economic activities, improved access and better prices for farmers, and to transform several communities.
The Bank President congratulated Tanzania on the 54th anniversary of the union of the Republic of Tanganyika and the People's Republic of Zanzibar and described the country's unity as its strength and an example for the rest of Africa.
"Tanzania is headed in the right direction. With 7% economic growth this year, it has posted one of the highest growth rates in the world. That shows me the future of the Republic is very bright indeed! There will be need for massive physical and social infrastructure. There will be need for a

Dodoma Airport. There will be need for a new road network to support increased transport, especially the Dodoma Ring Road. I wish to assure you that the African Development Bank will strongly support you on critical infrastructure for the new City of Dodoma," Adesina said.
The African Development Bank has invested US $3.6 billion in Tanzania, with an active portfolio of US $2 billion, 53% of which is in road projects. The institution has invested more than US $1.1 billion in five road projects in Tanzania, covering close to 1,400 kilometres.
At the commissioning ceremony, the Japanese Ambassador to Tanzania, Masaharu Yoshida, commended the African Development Bank for its contribution toward the completion of the project.
"Our cooperation with the Bank on this project will further strengthen the relationship between Japan and Tanzania and with Africa as a whole," said Yoshida. "This road will contribute to the economic growth of Tanzania and all of Africa because it is, in fact, part of the 'Trans-African Highway No. 4' that connects Cape Town-Lusaka-Dodoma-Arusha-Nairobi up to Cairo."

Kenya: World Bank Approves $180 Million to Support Energy Sector
WASHINGTON, April 26, 2018 — The World Bank today approved a $180 million International Development Association (IDA)* Guarantee to mobilize private sector financing to strengthen the financial position of Kenya Electricity Generation Company Limited (KenGen) and build energy security for all Kenyans.
IDA Guarantee: $180.0 million equivalent
Maturity: 15 years
Project ID: P162422
Project description: The project will help enhance KenGen's ability to attract long-term private capital for the sustainable development of renewable energy.
The project will build on Kenya's gains that have diversified the energy mix and significantly improved electrification bringing much needed energy to millions of households and businesses. Ultimately, these gains lower the cost of electricity – critical to power Kenya's manufacturing and growth aspirations.
"Affordable and accessible electricity is essential to ensuring that Kenyan businesses remain competitive in the international market, allows women and youth to run their businesses safely late into the night within informal settlements and strengthens citizen contribution into growing Kenya's economy," said Diarietou Gaye, World Bank Country Director for Kenya. "This is what Kenya needs if it is to achieve a middle-income economy status by 2030."
KenGen today manages 70% of Kenya's generation capacity of 1,631 megawatts making it one of the largest in East Africa. The project supports KenGen in raising up to $300 million in long-term commercial financing to be used to refinance an expensive portion of KenGen's existing commercial loans, enhancing KenGen's credit quality and promoting sustainable development of renewable energy in Kenya.
"This IDA Guarantee will solidify KenGen's financial position as the company pursues its aspirations towards geothermal development, building energy security for all Kenyans, and becoming a sustainable energy hallmark in Africa," said Mariano Salto, World Bank Energy Economist and Task Team Leader.
The KenGen Guarantee Project is an addition to the application of the World Bank Group's Maximizing Finance for Development approach within Kenya's energy sector in the past 20 years.

Burkina Faso: World Bank Approves $20 Million to Improve Connectivity and Telecommunications Sector Performance
WASHINGTON, April 25, 2018 – The World Bank today approved a $20 million International Development Association (IDA)* credit for Burkina Faso to expand the geographical coverage of broadband networks and reduce the costs of communication services in the country.

This credit complements $19.4 million that have already been allocated to the West Africa Regional Communications Infrastructure Project (WARCIP) in 2011 that centered around improving international connectivity via a fiber optic network linking Ouagadougou to the Ghanaian border, as well as creating a public-private partnership to operate related telecommunications infrastructure. This additional financing will further this plan and, in particular, strengthen regional integration through a connection with Benin.

"With these additional funds, officials in Burkina Faso will be able to strengthen digital infrastructures to improve international connectivity. This will help extend Internet coverage to the entire country while providing higher quality services to residents at a lower cost. This is an essential step for the development of the digital economy and e-government initiative, which has received support from the World Bank-financed e-Burkina Project," said Charles Hurpy, World Bank Task Team Leader.

"This additional WARCIP-Burkina Faso funding should help improve the quality of the internet network both domestically and between Burkina Faso and the rest of the world. We are also hopeful that these resources will help bring down regional and international connectivity costs," said Cheick Kanté, World Bank Country Manager for Burkina Faso.

INVESTMENTS

Fitch Ratings keeps Angola's risk rating unchanged, but improves outlook

Fitch Ratings kept Angola's long-term foreign currency risk rating unchanged at "B", which is below investment grade, but revised the outlook for economic growth from "Negative" to "Stable" due to higher oil prices and the adoption of a set of reforms, the agency said in a statement released on Wednesday.

Fitch Ratings said in its assessment that the adoption of an ambitious agenda of reforms, fiscal and structural adjustments and the introduction of a new exchange rate regime at the beginning of the year "will help reduce external vulnerability and improve public finances."

The agency added that the prospects for economic recovery have improved significantly with the rise in oil prices, to which it is necessary to add "the monetary and fiscal adjustments" introduced and planned by the government of current President João Lourenço.

The introduction of the new floating exchange rate system with bands, replacing the previous regime of administrative exchange rates, has already led to Angola's currency, the kwanza, losing 31.5% of its value against the euro and 25.2% against the US dollar.

The new regime was described as the "most important development" introduced by the new government by Fitch Ratings, which states that the maintenance of the junk risk rating reflects the country's high dependence on oil exports, high public debt and the level of diminishing reserves abroad. (Macauhub)

Choppies expands into Mozambique, Namibia

Choppies Enterprises has begun operations in Mozambique and Namibia as it expands its African footprint and the grocery retailer is gaining market share in South Africa.

The group has operations in Botswana, South Africa, Zimbabwe, Zambia, Kenya and Tanzania, and it is listed on the Botswana Stock Exchange and the JSE.

During the six months to end December the group opened 33 new stores, to take its total to 235 stores in the continent, it said on Friday.

It generates 40% of its revenue in Botswana and it reports in pula currency. In the results, it reported a 22% increase in revenue to P5.8billion (R7.15bn), while gross profit was up by 23% to P1.1bn.

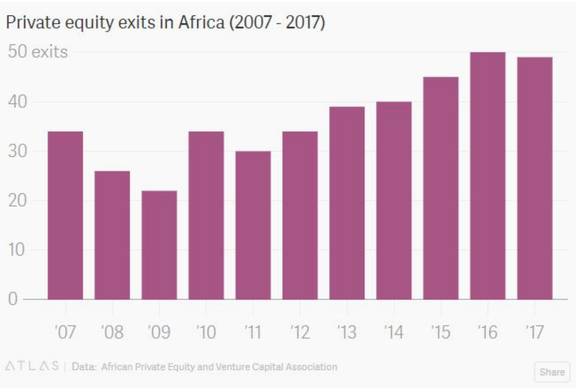
"Despite the subdued economic environment in the country (Botswana), we maintained our market share and continued to improve our efficiencies," the group said.

In South Africa, the group said significant improvement in the North West stores resulted in like-for-like revenue growth of 43% “This growth has brought us to profitability in this region and we expect this trend to continue in the second half of financial year 2018. “Segmental revenue increased by 43% and earnings before interest, tax, depreciation and amortisation (ebitda) was up by 335% compared to the corresponding period,” the group said.
In South Africa it is taking on retail giants Shoprite and Pick * Pay, which have also been expanding their presence in the rest of Africa.
In KwaZulu-Natal Choppies acquired a further eight stores effective from November 1, 2017. “Increased benefits of scale and other efficiencies will improve further as we expand our footprint in this region.”
The total retail space for the group increased by 17%to 340973m².
Zimbabwe also recorded encouraging improvement, and the company said it continues to perform better in that region despite the depressed economic conditions. “Revenue grew by 25%and ebitda by 12% as compared to last year.
It said overall performance had improved in the other regions, but it had yet to achieve profitability. “The opening of new stores and distribution centres in other regions is in accordance with strategies adopted by the board. In the six-month period, three stores were added in Zambia,” the group said.
The group did not declare a dividend as it declares it once a year on annual results. Choppies’ share price rose a steep 25% on the JSE on Thursday 03 May to close at R3. (Club of Mozambique)

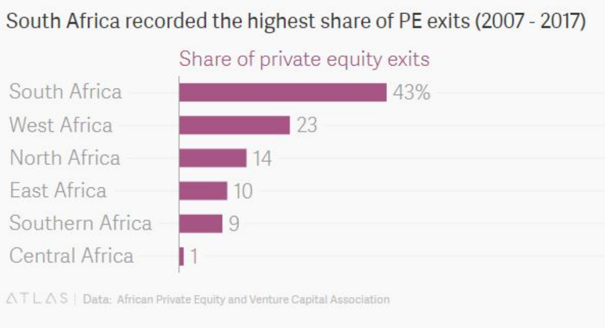
Nigerian startup TradeDepot scores big with $3m in funding from Partech
Nigerian web platform TradeDepot has received $3-million in funding from Partech. It’s the global investment firm’s first commitment from its €100-million Africa fund launched earlier this year.
The announcement was made in a press release yesterday. The Lagos-based company’s platform helps retailers in the fast-moving consumer goods sector to distribute goods in Africa.
Partech said the funding will support the expansion of TradeDepot’s footprint in Nigeria and development in other countries.
Since its founding in 2015, TradeDepot has developed what it calls a “360-degree solution”, integrating all participants in the trade value chain: manufacturers, distributors and retailers. The solution has been deployed across Nigeria in distributors’ warehouses.
Through TradeDepot’s platform, small retailers have a real-time view of all prices and discounts available from every major brand; they can directly order products which are then delivered to them as the order is routed to the appropriate nearby depot.
At the same time, manufacturers have full visibility over their distribution and can leverage the platform to optimise deliveries to their distributors, improve their pricing and have a direct channel towards their end-retailers.
The startup currently works with six consumer packaged-goods companies in Nigeria including Promasidor, Coca Cola and Population Sciences International.
The company has also signed up several distributors, including the country’s leading logistics provider, MDS Logistics which will have its 50 depots across the country integrated onto the platform
TradeDepot co-founder and CEO Onyekachi Izukanne said the startup’s first external funding round has proved “critical” to the company. “We have proven that there is a strong demand for such a distribution platform among consumer goods companies and retailers in emerging markets, and we now wish to use these funds to support our growth strategy,” he said. He believes existing tech platforms have not effectively addressed the distribution of consumer goods in emerging countries which often have millions of small and informal retailers. “In Nigeria alone, this $340-billion market loses more than $4-billion every year due to a lack of visibility and the resulting waste in logistics, making retailers in African countries subject to some of the highest product distribution costs in the world. “Our goal is to enable every convenience store in Africa to consistently receive their supplies at the best possible prices; to be the supply partner for Africa’s retail outlets,” he said.

Partech general partner Cyril Collon describes the platform as a "game changer in the industry". "We couldn't be happier to have TradeDepot as the first investment of our African fund, as it characterises what we want to do in Africa in the coming years: support extraordinary entrepreneurs who leverage tech to solve pan-African problems," he said.
The TradeDepot investment comes after Partech in January announced the launch of Partech Africa, which has a targeted size of €100-million and is dedicated to digital champions with Pan-African ambitions. (By VentureBurn)

Private equity bets in Africa over the past decade have paid off
Political uncertainty, weak currencies and the slowdown in growth of Africa's largest economies did not hurt the pace of private equity exits in 2017, new data show.
Last year, 49 private equity exits were recorded across the continent by the African Private Equity and Venture Capital Association (AVCA), only one less than 2016, and the highest year on record since 2007. However, most of those exits, around 37% were to other financial buyers, mainly other larger private equity firms. Insiders see that as a necessary step in a region where financial market options such as initial public offerings are limited due to the small size of the public equity markets. Overall, the activity, combined with relatively strong returns, AVCA says its members remain optimistic despite the continent's challenges.



The new report draws from a pool of data on exits between 2007 and 2017 by over 100 private equity firms. It focused on full exits, through secondary private equity buyouts, IPOs, and capital markets, with a minimum total value of $1 million.



Private equity exits in Africa have steadily increased year on year for much of the past decade, following strong bets on the promise of economic growth on the continent. In 2016 alone, private-equity players invested $3.8 billion in 145 deals across Africa. In total, private equity invested across Africa since 2011 has surpassed $20 billion.
South Africa dominates as the market with the most exits over the past decade, although exit activity in North Africa in particular has increased in the last two years. South Africa saw more exit activity than Kenya, Nigeria, Egypt, and Ghana combined between 2007 and 2017. The utilities sector saw the most exits between 2007 and 2017. AVCA expects investors to look to the areas of fintech, education, healthcare, consumer products, and energy for their next bets.
And there's good reason to stay bullish: Between 2007 and 2017, private equity investment across the continent outperformed public market returns by 70%. (By Yomi Kazeem, Quartz Africa Weekly Brief)

BANKING

Banks

Fidelity Bank of Ghana Plans to List on Stock Exchange by 2020
Fidelity Bank Ltd., a closely held Ghanaian lender, plans to list its shares for trading on the country's bourse by 2020 as it targets a spot among the largest three banks in the West African nation.

Shareholders of the country's fourth-largest lender on Friday approved a proposal to raise 70 million cedis ($16 million) by selling stock to selected investors, Managing Director Jim Baiden said in an interview in Accra, the capital. Fidelity will also transfer 20 million cedis of its surplus income to boost its capital buffers, he said.
The Bank of Ghana in September raised the minimum capital level for the country's lenders to 400 million cedis, from 120 million cedis, and gave the country's institutions until the end of the year to meet the goal. The new rules have spurred a flurry of capital-raising efforts, with Energy Commercial Bank Ltd. seeking to raise about 330 million cedis through an initial public offering, Societe Generale Ghana Ltd. planning a 170 million cedis-rights issue, and Universal Merchant Bank Ltd. in talks with investors for 260 million cedis. (By Moses Mozart Dzawu, Bloomberg)

Barclays Africa fires KPMG as auditor
Barclays Africa Group, South Africa's second-biggest lender by market value, dropped KPMG as its joint auditor, joining a host of local clients breaking ties with a company caught up in scandals.
The decision will test South African regulators' conviction that the big four auditing firms are key pillars of financial stability, and raises further questions about the survival of the local unit of the global accountancy business.
Barclays, one of KPMG's major financial customers, joins more than 10 other clients including the South African government and broker Sasfin in breaking ties with KPMG South Africa.
The auditor has struggled to retain clients since 2017 due to work done for a company owned by the Gupta family - who have been accused of using their links to former president Jacob Zuma to amass wealth - and more recently for small lender VBS Mutual Bank.
The Guptas and Zuma have denied any wrongdoing.
KPMG's own investigations found flaws in work it did for the Gupta family and the national tax agency. It has said it is cooperating with authorities and addressing its shortcomings.
The latest scandal, in which a top KPMG auditor failed to disclose a loan from a small bank he was auditing, was the last straw for Barclays Africa, whose board had proposed a month ago that KPMG be reappointed as its joint auditor along with EY at a shareholder meeting later this month.
"Subsequent to the release of our AGM notice, the board has carefully evaluated the on-going and more recent developments and decided that it is no longer able to support the reappointment of KPMG," the bank said in a statement.
KPMG South Africa said it was disappointed by, but accepted, the decision.
Barclays Africa said it would start the process of appointing a second auditor from the beginning of next month, when KPMG completes work on its 2017 financial statements.
But that appointment will have to be approved by the South African Reserve Bank, which has been keen to keep KPMG as an auditor for the country's big four banks. Central bank spokesman Jabulani Sikhakhane did not immediately respond to a request for comment.
Under South African rules, lenders must appoint two joint auditors from the big four: KPMG, EY, Deloitte and PricewaterhouseCoopers.
To stop the relationships from getting too cosy, they have to rotate auditors every five years. Remove one firm from the pool and the system grinds to a halt.
KPMG is also a joint auditor for Standard Bank and Nedbank, both of which considered ditching KPMG as auditor last year. Standard Bank said it would assess recent negative media statements about KPMG, while Nedbank did not immediately respond to requests for comment. (By Tiisetso Motsoeneng and Ed Cropley, Reuters)

Markets

Angola issues US$3 billion in Eurobonds
The Angolan government has placed about US$3 billion in Eurobonds through two 10- and 30-year debt issues, with interest rates ranging from 8.25% to 9.5%, according to the Bloomberg financial news agency.

Interest rates on the 10-year issue were between 8.25% and 8.37%, paid annually, while the 30-year debt issue was between 9.3% and 9.5%.
The minimum investment amount, according to Bloomberg, was US$200,000, in a public debt issue in foreign currency (Eurobonds) coordinated by investment bank Goldman Sachs.
Last April, Finance Minister Archer Mangueira said he was expecting to pay an interest rate of 7.0% on the country's second issue of Eurobonds in May of a minimum amount of US$2 billion.
Angola's Annual Debt Plan for 2018 outlines that the country intends to raise 6.721 billion kwanzas (US$31 billion) in public debt in 2018, totalling US$67 billion of debt. (Macauhub)

Ghana looking to sell debt in the 7 pct coupon range -minister
Ghana is seeking to issue up to $2.5 billion worth of Eurobonds in the coming weeks with a coupon in the 7 % range, a rate well below previous sales, the West African nation's finance minister told Reuters in an interview on Tuesday.
The debt offering, for a country that still struggles with a debt burden that last year was equivalent to roughly 69 % of its overall economic growth, coincides with government plans to leave a $918 million credit program with the International Monetary Fund by year-end. "Boy, I would love to have 7 or under 7 (%). But that's me. It is what the market says," Finance Minister Ken Ofori-Atta said. "I mean if you look at our yields now, it has really tightened from where we were."
Asked why an investor would put money to work by purchasing bonds of a highly leveraged nation that is exiting the IMF program with still high inflation, Ofori-Atta said: "Why wouldn't you want to give us money. You are looking for yield? I'm giving you yield." "I think we will go long, as much as we can ... So this time we would look to see whether we could do 20 or 30 years, but that is all based on advice," Ofori-Atta said.
Citibank, JPMorgan, Bank of America and Standard Chartered are leading the offering, he said.
The majority of the debt offering, however, will be focused on retiring higher yielding debt, perhaps as much as $1.5 billion to $1.75 billion, he said. "I think we are likely going to go for $750 million of new money, and if conditions are good, swap out an amount of about $1.5 billion to $1.75 billion," Ofori-Atta said.
Ghana's most recent Eurobond, a senior unsecured bond maturing in 2022, sold at par in September 2016 carrying a 9.25 % coupon. However, it last traded with a yield of 4.725 %, according to Thomson Reuters data. Ghana's credit is rated junk by the major credit rating agencies. "We had sort of derailed from the IMF program by the time we got into government," Ofori-Atta said.
However, Ofori-Atta highlighted improving economic data. For example, inflation was at 15.4 % when the new government of President Nana Akufo-Addo took over in January 2017. Last month, annual consumer price inflation was 10.4 %.
Ofori-Atta said Ghana was also interested in diversifying its borrowings away from U.S. dollars, potentially looking at issuing in yen at some point after the economy strengthens.
Tax Collection, Airport
Ofori-Atta said one of the main challenges is to build a better tax collection system.
"The people are not paying their taxes and I'm not collecting enough money," he said, citing a 16.5 % revenue-to-gross domestic product whereas peer nations "are north of 20 %."
In Ghana, with a population of more than 28 million, personal income taxes are being paid by about 1.5 million people while 6 million are operating in the informal economy, he said. The Value Added Tax "penetration rate is about 11 %." "That is where we are going to have to focus on this year," he said.
In addition to getting the economy back on track, Ofori-Atta said Ghana wants to make a statement embarking on a transformational economic development project, similar to the 1965 completion of the Akosombo Dam, which harnessed the hydroelectric power of the Volta River Basin. "What we have suggested is can we create a logistical airport center, almost Dubai-like that would service the region?" of over 350 million people.

The preliminary cost for such a project would be above $3 billion and on a scale to service 20 million travelers annually. "I would expect by end-year 2019 we should be cutting sod," Ofori-Atta said when asked when the project might start. (By Daniel Bases and Rodrigo Campos, Reuters)

West Africa exchange targets telecoms listings, international clearing agreements

West Africa's stock exchange, BRVM, targets listings by the region's telecoms firms and partnerships with international clearing houses to attract more foreign investors, its chief executive said.

Telecoms companies are some of the biggest companies in West Africa and the Abidjan-based bourse, on which Burkina Faso's Onatel and Senegal's Sonatel are listed, hopes they will go public as a way to keep revenues in domestic hands. "The only way to share revenue with the population is to list the companies," Edoh Kossi Amenounve told Reuters in an interview on the sidelines of an investor conference in London.

The exchange has already announced that it would list Mali's main mobile operator, Societe Telecom du Mali (Sotelma), this year.

South African telecoms firm MTN is currently preparing for major initial public offerings of MTN Ghana and MTN Nigeria on the Ghanaian and Nigerian stock exchanges respectively, and Amenounve suggests it consider listing West African subsidiaries such as MTN Cote d'Ivoire on BRVM at a later date. He also suggested French telecoms group Orange should consider listing its Ivory Coast subsidiary. "If they succeed to list in Nigeria and Ghana this can quickly lead them to consider their position in the Francophone zone," he said, adding he hopes telecoms firms will list in the next three to five years.

BRVM is also in talks with private equity funds including ECP, Tunisia's Africinvest, and Mauritian group AFIG Funds, to encourage them to list companies on the exchange as part of their exit strategies for assets, Amenounve said.

The exchange chief told Reuters in March that BRVM targets 12 new listings between 2018 and 2020, adding to 45 companies listed at present.

Tighter regulation on bond markets has crimped appetite for bonds in the region, he said, noting that subscriptions for three government bonds issued at the end of last year lagged expectations.

Bonds from Burkina Faso in February, Cote d'Ivoire in April and Togo in May have however been fully subscribed, he added.

BRVM aims to attract more institutional investors including pension funds to increase investment in its bond market and lessen its dependence on bank liquidity.

While offshore investors can buy bonds listed on the exchange, he said, they are discouraged by the lack of a central depositary.

In order to solve this he said the exchange is studying how to partner with international clearing houses such as Euroclear and Clearstream. "We already have an MoU (memorandum of understanding) with Maroclear in Morocco but we need to have it with international central deposits so that offshore investors can have their bonds in the book of only one central depositary," he said.

Companies listed on BRVM include Bollore Transport & Logistics Cote d'Ivoire, a subsidiary of French tycoon Vincent Bollore's Groupe Bollore, whose port operations in West Africa are under investigation. Amenounve said the impact of the ongoing investigations was as yet unclear.

Bollore is under formal investigation over allegations that Groupe Bollore undercharged for work on behalf of presidential candidates in Guinea and Togo in return for port contracts. Bollore's lawyer, Olivier Baratelli, has denied any wrongdoing by Bollore.

Shares in Bollore Transport & Logistics Cote d'Ivoire fell 9.7 % over the week from April 24, when news of the investigation broke, BRVM said. "At this point we do not know to what extent this can impact the activities of the Bolloré group in our region," Amenounve said. "Things are already changing in terms of how French companies and others are operating in Africa," he added, noting that the exchange would put an emphasis on good governance and transparency. (By Helen Reid, Reuters)

China signs 15 bln yuan currency swap agreement with Nigeria
China's central bank said on Thursday it has signed a three-year bilateral currency swap agreement with Nigeria worth 15 billion yuan ($2.36 billion).
The People's Bank of China (PBOC) said on its website the swap deal will facilitate trade and investment, and safeguard stability of financial markets of both countries.
($1 = 6.3556 Chinese yuan renminbi) (By Beijing Monitoring Desk, Reuters)

Tech

Startup snapshot: Angolan payments company getting in early ahead of the big banks
UseKamba, or Kamba for short, is an Angola-based fintech startup. Its mobile wallet application allows users to transfer funds between each other, buy airtime and pay bills.
"The main reason behind the existence of Kamba is the need to revolutionise, boost, democratise and innovate financial and payment services in the Angolan market. Currently, there is no efficient solution to purchase goods and services over the internet in Angola," says Amarildo Lucas, one of the founders.
Lucas and his two co-founders, Airton de Assunção Lucas and Alexandre Juca, answered How we made it in Africa's questions.
1. How did you finance your startup?
We are self-funded at the moment. As founders we have been investing our money to keep our business alive. Our CFO has been investing the most money in business, as he has more substantial sources of capital.
2. If you were given US$1m to invest in your company now, where would it go?
First of all, we will redo our sustainable long-term business plan to be aligned with the US$1m capital injection. Then we will invest in technology and grow our team in order to elevate the business and meet our vision and goals, such as delivering a better financial and payment service for millions of Angolans and perhaps Africans. We will also spend more on our marketing strategy, as we desire to grow our consumer base rapidly. Furthermore, we will work to keep our costs low, and invest more in our operations and infrastructure to improve our clients' experience as we see them as our best asset.
In short, we will invest and reinvest in the business and expansion plans as we focus on the future of the company.
3. What risks does your business face?
As we are working with financial and payment services, we believe that we are facing several risks. But one of the biggest risks we can face is that, at any time, Angolan banks with more resources can start investing into this market and gain more market share because of their positioned brand and current client base.
4. So far, what has proven to be the most successful form of marketing?
The most successful form of marketing so far is direct SMS. With it, we influence our users, so that they refer their friends, and then those friends refer their friends, and so on. Furthermore, we are using other tools of guerrilla marketing as well. We are using notifications in the app in order to keep users up to date so they can advertise our product.
5. Describe your most exciting entrepreneurial moment?
We've had a lot of exciting entrepreneurial moments, such as being selected for Seedstars Africa, the invitation for the Visa's Everywhere Initiative for Africa and interest from angel investors; but for us, the most exciting moment was to launch Kamba into the Angolan market, as many Angolans have been struggling to transact and purchase goods and services over the internet.
6. What has been the biggest mistake, and what have you learnt from it?
One of biggest mistake we have made, was to hire some people who had not proven their skills, and who were not aligned with our vision and business goals. We learnt that neither curriculum vitae or grades are enough to measure skills, talent, creativity and leadership. (How we made it in Africa)

Kenya's Safaricom pilots messaging app linked to mobile money

Safaricom, Kenya's biggest telecoms company, is piloting a social messaging app that will link to its mobile money platform in an attempt to move the company into the application business, the company said.

Bonga, meaning 'chat' in Kiswahili, will be integrated with the company's popular financial services platform M-Pesa to enable the almost 28 million of its users to communicate beyond sending money to one another, transforming the platform into a type of social network.

The idea stems from the "hypothesis that there's an intricate connection between conversations and transactions, payments especially," Kamal Bhattacharya, chief innovation officer at Safaricom, said in a telephone interview. "It's one thing to share information with somebody it's another thing to make a payment, to send money to somebody," he said.

Bhattacharya said that M-Pesa users will be able to message each other on Bonga in three ways: user-to-user, user-to-business and fundraising through "social groups" much like the group function on WhatsApp.

The concept has similarities with China's top social messaging app WeChat, where users can perform a variety of tasks, from payments to ride-hailing, without leaving the platform.

Bonga is the first product launched by Safaricom's innovation incubator Alpha. Bhattacharya previously set up IBM's research lab in Africa and joined the company in 2017.

Safaricom is piloting Bonga internally before planning to launch later this year. Bhattacharya said the platform will be end-to-end encrypted. "We cannot read the messages, we cannot keep the messages," he said. Kenya does not have data privacy laws.

Safaricom is 35% owned by South African group Vodacom and 5% by Vodacom's major shareholder Vodafone. With nearly 30 million users, the company has 70% of Kenya's total mobile phone subscribers.

The introduction of Bonga is part of Safaricom's strategy to boost revenue and diversify from offerings of voice calls, mobile money and text messages. Last year it launched Masoko, an e-commerce platform.

Its first-half 2017 results showed revenue from mobile money rose 16%, while revenue from phone calls rose by far less - only 4%. "Our future is to become a platform that enables business in Kenya as well as our consumers to do their work in a different way," Bhattacharya said. "Messenger platforms are the most popular apps, the most popular approach on the internet today to bring people together." (By Maggie Fick, Reuters)

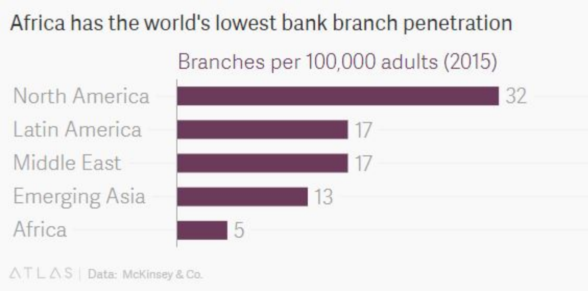
Mobile money is the key to growing Africa's banking sector

Africa is a global leader in mobile money, with telecom operators embracing innovative practices that allow customers to not only pay bills but also access services including loans, insurance, and savings.

Yet increasingly, fintech startups with access to greater funding and banks are trying to permeate the mobile financial services (MFS) sector and pull some of these customers their way. This strategy is dependent on the recognition that the future is digital, and that mobile money presents a lucrative opportunity to grow revenue and deposits.

Banking institutions across Africa currently face numerous challenges, including high-cost models and fees that make it unaffordable for low-income segments, a high preference for cash over digital transactions, and a predisposition towards cooperatives. As such, Africa’s retail-banking penetration stands at half the global average for emerging markets at 38% of the gross domestic product, according to management consulting firm McKinsey.

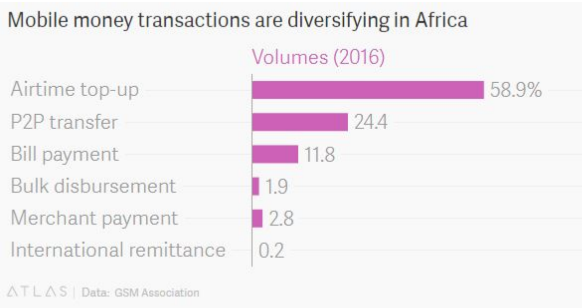
In contrast, McKinsey estimates there are 100 million active MFS customers in Africa dealing in transactions worth $2.1 billion. Telecom operators have more customers (Africa's largest operator MTN has over 170 million users), better distribution networks (Kenya's Safaricom has over 130,000 mobile money agents), can easily spread products given mobile phone diffusion (74% continental penetration as of 2016), not to mention the ease and safety of use in contrast to the paper-heavy processes of banks.



As the epicenter of mobile money growth, there are also diverse services operating in sub-Saharan Africa including Safaricom's M-Pesa, MTN Mobile Money, Orange Money, Tigo Cash or Tigo Pesa, Vodafone Cash, and Airtel Money.

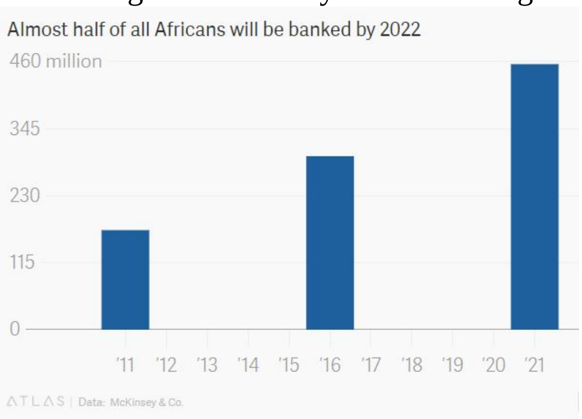
As such, adopting a mobile-first approach will only help banks, says Vahid Monadjem, the founder of the South African-based payments platform Nomanini. Given African banks' ranking as second in the world in growth and profitability "mobile money presents the opportunity to increase payments income as well as earn interest on increased deposits—an income stream which is usually not accessible to telcos," Monadjem says. "Ultimately, every dollar of cash that is moved to a digital store of value will land on the balance sheet of a financial institution which can then be lent out multiple times over."

Monadjem says that in the short run, banks and telcos should engage in "coopetition" with the aim of achieving mutually beneficial results. These include lobbying for better regulations, increasing shared agent networks, improving their distribution capabilities, besides enhancing interoperability between wallets.



This mutual cooperation is already evident in Equitel, which allows Kenya's Equity Bank customers to ride on Airtel's infrastructure to send and receive money. Safaricom's M-Shwari loan product was also developed with two banks in Kenya. Telcos, increasingly aware of these market-specific needs are also innovating around their approaches: last week, French telecommunications company Orange announced it would apply for a banking license to operate through its mobile money platform in eight West African nations.

In many African countries, lower smartphone prices are driving the digitization of cash and transactions. And if banks gradually build smart solutions for these customers, Monadjem says they could accelerate their own revenue and increase financial inclusion. "Without a doubt, armed with financing and vast experience around the logistics of handling cash, banks can play a massive role in enabling mobile money while boosting their own bottom line."



(By Abdi Latif Dahir, Quartz Africa Weekly Brief)

ENERGY

Tanzania asks bank to finance hydropower project in heritage site

Tanzania has approached the African Development Bank (AfDB) to finance a 2,100-megawatt (MW) hydroelectric plant in a World Heritage site renowned for its animal population, despite concerns from conservationists.

The East African nation considers the project at Stiegler's Gorge in the UNESCO-designated Selous Game Reserve to be vital in its bid to diversify its energy mix and end chronic electricity shortages.

The project would more than double the country's power generation capacity.

But critics say securing financing for it could prove difficult because construction of a dam on a major river that runs through the Selous Game Reserve could affect wildlife and their habitats downstream.

Tanzania's finance ministry said in a statement on Saturday that President John Magufuli, who is personally pushing the long-delayed project, made the financing request to AfDB President Akinwumi Adesina during talks in Tanzania's administrative capital Dodoma over the weekend.

The AfDB confirmed that it was reviewing Magufuli's request but did not say how much the project would cost. "President Magufuli is very committed to ensure that the country industrialises, but you cannot industrialise unless you have access to electricity," Adesina told journalists on Saturday after his talks with the president. "The president is very keen to talk to us about the Stiegler's Gorge project ... he mentioned that to us and we are going to be looking at that with him and the government, but we are also very keen to look at other alternative sources of energy."

Adesina said the AfDB plans to work with the Tanzanian government to develop integrated power projects with the private sector.

Tanzania's Finance and Planning Minister Philip Mpango said on Saturday that East Africa's third-biggest economy was also seeking a $200 million loan from the AfDB to build a new airport in Dodoma, and additional financing for the construction of roads. The government invited bids in August for the Stiegler's Gorge project and hopes construction work will begin as early as July. Covering 50,000 sq km, the Selous Game Reserve is one of the largest protected areas in Africa, according to UNESCO. It is known for its elephants, black rhinos and giraffes, among many other species. (By Fumbuka Ng'wanakilala, Reuters)

SA falling behind on renewable energy

South Africa is falling behind on renewable energy project implementation, even as other nations accelerate their plans for green energy.

According to data from Greenbyte, a renewable energy management systems manufacturer, SA lags far behind fellow BRICS country China which has 188 232 MW (megawatts) of wind power capacity and 106 921 MW of solar energy capacity. SA has just 2 094 MW of wind and 1 450 MW of solar capacity. Environmental activist organisation Greenpeace said the problem lay with renewable energy policy implementation. "We have been stuck in a black hole for over two years while Eskom refused to sign the power purchase agreements for the recently approved 27 renewable energy independent power producer (IPP) projects, which has created massive policy uncertainty in the renewable energy space," said Nhlanhla Sibisi, Greenpeace Africa Climate and Energy campaigner. "The utility was effectively holding the country to ransom, and national government did not intervene to ensure that the renewable energy projects went ahead. Added to this, the lack of an incentivising framework for rooftop solar and Eskom's own lack of investment in renewable energy have created a significant under-investment in renewable energy," Sibisi said.

Vast untapped capacity

Eskom largely relies on coal for energy generation, with 13 coal-fired plants producing 34 952 MW. The nuclear-powered Koeberg plant produces 1 830 MW.

The utility's Klipheuwel Wind Farm has a capacity of 3 MW, while the Sere Wind Farm in Vredendal in the Western Cape has a capacity of 100 MW.

But, according to the World Wide Fund for Nature's (WWF) Renewable Energy: Facts and Figures 2017 report, SA has vast untapped capacity to drive renewable energy projects.
The report argues that South Africa's wind energy potential alone is 6 700GW (gigawatts) if wind farms had to be installed across the country, except in exclusion zones such as national parks and settled areas. The WWF report indicates that, on solar power, SA has failed to take advantage of abundant sunshine even though countries in Europe and North America do, despite having much less solar irradiation. The Northern Cape, Free State and North West provinces are ideally suited to massive solar plants because of the abundant sunshine they receive. Globally, the world's biggest economies, China and the US, led in terms of solar power, said Greenbyte. "Established solar power nations China and USA kept their impressive growth with over 25% new capacity added in 2017 respectively. Also notable in 2017, China crossed the 100 GW mark in installed solar power capacity," said the company.

NDP goals

In SA, the National Development Plan calls for the procurement of "at least 20 000 MW of renewable electricity by 2030" and the decommissioning of 11 000 MW of ageing coal-fired power stations. "The major challenges to rolling out renewable energy projects are centred around political interference blocking policy certainty, inadequate renewable energy targets, the fossil fuel lobby, the lack of a plan for a just transition which has impacted on disenfranchised trade unions, and a lack of an enabling and incentivising framework," said Sibisi.
Energy Minister Jeff Radebe recently signed a R56-billion contract with 27 independent power producers, but the National Union of Mineworkers has threatened to end its support for the ANC over the deal, arguing that it would cost 40 000 jobs in the coal sector. "Given the current renewable energy IPPs that are already in production and in planning (this includes the 27 renewable energy projects that must still be signed), at least 100 000 full-time equivalent jobs would be created through the current private renewable energy projects alone," Happy Khambule, Greenpeace Africa's senior political advisor recently told News24.
The South Africa Photovoltaic Industry Association welcomed the signing of the IPP contracts, saying it "will indeed boost and revitalise long-term investor confidence" and create more than 61 000 jobs. "Renewables, and the wind power industry in particular, has a demonstrated alignment with President Cyril Ramaphosa's national agenda of economic growth, particularly in the cases of job-creating manufacturing, construction and rural development," said the South African Wind Energy Association in a statement. (By News24 Wire)

Cabo Verde Electricity and Water Company to be privatised in 2019/2020

Cabo Verde’s (Cape Verde’s) electricity and water company Electra will be privatized in 2019/2020, in the way that will be defined by a study that has yet to be carried out, the Cape Verdean deputy prime minister and minister of Finance said. Olavo Correia, at the end of his visit to Electra’s premises in Gambôa and Palmarejo, accompanied by the Minister of Industry, Trade and Energy, Alexandre Monteiro, said that the company’s privatisation process would be studied, decided and executed.
The deputy prime minister and finance minister, quoted by the Inforpress news agency, said the government had already received proposals from several interested parties, but stressed that the key now is to work on an appropriate privatisation model. “We have several models under analysis and we will define what best allows us to be independent in relation to fossil fuels, to use renewable energy increasingly to supply electricity, to reduce energy bills, combat technical and commercial losses and to produce enough energy to supply all of Cabo Verde’s islands,” he said. Correia said that 20% of the electricity produced in the archipelago is based on renewable sources and that “despite being at the top in Africa it has room to grow much more by drawing up a regulatory framework that allows private companies to invest in the sector, thus reducing dependence on fossil fuels.” (Macauhub)

MINING

Glencore's Congo mining conundrum

Miner and commodities trader Glencore is embroiled in a legal tangle over its copper and cobalt operations in Democratic Republic of Congo, where conflict and changes to regulations have deterred many mining firms.

U.S. sanctions on Glencore's former Israeli partner in Congo have been a trigger for litigation. At the same time, relations with the Congolese authorities are under strain from a dispute with the government over a new mining code.

Investors are watching closely, particularly for any impact on supplies of cobalt from Congo, which is by far the world's biggest producer of the metal whose uses include making alloys for jet engines and batteries for electric cars and mobile phones.

Glencore accounts for more than a quarter of the world's cobalt output, most of it from Congo, which itself is the source of 60 % of global supplies. Any disruption could push up cobalt prices from already historic highs of $90,000 a tonne. "The price would absolutely go through the roof," Bernstein analyst Paul Gait said.

The copper price could also be affected by any disruption at Congolese mines but any impact is likely to be less dramatic as Congo is only the world's fifth biggest producer, analysts say.

What is the row about?

Glencore's legal row revolves around its former partnership with Dan Gertler, an Israeli billionaire accused by Washington of using his friendship with Congolese President Joseph Kabila to secure sweetheart mining deals. Gertler denies any wrongdoing. Glencore has said the U.S. sanctions that were imposed in December mean it can no longer pay Gertler royalty payments. A company affiliated with Gertler has challenged this in court. In addition, Glencore's relations with its former business partner, state mining firm La Generale des Carrieres et des Mines (Gecamines), have been strained over the new mining code that raises taxes and royalty payments. Gecamines Chairman Albert Yuma has championed the new code, while Glencore and other foreign miners oppose the changes and have presented proposals to soften the new demands. The government has until now rejected these. Glencore told its shareholders this week talks were continuing and a compromise could be reached.

What is the latest legal situation?

Gecamines said on April 24 it had begun legal proceedings to wind up Kamoto Copper Company (KCC), one of Congo's biggest copper and cobalt mines that is a venture between Gecamines and Glencore's Katanga Mining. Gecamines said debts owed by KCC to Glencore and its subsidiaries at the end of 2017 topped $9 billion, and said the commodities group charged the venture interest rates on loans that were too high. Glencore denies this. Glencore said on April 22 Katanga was assessing options to deal with KCC's "capital deficiency", which could include converting some debt to equity or forgiving a portion of debt. Glencore Chairman Tony Hayward said on May 2 a recapitalisation of KCC could be successfully concluded. On April 27, Glencore said its Congolese mining subsidiaries had been served freezing orders for alleged unpaid royalties of nearly $3 billion by Ventora Development Sasu, a company affiliated with Gertler. Ventora is seeking $695 million in unpaid and future royalties from Glencore's unit Mutanda Mining and $2.28 billion from KCC. Glencore, which disputes the amounts, said Mutanda Mining and KCC would contest the freezing order and any subsequent proceedings. Glencore on May 1 won a temporary injunction against Gertler over the alleged unpaid royalties.

Further hearings are expected in London on May 11 and in Congo on May 8.

How did the royalties issue arise?

In February 2017, Glencore paid Gertler's Fleurette Group nearly $1 billion to boost its stake in the Mutanda and KCC copper and cobalt mines. Under the deal, Glencore pledged to pay royalties at a rate of 2.5 % to Gertler's companies, which had bought the rights from Gecamines. These payments ceased after U.S. sanctions were imposed. Glencore owns 100 % of Mutanda Mining and about 86 % of Katanga Mining, which in turn has a 75 % stake in KCC.

How will Glencore shares react?

Analysts and credit agencies say Congo risk is already factored into their view of Glencore, a diversified mining firm that has many operations around the world feeding into profits. RBC Capital Markets revised down its assessment of Glencore modestly on April 30, from “top pick” to “outperform”, saying even now the company’s shares were undervalued. It said any reduction in copper output could tip the world market into deficit this year, pushing up prices and helping Glencore’s overall copper business. But Glencore’s earnings could be hurt by a disruption to cobalt production in Congo. The company’s cobalt output outside Africa in 2017 was just 3,500 tonnes compared with 23,900 tonnes from Congo and Zambia combined.

Can Glencore resolve the legal row?

Glencore has operated for years in Congo and places around the world that other companies deem too risky, so many analysts say its experience and size will help it resolve the issues. But Congo has seized assets held by Western firms in the past. In 2010, Congo seized the licence for the Kolwezi copper-cobalt project from First Quantum. The Canadian firm secured an agreement to resolve the issue in 2012 following international arbitration. Elisabeth Caesens, director of Brussels-based Resource Matters, a group advocating better global resource management, said Glencore’s size might not be enough to protect it. “Congolese authorities have cancelled fully operational projects in the past in less troubling circumstances,” she said. (By Barbara Lewis, Aaron Ross and Arathy Nair, Reuters)

Guinea gives preliminary go-ahead for new bauxite project

Guinea’s government said on Friday that it had approved plans to award a mining contract to a Netherlands-based company to develop a $1.4 billion bauxite mine and alumina refinery. Guinea is Africa’s top bauxite producer and output more than doubled last year to about 50 million tonnes on the back of investments by Alcoa, Rio Tinto Alcan and Dadco. Societe des Bauxites de Guinee (SBG), a subsidiary of MetalCorp Group, plans to develop a new concession in northwestern Guinea that the company says has proven reserves of more than 300 million tonnes in proven bauxite reserves.

According to a government summary, a cabinet meeting on Thursday authorised the drafting of a mining contract that would allow SBG to begin production by the end of 2022.

The mine is expected to produce 3 million tonnes of bauxite per year for export and 5 million tonnes to refine into alumina at a nearby factory, the government said. “It is a big project that will require a minimum investment of $1.4 billion,” Saadou Nimaga, secretary-general of the mines ministry, told Reuters. MetalCorp did not immediately respond to a request for comment and government officials did not say when the contract was expected to be finalised.

The bauxite industry’s significance to Guinea’s economy has grown in recent years after development of huge iron ore deposits in its forested interior stalled when global commodities prices crashed in 2014. (By Saliou Samb and Aaron Ross, Reuters)

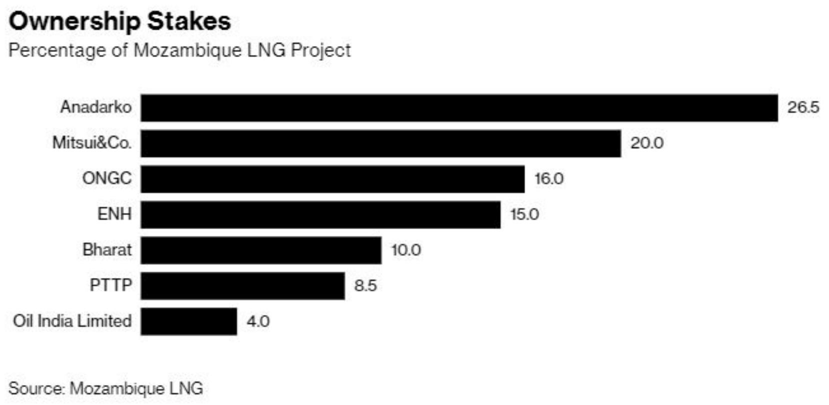
OIL & GAS

Anadarko Lines Up Enough LNG Buyers for Mozambique Project

- Company must convert ‘in principle’ agreements into contracts
- Exxon’s entry is positive for Mozambique as global supplier

Anadarko Petroleum Corp. said that “in principle” it has enough customers to proceed with its liquefied natural gas project in Mozambique, eight years after making a major deepwater discovery there.

The development of Mozambique's LNG potential by Anadarko, Eni SpA and Exxon Mobil Corp. is key to stimulating growth in one of the world's poorest countries. Anadarko signed a 15-year supply deal with Electricite de France SA in February and now needs to finalize contracts with other potential clients, said Steven Wilson, vice president and country manager in Mozambique for the Woodlands, Texas-based explorer.



"We effectively have agreement in principle for the volumes we need," Wilson said in an interview in Mozambique's capital, Maputo. "Now the intention is to follow the EDF transaction to be able to convert all those" into binding sales and purchase agreements.

Anadarko has also received government approvals for onshore facilities needed to export the gas. The project, estimated to require investment of $20 billion, will start with two so-called trains with a capacity of more than 12 million tons a year, with a view of increasing to as many as eight trains producing 50 million tons.

While Wilson is optimistic about project financing, he said the resumption of the International Monetary Fund's program in Mozambique would further boost investor sentiment toward the southern African nation. Some of the biggest natural gas discoveries in a decade off Mozambique's northern coast has been overshadowed by the disclosure of hidden government debt in 2016, which prompted the IMF to halt funding.

Project Financing

"We're confident that the project will be able to raise financing in the current environment," Wilson said. "That being said, we believe that the resumption of an IMF program would be a very powerful signal to the global markets that Mozambique is committed to transparent governance; it would encourage foreign direct investment and obviously would benefit the Mozambique economy." Eni's onshore LNG project picked up its own momentum in 2017 when Exxon acquired half of its stake in the Area 4 offshore gas field. The Italian company also made an investment decision on a floating LNG plant. Exxon's arrival has benefited the overall development, according to Wilson. "It's very positive news that Exxon Mobil has joined Area 4," he said. "One could view it as further validation that Mozambique will become a major global supplier of LNG in the future." (By Paul Burkhardt, Bloomberg)

Natural gas will cover 50% of Mozambique's electricity needs

The commercial start-up of the Maputo Thermal Power Plant this year will mean that the production of electricity based on natural gas will cover between 45% and 50% of Mozambique's needs, the deputy minister of Mineral Resources and Energy said on Wednesday in Maputo.

Augusto Fernando, speaking at the opening session of the 6th Mozambique Conference on Mines, Energy and Natural Gas (MMEC-2018), said that the country is the largest exporter of natural gas in Southern Africa and hopes to consolidate this status soon, when exploration of deposits in the Rovuma basin begin for domestic consumption and export.

MMEC-2018 is organised by AME Trade, a company that promotes events, in partnership with state oil and gas company Empresa Nacional de Hidrocarbonetos (ENH) and the Mozambican Mining Geology Association, and it aims to discuss the different stages of the mining and hydrocarbon industry in the country, from the legal component, to the business environment and the opportunities that may emerge in this area.

At the event, attended by more than 130 companies and 72 speakers from 20 countries, Fernando recalled that the potential of the country also includes the electricity sector. “Mozambique is one of the largest coal producers in Southern Africa and an exporter of this resource to the international market and is also the region’s largest exporter of renewable energy through the Cahora Bassa Hydroelectric Plant, a position that is expected to be reinforced by the implementation of other projects,” he said. The Vice President of US group Anadarko Petroleum and director for Mozambique, Steve Wilson, restated the group’s commitment to invest in the country’s natural gas but said that “there is still a lot of work to do” until the final decision. “We have [sales] arrangements that we just need to formalise, then we will move on to the financing project,” followed by approval processes until the final decision, he said on the sidelines of the conference, which is due to end on Thursday. (Macauhub)

Mozambique gas company ENH hires Lazard to raise US$2B

Mozambique’s national oil company appointed Lazard Frères SAS and Lion’s Head Global Partners as advisers to help raise as much as $2 billion to refinance its portions of two gas-development projects.

Empresa Nacional de Hidrocarbonetos EP will begin a roadshow next month to regions including Asia, the Middle East and South Africa, Chairman Omar Mitha said in an interview. Lazard will advise ENH on refinancing its portion of the project Anadarko Petroleum Corp. is developing, and Lion’s Head for the project Eni SpA is building, he said. It will engage Societe Generale SA to assist with refinancing for the Anadarko portion, he said. “We need to put that in place,” Mitha, who is also chief executive officer of ENH, said in Maputo, Mozambique’s capital. “It’s extremely urgent.”

Mozambique is seeking to restructure $2 billion of commercial external debt, which it hasn’t made payments on since October 2016. The country is counting on large gas projects that Anadarko and Eni are building to help it repay the loans, and started talks with creditors last month in London. ENH has a 10 % stake in Eni’s Area 4 project and 15 % of Anadarko’s Area 1.

Lazard is also the government’s financial adviser on the debt restructuring, and the company’s role advising ENH will be complementary as it will give the firm “a clear sight of what’s happening at the projects,” said Mitha.

Making a Case

“It also helps make a case for the other financial institutions so that Mozambique can go back to the market,” he said. “There is a line of sight of how much money we will get in the coming future.”

ENH had initially depended on partners at the gas concessions to finance its portion of equity as it wasn’t able to raise the money itself at the end of 2014 because of poor market conditions amid a gas-supply glut. The market has since improved, and ENH is betting investors will see the projects as being less risky as progress has been made developing them and natural gas prices have rebounded.

ENH received World Bank support to hire the financial advisers as part of the lender’s Mozambique Mining and Gas Technical Assistance Project, Mitha said. (Club of Mozambique)

TELECOMS

Senegal Approves Sale of Tigo to Group Led by French Billionaire

Senegal approved the sale of Millicom International Cellular SA’s mobile-phone business in the country to a group of investors that includes French billionaire Xavier Niel, a decision that may end a dispute over the transaction that began last year. President Macky Sall signed a decree earlier this month authorizing Luxembourg-based Millicom to sell its Tigo unit to a consortium that includes NJJ Capital, a private holding company owned by Niel, government spokesman El Hadji Kasse said by phone from Paris.

The winning group is called Saga Africa Holdings Ltd., Paris-based weekly magazine Jeune Afrique reported on Friday. The consortium also includes Sofima Ltee, a telecommunications investment vehicle managed by the Axian Group, and Teyliom Group, which is owned by Senegalese entrepreneur Yerim Sow, it said.
Senegal's government intervened in the deal after Millicom canceled a $129 million agreement in July to sell its Tigo unit to Wari Group, a Senegalese money-transfer company, and agreed a new transaction with the consortium. Wari said Millicom had no right to rescind the deal, denying claims that it didn't meet payment deadlines, and filed an arbitration request in Paris last year. Sall said last year his government would make its own ruling if the companies failed to find an agreement. (By Malick Ciss and Olivier Monnier, Bloomberg)

AGRIBUSINESS

$120m IFAD boost for Mozambique agriculture project

The International Fund for Agricultural Development (IFAD) has announced a US$120-million grant to support the implementation of the ProSul project in Mozambique.
IFAD representative in Mozambique, Robson Mutandi made the announcement of the grant in maputo on Wednesday after a meeting with Mozambican Prime Minister,Carlos Agostinho do Rosário. "This is the good news that we have brought to the Prime Minister, "Mutandi told reporters. He explained that IFAD decided to expand the coverage of the project nationwide, not only by requests from the government and population of the non-covered provinces, but also because it understands that ProSul is achieving its objectives.
The ProSul project promotes sustainable agriculture among small-scale farmers in Africa through increased production, improved productivity, quality improvement and market linkage.
Mukandi said the project will be implemented in all of Mozambique's 11 provinces under the name PROCAVA. "ProSul is running very well. We are very pleased with the program. We have a year and a half to complete, but because of the success, we are putting an additional money in this new project called PROCAVA, which will replicate all the good things under ProSul throughout the whole country, "he said. The project will provide support the three value chains of horticultural, cassava and red meats. (Club of Mozambique)

Exports of timber from Angola only permitted with proof of bank deposit

The wood resulting from tree-felling in Angola can only be exported by presenting the proof of deposit of the corresponding value in one of the country's banks or a credit note, the Angolan Minister of Agriculture and Forestry Marcos Nhunga said in Luanda.
The minister also announced that due to changes underway, the beginning of the forestry year, which usually takes place in the first week of May, has been postponed indefinitely until the Council of Ministers approves new regulations for the sector.
Nhunga also said that the large amounts of timber that leave Angola every year are not reflected in the State Budget, a situation that the government is determined to reverse, as of this year, by introducing new forest legislation. "Exports of timber have not so far had any weight in the state coffers, since the money corresponding to the sale of the product has not entered the country," said the minister, quoted by state newspaper Jornal de Angola.
The Minister of Agriculture, speaking on the sidelines of the 1st General Assembly of the Angolan Association of Industrialists and Timber Industry (ANIMA), to elect the organisation's governing bodies, reiterated the promise of a forestry police corps, initially put forward in January by the Secretary of State for Forest Resources, André Moda.
At the end of January, the Ministry of Agriculture announced the immediate suspension of all activities related to the exploration of forest resources, such as felling, movement and transportation of logs, and in February the government created a multi-sector commission to carry out an

inventory of timber seized throughout the country, for disobeying instructions from the Ministry of Agriculture. (Macauhub)

Kenya Coffee Farmers Going Nuts Yields Record Macadamia Crop

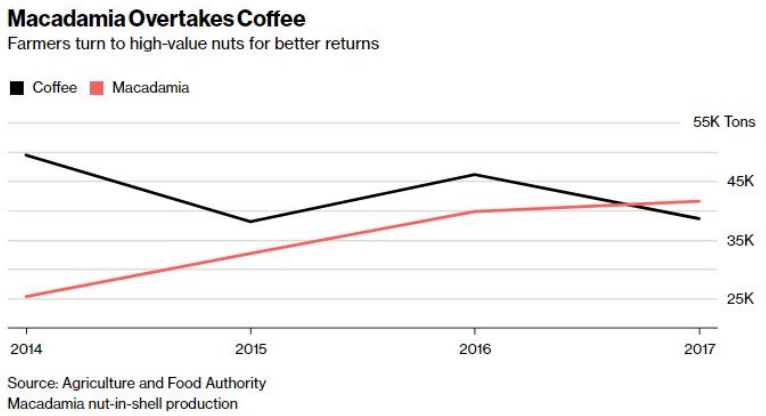
- Prices for the nuts have more than doubled so far this year
- East African nation is world’s third-biggest macadamia grower

Kenyan farmers used to grow macadamia trees to shade their coffee bushes. Now they’re making so much from production of the nuts that they’re abandoning the beans.

The East African nation, known for its prized arabica coffee, is gaining a reputation for its macadamias with production growing to a record last year. Expansion in the world’s third-biggest grower of the crop is being driven by demand from China, according to Nairobi-based agro-processor Nawiri Agribusiness EPZ Ltd.

Farmgate prices for unshelled nuts have risen to as high as 180 shillings ($1.80) a kilogram (2.2 pounds) this season from about 70 shillings at the start in December, and may climb to 200 shillings, according to Alfred Busolo, head of Kenya’s state-run Agriculture and Food Authority. By contrast, many coffee farmers operate at a loss with their beans earning about $0.55 per kilogram, according to a report last year by London-based advocacy group Fair Trade.

“Farmers are beginning to discover that this is gold,” said Loise Maina, one of three founders of Nawiri Agribusiness. “Wherever coffee is grown, macadamia also grows and farmers are now aware of the opportunity with macadamia.”



Kenyan coffee production has dwindled after years of mismanagement by the industry regulator to 38,620 metric tons last year from a peak of 130,000 tons in 1989. Macadamia production increased 5 % to 41,614 tons last year, after growing more than 20 % over the preceding two years, according to the AFA. At current prices, last year’s macadamia crop was worth 7.49 billion shillings. The coffee industry earned 15.9 billion shillings last year, according the Nairobi Coffee Exchange.

Fruity Notes

Farmers in Kiambu, Meru, Embu, Murang’a and Kirinyaga -- highland regions that surround Mt. Kenya, the source of the volcanic soil that suffuses Kenyan coffee with its strong acidic and fruity notes -- are now the biggest producers of macadamia in the country.

Increasing output helped Kenya overtake the U.S. as the third-biggest producer in 2013, a position it’s held since then. Australia produced 14,100 tons of nut kernels last year, compared with South Africa’s 13,383 tons and Kenya’s 5,795 tons, according to the Reus, Spain-based International Nut & Dried Fruit Council.

Production is expected to increase within the next four years when saplings with better yields mature, according to Maina, who sources the nuts from subsistence farmers.

Confectionery, Cosmetics

Nairobi-listed agriculture companies including Kakuzi Plc and Sasini Plc have joined small-scale farmers in diversifying into the high-value nuts that are eaten raw, roasted or added to confectionery. Macadamia oil, which is unsaturated and cholesterol-free, is used mainly in pharmaceuticals and cosmetics.

Kakuzi has been producing kernels since 2016, having planted macadamia trees where it once had coffee. Macadamia sales more than doubled to 371.6 million shillings last year, according to its latest annual report, making the nuts the company's second-biggest earner after avocados.
Smaller rival Sasini, which has been growing coffee since the colonial era which ended in 1963, is constructing a macadamia-processing factory that's scheduled to crush its first nuts this month. "Both these new lines of business, macadamia and avocado, show a lot of promise and the respective industries are thriving globally," Sasini said in its latest annual report.
Kenya now has 27 licensed macadamia processors, from just five in 2013, AFA's Busolo said. Other than ensuring there is regulation to govern the sector, the agency will stay out of the industry, he said. With coffee, poor management by the state harmed the industry, farmers say.
"We want the private sector to play a key role, unlike coffee, which had a lot of government involvement," Busolo said. (By Samuel Gebre and Helen Nyambura-Mwaura, Bloomberg)

'Cashew into cash' is Mozambique's new mantra to boost the economy
The country's cashew industry, one of the world's biggest, was dealt a body blow first by the 1977-1992 civil war and then by a controversial WB aid package.
Mozambique is going nuts about cashews, and they're boosting the economy's health. The country's cashew nut industry, one of the world's biggest, was dealt a body blow first by the 1977-1992 civil war and then by a controversial World Bank assistance package.
Now, the government is looking to help the curved, nutrient-packed nut to recover its past glory.
In Nampula, in the country's north, the end of the cashew nut season sees a processing factory burst into activity.
Dozens of workers labour under a scorching hot roof, baked by the sweltering heat as they separate nut from shell with a stamp of the foot.
Condor Nuts, where they work, is one business that has seized on the support offered by the government having opened a plant in a suburb of Nampula in the heart of cashew country 10 years ago. Condor boss Americo Matos told AFP that he was just getting started. "At the moment, we process 8,000 tonnes of nuts every year," he said. "Our goal is to quickly grow that to 10,000 tonnes a year and then, with our second factory, the company targets an overall capacity of 20,000 tonnes per year."
In Condor's warehouses, sacks brimming with nuts are piled several feet high. Hundreds of workers — as many as 1,000 at peak times — are on hand to cut, open and peel the harvest, often by hand.
For working five or six hour days in noisy conditions, the workers are paid 45 euros ($55) a month, barely more than the minimum wage. "Demand is very strong. We manage to sell everything we produce, the future is bright," Mr. Matos said.
Satiating Europe's cashew cravings
Business is also booming for Armendo Joaquim Balanca, whose 140 cashew trees produced two tonnes of nuts last year. "That brought in 140,000 meticals (1,850 euros, $2,288)," he said. "I invested half and used the rest to pay medical costs and the children's school fees." Buoyed by his success, he now plans to plant 500 new trees.
Since 2010, cashew consumption has surged in Europe, where the nuts have gained in popularity primarily because of their health benefits.
Almost three million tonnes are harvested worldwide every year with Ivory Coast's crop leading the way with an annual production of 7,25,000 tonnes, followed by India and Vietnam.
With output of just 140,000 tonnes every year, Mozambique lags behind the top three producers but is closing the gap — and has big ambitions. "The productivity of the cashew trees is increasing and our plans are, in the near future, to reach the historic level of 200,000 tonnes of nuts a year," said Prime Minister Carlos Agostinho do Rosario. That symbolic figure was reached in the 1970s — the golden age of cashew farming — but the civil war brought the sector to its knees.
When peace returned, the World Bank imposed a neoliberal economic recovery strategy that shook the sector.

Keeping the cash registers ringing

Experts forced the government to end a tax which had funded development of the industry locally, convinced that the export of raw nuts would be more profitable for producers.

The impact was devastating: 10,000 factory jobs were lost while the income of more than a million farmers went into freefall. “The goal of the World Bank was to ensure that the prices were at a level high enough to be sustainable,” said the current head of the World Bank’s Mozambique office Mark Lundell. “There were difficulties in implementing the project,” he admitted. “Our focus has always been on trying to support the industry.”

Cashew nuts are now one of the crops fuelling growth in the agricultural sector. Today, almost half of the raw products are now processed locally. “Without local industry, the producers would not have been unleashed,” said the government’s cashew industry promoter Jaime Chissico. “We process far more locally than our African rivals and, with the increasing demand for processed products, we are in a good position.” And while competition is fierce with India and Vietnam, Mozambique is holding its own and attracting international investors. Jan Le Grange, the South African owner of 1,300 hectares (3,200 acres) near Namialo to the east of Nampula, initially grew soya. But an overly dry year followed by a season of excessive rain forced him to rethink his plans. “I decided to go for cashew trees,” he said, citing stable global demand and resilient prices. Mr. Le Grange just planted 30,000 cashew trees, a number he soon hopes to triple. “It is a good opportunity. I’m very optimistic,” he said. (Club of Mozambique)

Why rallying cocoa’s future looks less sweet

Cocoa has climbed by nearly 50% this year, making it the best-performing commodity, but there might not be enough juice left to power its price much higher.

July cocoa futures CCN8, -1.17% settled at an 18-month high of $2,836 per metric ton Wednesday on the ICE Futures U.S. exchange, but have since pulled back and traded around $2,806 on Monday 23rd April. They’ve climbed about 48% for the year to date.

Weather during the previous 2016-17 crop year made for “incredibly favorable growing conditions, creating a huge surplus through the end of last year,” says Adam Koos, president of Libertas Wealth Management Group. This year’s rally follows a drop of more than 40% in futures prices by year-end 2017 from late 2015’s level.

Weather patterns, however, “have changed, creating an increasingly dry environment, which is hurting supply and causing worry…driving prices dramatically upward,” adds Koos.

Cocoa crops in the Ivory Coast, the largest producer in the world, suffered from months of hot and dry weather before abundant rainfall in March contributed to declines in cocoa prices in late March to early April.

Over in Ghana, another key grower, output in recent months has been challenged by “aging cocoa-tree stock, mostly diseased and unproductive, in addition to the recent dry spell witnessed in the country,” said a March monthly review from the International Cocoa Organization.

“Cocoa is one of the more volatile agricultural commodities, and prices can be pushed and pulled strongly in either direction, because around 75% of world production is concentrated in West Africa,” observes Darren Kottle, portfolio manager of the Catalyst Multi-Strategy fund ACXAX, -0.14% , which is long cocoa futures.

But “overwhelmingly, the price increase has been due to supply constraints in the major cocoa-producing nations,” he says, adding that there have also been recent reports of rising chocolate demand from Asia, Europe, and emerging markets.

West Africa cuts

Cocoa yields have also suffered on the heels of the global supply glut of the past two years, as many growers in West Africa cut spending on farm maintenance, says Kottle.

World production for the 2017-18 crop year was forecast at 4.64 million metric tons, down 2.3%, year on year, according to the quarterly bulletin published by the International Cocoa Organization

on Feb. 28. World cocoa grindings, a proxy for chocolate demand, was seen at 4.49 million metric tons, up 2%.
Jack Scoville, senior market analyst at Price Futures Group, says the cocoa rally has mostly been led by demand. "Eventually, the prices will come down, but it will take demand backing off to make it happen, due to the projections for less production next year," he comments.
This year, cocoa futures have scored weekly gains in all but two weeks, and reached their latest highs even as data from the National Confectioners Association revealed that cocoa beans ground in North America in the first quarter edged down by 1.1% from the total a year earlier, to 118,778 metric tons. The iPath Bloomberg Cocoa Subindex Total Return exchange-traded note (NIB) was up 50% this year, as of Thursday.
"I've seen a number of opinions that would suggest, from a supply-and-demand point of view, cocoa has overextended its rally," says Darin Newsom, a senior analyst at DTN, a commodities analysis provider. "In other words, global fundamentals haven't tightened to the level that would warrant a 58% price increase from the April 2017 low," when cocoa futures fell below $1,800.
"However, the nearby May-to-July futures spread remains inverted," with the May contract higher priced than July, he says. "That suggests supplies remain tight, in relation to demand."
Futures contracts with the closest settlement date may see prices climb above $3,000 this year, predicts Newsom. That's a level they haven't reached since late August of 2016.
Still, "such a move could pull momentum indicators into overbought territory and possibly lead to a round of noncommercial selling," Newsom warns.
Kottle, meanwhile, points out that cocoa prices have a tendency to "far overshoot fair value on either the upside or downside," and with volatility across assets having picked up, "cocoa prices can see much larger and sustained price swings. That would suggest that the peak in cocoa prices is well above current levels." (By Myra P. Saefong, MarketWatch)

UPCOMING EVENTS

Africa Energy Forum 19-22 June 2018 in Mauritius
https://www.africa-energy-forum.com/

Mining on Top: ''EUROPE AS A PARTNER FOR AFRICAN MINING'' 3-4 July 2018, Geneva Switzerland
http://ametrade.org/miningontopafrica/

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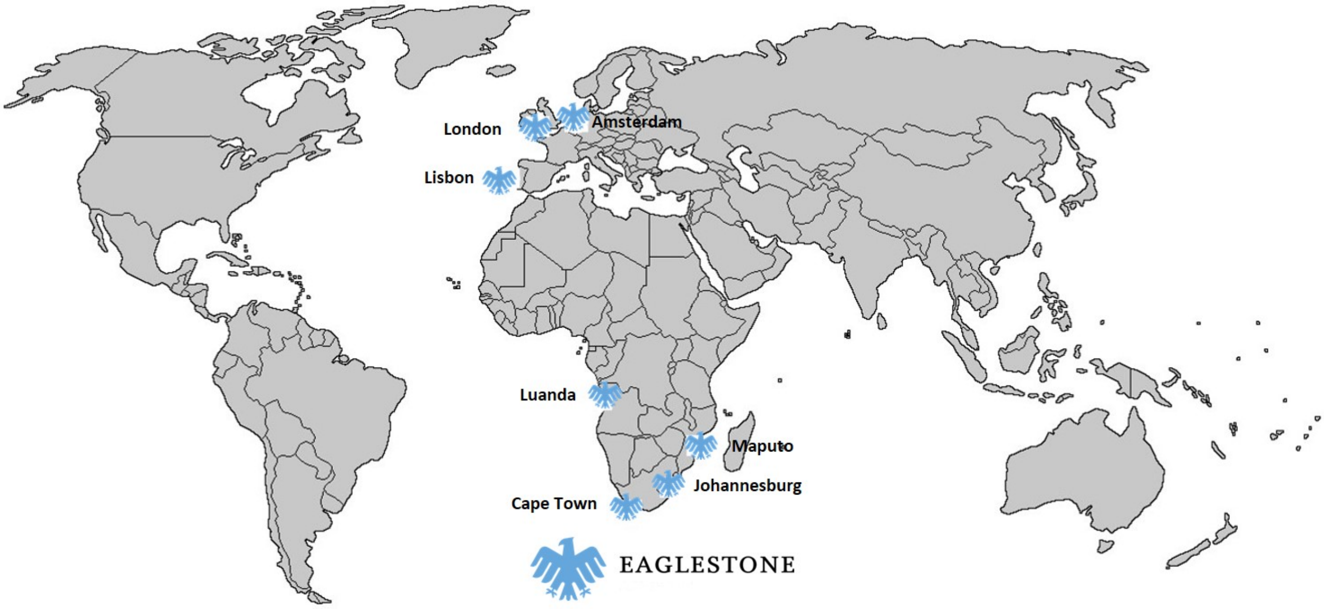

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The company has three business activities - financial advisory services, asset management and brokerage - and currently has offices in Amsterdam, Cape Town London, Lisbon, Luanda and Maputo

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