INSIDE AFRICA

Now is the time to invest in Africa

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EAGLESTONE

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In-depth:
Accelerating Africa's Energy Transition

Rebalancing Africa's energy mix to include greener forms of power is an environmental and economic imperative. But the most efficient way for Africa to move away from fossil fuels will be to recognize that the oil sector still has a vital role to play in Africa's energy future.

PARIS – For much of Africa, the transition from fossil fuels to cleaner forms of energy is seen as an environmental imperative. With fossil fuels comprising a majority – as high as 70% in some cases – of the energy mix, the situation on the continent is indeed ecologically dire.

But Africa's energy transition is economically urgent as well. Each year, oil subsidies consume 1.5% of the continent's GDP – roughly $50 billion. That is enough money to provide solar power to some 300 million people. If the continent could rebalance its energy portfolio, moving away from hydrocarbons slowly, those subsidies could be reallocated in ways that would yield both environmental and economic benefits.

Today, neither oil exporters nor importers are adequately insulated from price shocks. When oil prices declined rapidly in 2015, for example, Africa's energy importers spent less on oil, while exporting countries suffered financially. When prices rebounded, the relationship switched: energy-exporting countries' revenues inched up, while importing countries struggled to maintain consumption levels.

This is a needless cycle. Integrating cleaner power into national energy systems would not only raise local capacities; it would also free up hydrocarbons for export. The resulting revenue could then be invested into new forms of greener power. Such a transition, which would require cooperation with the oil sector, promises to boost socioeconomic progress.

Among the biggest benefits would be the electrification of areas that, under current distribution systems, are literally in the dark. Today, just 30% of Africa has access to reliable electricity. But, with a total capacity estimated at around ten terawatts, installed solar capacity in Africa could broaden access dramatically. In fact, according to some estimates, the increase in solar generation by 2030 could range from 15 to 62 gigawatts.

Fossil fuels are not destined to be phased out anytime soon, but an energy mix that included a significant increase in solar power would have major economic advantages for Africa, especially in areas where agriculture is the largest economic sector. Electrifying agricultural areas would facilitate the storage and transportation of farmed products, improve food security, and increase farmers' earning capacity.

In the drive to rebalance Africa's energy mix, the continent maintains one crucial advantage over developed economies: a clean slate. The relative absence of legacy investments is the principal reason why green power is Africa's best energy option. Although every country must balance its own energy needs, reliance on renewable sources, and solar power in particular, is the most cost-efficient strategy for fostering rapid economic development throughout the continent.

Evidence of this potential can be found in the few photovoltaic power plants that have begun operating in Africa. For example, the Senergy 2 solar plant in Senegal sells electricity to the Senegalese power utility at a price that lowers the cost of the energy mix by 50%. Similar solar solutions are being implemented by African telecoms to electrify communication towers.

The best way to accelerate the transition from hydrocarbons to greener forms of energy would be to redirect a portion of national oil subsidies to renewables. This would create stronger incentives to reduce fossil-fuel consumption, while encouraging investment and growth in green-energy output. For Africa's rural regions, moreover, such policies would help bring communities out of darkness and lead to the installation of other critical infrastructure that economic growth requires.

But while renewables hold the key to Africa's long-term prosperity, the continent's transition to cleaner power should not lead to an immediate, full-scale repudiation of hydrocarbons. The oil sector will still have an important role to play. The industry's experience on the continent will be needed to navigate the energy transformation. And, because fossil fuels will remain part of the continent's energy mix, the oil sector must be encouraged to clean up its own act.

This may sound like an impossible alliance. But as policymakers across the continent seek to secure adequate supplies of clean energy to ensure rapid, inclusive economic growth and environmental sustainability, they are likely to find that there is no alternative. Cooperation between old and new energy industries may be the only engine that is capable of powering Africa forward. (By Charlotte Aubin for Project Syndicate, CEO of GreenWish Partners, a renewable-power producer dedicated to Sub-Saharan Africa)

Global Economic Prospects: Sub-Saharan Africa

Recent developments

Growth in **Sub-Saharan Africa** is estimated to have rebounded to 2.4 % in 2017, after slowing sharply to 1.3 % in 2016. The rise reflects a modest recovery in Angola, Nigeria, and South Africa—the region's largest economies—supported by an improvement in commodity prices, favorable global financing conditions, and slowing inflation that helped to lift household demand. However, growth was slightly weaker than expected, as the region is still experiencing negative per capita income growth, weak investment, and a decline in productivity growth.

Although oil producers in the region continue to deal with the effects of the earlier oil price collapse, growth rebounded moderately in metals-exporting countries, reflecting an uptick in mining output amid rising metals prices, while growth in non-resource-intensive countries—largely agricultural exporters—was broadly stable, supported by infrastructure investment and crop production.

Fiscal deficits narrowed slightly in 2017, the result of large spending cuts in some oil exporters. However, government debt continued to rise across the region compared to 2016, as countries borrowed to finance public investment.

Outlook

Growth in the region is projected to continue to rise to 3.2 % in 2018 and to 3.5 in 2019, on the back of firming commodity prices and gradually strengthening domestic demand. However, growth will remain below pre-crisis averages, partly reflecting a struggle in larger economies to boost private investment.

South Africa is forecast to tick up to 1.1 % growth in 2018 from 0.8 % in 2017. The recovery is expected to solidify, as improving business sentiment supports a modest rise in investment. However, policy uncertainty is likely to remain and could slow needed structural reforms. Nigeria is anticipated to accelerate to a 2.5 % rate this year from 1 % growth in the year just ended. An upward revision to Nigeria's forecast is based on expectation that oil production will continue to recover and that reforms will lift non-oil sector growth. Growth in Angola is expected to increase to 1.6 % in 2018, as a successful political transition improves the possibility of reforms that ameliorate the business environment.

Non-resource intensive countries are expected to expand at a solid pace, helped by robust investment growth. Côte d'Ivoire is forecast to expand by 7.2 % in 2018; Senegal by 6.9 %; Ethiopia by 8.2 %; Tanzania by 6.8 %; and Kenya by 5.5 % as inflation eases.

However, given demographic and investment trends across the region over the longer term, structural reforms would be needed to boost potential growth over the next decade.

Risks

The regional outlook is subject to external and domestic risks, and is tilted to the downside. Although stronger-than-expected activity in the United States and Euro Area could push regional growth up due to greater exports and increased mining and infrastructure investment, an abrupt slowdown in China could generate adverse spillovers to the region through lower-than-expected commodity prices.

On the domestic front, excessive external borrowing without forward-looking budget management could worsen debt dynamics and hurt growth in many countries. A steeper-than-anticipated tightening of global financing conditions could also lead to a reversal in capital flows to the region.

Protracted political and policy uncertainty could further hurt confidence and deter investment in some countries.
Rising government debt levels highlight the importance of fiscal adjustment to contain fiscal deficits and maintain financial stability. Structural policies—including education, health, labor market, governance, and business climate reforms—could help bolster potential growth. (World Bank)

IMF, WORLD BANK & AFRICAN DEVELOPMENT BANK

IMF Staff Concludes Visit to Guinea-Bissau

- Economic activity remains buoyant, supported by effective fiscal management.
- The draft 2018 budget reflects increased revenue mobilization and targets higher-priority spending.

An International Monetary Fund (IMF) team led by Tobias Rasmussen visited Guinea-Bissau from January 17-23, 2018, to evaluate the draft 2018 budget, assess the fiscal and debt implications of an intended scaling up of infrastructure investments, and discuss recent developments in the banking sector.
At the end of the visit, Mr. Rasmussen issued the following statement:
“Economic activity remains buoyant, supported by effective fiscal management. Inflation has remained low, tax revenue is rising robustly, and real GDP growth appears continuing near the 2017 pace of around 5.5 %. Pickups in public and private investment are providing new growth impetus, compensating for a likely levelling off in cashew prices following last year’s sharp increases.
“The 2018 budget approved by the Council of Ministers reflects the authorities’ efforts to enhance revenue mobilization and create fiscal space for priority spending, in line with the objectives of the IMF-supported program. With the budgeted overall deficit contained below 3 % of GDP, the increased revenue would enable a roughly 3 percentage point of GDP increase in spending, mainly on infrastructure investment.
“The scaling up of investment is welcome, as it could help address critical gaps in the country’s infrastructure, but the process needs to be carefully managed. Achieving the intended developmental effects depends on proper planning and execution, with due regard to capacity and debt carrying constraints. A number of investment projects are, however, yet to be fully integrated into budget planning. “Vigilance is also needed to ensure a sound financial sector that supports sustainable economic growth. This includes effective banking supervision and monitoring of prudential norms. “The team expects to return to Bissau in March to initiate discussions with the authorities for the fifth review of the ECF-supported program.”
The team met with President José Mário Vaz, Public Prosecutor General Bacar Biai, Minister of Finance João Fadia, Central Bank of West African States (BCEAO) National Director Helena Nosolini Embaló, other high level officials, as well as representatives of the private sector and the donor community.

Angola and the African Development Bank sign USD 101 million to support agricultural value chains development in Cabinda Province

The African Development Bank is fully engaged in ensuring efficient and sustainable agricultural production projects in its regional member countries. This can drive economic growth and poverty reduction as well as fulfil both domestic and global demand for agricultural products.
It is within this perspective, that Angola’s Finance Minister, Governor for the Bank, Augusto Archer de Sousa Mangueira, and the African Development Bank’s Country Manager for Angola Joseph Ribeiro, signed a US $101.07 million loan agreement for the Cabinda Province Agriculture Value Chains Development Project.
The loan was approved by the African Development Bank’s Board on 15 December 2017 and will directly benefit 51.000 economically active rural agricultural smallholders in all four municipalities

of the Cabinda Province (Belize, Buco Zau, Cacongo, and Cabinda City) as well as small and medium sized entrepreneurs responsible for providing agricultural support services and food processing. A number of enabling infrastructures will be built including 191 km of access roads, 54km of power supply networks, 750 hectares of irrigation systems, 16 boreholes for water supply, a primary school and a medical facility in each of the four municipalities.

Speaking at the ceremony, the Governor of Cabinda Province, Eugénio César Laborinho praised the Bank for approving an integrated development project that will help address the challenges faced by smallholders and cooperatives in the province, notably the lack of access to agricultural inputs and credit to boost production. “The implementation of this project inaugurates a new era in Cabinda’s history, and is timely, as it responds to the recommendations of the President of Angola, João Lourenço, related to the creation of economic opportunities for the population in Cabinda”, the Governor added.

The Finance Minister highlighted the alignment of the project with the government’s policies aimed at diversifying the economy. According to him, “this project will help address persistent economic and social problems in Cabinda, in particular, the high unemployment and poverty rates”.

For his part, the Agriculture and Forests Minister Marcos Nhunga emphasized the relevance of the project in terms of generating sustainable incomes through agriculture value chains, and therefore enhancing economic stability for rural households in Cabinda.

Joseph Ribeiro highlighted the Bank Group’s commitment to deliver such transformative projects, which he said, “is aligned to the Bank’s High 5s related to Feed Africa and Improve the quality of life of the people of Africa.”

Infrastructure & Africa’s development—the PPP imperative

Africa is a continent rich in natural resources and boasts a large young, ambitious, and entrepreneurial-minded population. Harnessed properly, these endowments and advantages could usher in a period of sustained economic growth and increased well-being for all Africans.

However, a lack of modern infrastructure is a major challenge to Africa’s economic development and constitutes a significant impediment to the achievement of the Sustainable Development Goals.

According to a recent report by the World Bank, there are varying trends in Africa’s infrastructure performance across key sectors and regions. In telecommunications, Sub-Saharan Africa has seen a dramatic improvement in the quantity and quality of infrastructure, and the gains are broad-based. Access to safe water has also risen, with 77% of the population having access to water in 2015, from 51% in 1990. In the power sector, by contrast, the region’s electricity-generating capacity has changed little in more than 20 years. At about 0.04 megawatts per 1,000 people, capacity is less than one-third of that of South Asia, and less than one-tenth of that of Latin America and the Caribbean.

The PPP imperative

Facing the dearth of infrastructure funding, an increasing number of countries, notably emerging markets and developing economies (EMDE), are turning to Public-Private Partnerships (PPPs) in order to tap private capital. Although PPPs cannot fully solve this problem, they can provide significant financing where viable projects are carved out. Africa’s current state of infrastructure calls for massive adoption of the PPP model to accelerate infrastructure delivery.

Yet PPPs in Sub-Saharan Africa remain a very small market, with projects concentrated in only a few countries, namely, South Africa, Nigeria, Kenya, and Uganda. Together these account for 48% of the 335 total PPP infrastructure projects in the region in the past 25 years. In the past five years, PPP infrastructure projects in the region have mainly been concentrated in the energy sector (78%)—mostly renewables—followed by transport (22%) and water and sanitation (0.5%).

We recognize that some African countries are hesitant to embark on PPPs as a result of prior bad experiences with ill-prepared PPPs or even with less-than competent PPP project sponsors—as they say: “once bitten, twice shy.” There are ample PPP opportunities waiting to be realized on the

African continent for the benefit of all stakeholders. The time for an infrastructure revolution via PPPs in Africa is now.

The question is: what must African governments do to drive PPPs?

Experience shows that 1) starting small then gradually embarking on larger PPPs based on lessons learned, and 2) higher risk allocation to government in the first generation of PPP projects, can provide a lot of advantages and go a long way in unlocking the flow of private capital into PPPs once investors and lenders develop enough comfort with the PPP environment of a country.

Here are two examples based on that experience, whose lessons could be applied to PPPs in Africa:

- Health sector PPP initiative in Bangladesh: About 400,000 people are diagnosed with kidney-related diseases every year in Bangladesh and about 20,000 patients develop acute renal failure. These patients have limited access to quality and affordable care. With the assistance of the International Finance Corporation (IFC), the government embarked on upgrading and running a total of 60 haemodialysis machines in two public hospitals. The project involves the procurement of dialysis equipment, installation of dialysis stations, and employment of all staff (other than doctors) at the participating hospitals. The maintenance of the machines is provided through a PPP. This was a modest, yet smart start by the government rather than pursing a larger-scale PPP in the healthcare sector, and through lessons learned may ultimately help with the design and implementation of a nationwide health PPP once the door has been opened for the injection of private capital.
- Renewable energy PPP in Pakistan: The southeast coastal belt of Pakistan is blessed with a wind corridor that has tremendous exploitable wind energy potential. By tapping into renewables, the government saw the opportunity to both bridge the gap in energy deficiency and ease pressure on deteriorating balance of payment conditions due to massive oil import bill. To attract the capital from private investors and lenders needed to launch the first generation of wind projects, the government came up with a very unique credit enhancement—wind risk guarantee. Essentially, it means investors will be compensated for an unfavorable deviation of average wind speeds from a pre-determined benchmark, versus the international practice where investors bear wind variability risks. By wisely carrying some additional risks to successfully deliver a number of wind projects under this scheme (approximately 300 MW) through PPP channels, Pakistan moved on to a feed-in tariff regime in 2012–2013 (which brought in another 500 MW of wind power) and are now on the cusp of launching a competitive tariff-based procurement scheme. This has done two things: it has widened the pool of developers and investors that have gained experience and knowledge of the Pakistan wind energy market; and it has given these investors the confidence to prepare themselves and get comfortable with the competitive tariff regime given the gradual risk transfer over a period of time.

Both of these cases are encouraging. With this kind of ramp-up approach, many African countries could create precedent and bring in private capital to address their mammoth infrastructure needs. A PPP proverb: little drops of water via small projects makes an ocean of PPP projects in due course.

INVESTMENTS

Angola to create single agency for private investment

The Angolan government intends to create a Single Private Investment System, merging several state agencies that receive and process investment proposals as a way of speeding up and simplifying processes, according to the "New Private Investment System Operational Framework," document prepared by the Technical Unit for Private Investment (UTIP).

The document, quoted by the Lusa news agency, notes that the current model, which provides for a "fast, 'unbureaucratised and simplified procedure" for private investment projects, has not achieved the desired objectives.

This reality, it said, is the result of "a lack of greater integration of State services related to private investment, non-standardisation of procedures between agencies involved in the system, and a lack of knowledge of private investment procedures" as it is "a new matter" for the Technical Units of Investment Support in the ministerial departments and the provincial governments.
The proposed model calls for merging UTIP – extinguishing the respective technical units that operate in provincial governments and ministries for investment projects of less than US$10 million – and the Agency for the Promotion of Private Investment and Exports (piex), which were recently created.
The proposal outlines the creation of a Single Private Investment System, explaining that the "concentration of private investment procedures in a single entity ensures uniformity and better coordination of the investment system in the country at all stages of the process."
The proposal involves the creation of an entity "with services in a One Stop Shop model, which would provide services for the approval of investment projects, incorporation of companies and the pre-licensing required for the operation of companies approved within the scope of private investment." (Macauhub)

Chinese company Shandong Hi-Speed Group interested in the Special Economic Zone of the Maritime Economy of Cabo Verde
Representatives of Chinese company Shandong Hi-Speed Group Co. have expressed "enormous interest" in participating in the development of the Special Economic Area of the Maritime Economy in São Vicente, said the Cape Verdean Minister of Maritime Economy, José Gonçalves, at the end of a visit to the island by a Chinese business delegation.
Shandong Hi-Speed Group Co. is present in 76 countries where it operates in a wide range of areas, from airport and port construction to operation and management of roads, bridges and railway lines.
Gonçalves, quoted by the Inforpress news agency, said that despite the "whistle stop" nature of the visit, as the delegation of business people visited the island of Sao Vicente for just a few hours, it was "a first-hand look" at the opportunities that the Cape Verdean island offers within the framework of the Special Economic Area of the Maritime Economy. The minister also said that during the meeting held in the city of Mindelo a visit was scheduled by a Cape Verdean delegation to China in the first quarter of the year. (Macauhub)

BANKING
Banks

President of Angola orders evaluation of public banks
The shareholdings held by the Angolan state or public companies in national and foreign banking institutions will be evaluated by a working group led by Finance Minister Archer Mangueira under an order signed by President João Lourenço. The order also stipulates that the working group will have 45 days to carry out an "appraisal diagnosis" of Angolan public financial banking institutions and to "define a methodology for restructuring" them. The Angolan State, through oil company Sonangol, has holdings in several national and foreign banks, including Portugal's largest private bank Banco Comercial Português (BCP), in which it holds a stake of 14.87% with a potential loss of 365.7 million euros, according to Portuguese state news agency Lusa.
The working group includes the Secretary for Economic Affairs of the President of the Republic, the Secretary of State for Finance and the Treasury and a deputy governor of the National Bank of Angola.
In the meetings of this group, the presidents of the Capital Markets Commission, the Angola Debt and Stock Exchange, state-owned company Recredit and Banco de Desenvolvimento de Angola (BDA), Banco de Poupança e Crédito (BPC) and Banco de Comércio e Indústria (BCI). Angolan public company Recredit announced in August 2017 that it expects to extend the purchase of bad credit to four other commercial banks – Banco de Comércio e Indústria (BCI), Banco Angolano de

Investimentos (BAI), Banco Keve and Banco de Negócios Internacional (BNI) – after agreeing to purchase the debts of state-owned bank Banco de Poupança e Crédito (BPC). (Macauhub)

Angolans have six months to repatriate capital without penalty

Angolan citizens with undeclared foreign deposits of more than US$100,000 will have a period of six months to repatriate their funds without being subjected to any criminal, tax or foreign exchange investigation, according to the proposed Extraordinary Tax and Exchange Regulation Law being prepared by the National Bank of Angola.

The proposal, which is intended to gather "resources, assets and rights held abroad and their repatriation, exempting payment of any fines or fees and excludes criminal liability," establishes a system of tax and exchange legalisation "applicable to the assets that were not in Angolan territory on 31 December 2017." The move includes bank deposits of organisations and individuals, in excess of US$100,000 "or the equivalent in another foreign currency, depository certificates, securities and other financial instruments," including life insurance policies linked to investment funds and capitalisation operations of the life insurance segment. The scheme, which will be in force for 180 days after the publication of the law, will only require the submission of a voluntary declaration by the taxpayer, through a financial institution domiciled in the country, for subsequent repatriation from abroad. Anyone who makes use of this extraordinary scheme, "is not obliged to declare the origin" of the funds, under paragraph 3 of article 2, and will be covered by confidentiality and exempt from fiscal or criminal responsibility. This bill still needs to be analysed and approved by the Angolan cabinet before being brought to parliament for debate and approval.

The Angolan President, João Lourenço, announced in December 2017 that Angolan citizens would be given a grace period to repatriate the funds they have deposited abroad without fear of legal proceedings, in a speech given in Luanda in his role as Vice President of the Popular Movement for the Liberation of Angola (MPLA). (Macauhub)

Banco de Fomento Angola leads deals in the Secondary Public Debt Market

Angolan bank Banco de Fomento Angola in 2017 and for the third consecutive year, was the bank that traded most on the Secondary Public Debt Market of the Angola Debt and Securities Exchange with a value of 194.7 billion kwanzas and 1,243 trades, according to a report for last year. This bank was the first agent licensed by the Capital Markets Commission and the first authorised to operate in the regulated markets of the Angola Debt and Securities Exchange, Angolan news agency Angop said, citing the report released by the Exchange. Standard Bank Angola came in second place by trade value, totalling 170.5 billion kwanzas, after placing fourth in 2015, and was third by the number of trades carried out, with 196, after Banco de Investimento de Angola, which made 320 deals and was ranked third by value.

Overall, the amount traded in 2017 increased by 43.5% to 525.1 billion kwanzas, compared to 365.9 billion kwanzas in 2016, with 1685 deals taking place, a drop of 17% over 2,039 deals in 2016. The Angola Debt and Stock Exchange (BODIVA) is responsible for ensuring the transparency, efficiency, and security of transactions in regulated securities markets, encouraging the participation of small investors and competition among all operators in the Angolan market. (Macauhub)

JPMorgan plans expansion into Ghana and Kenya

JPMorgan Chase & Co plans to expand its African presence into countries including Ghana and Kenya, Chief Executive Jamie Dimon said in an interview. "You'll see us open in some countries we are not in, in Africa you'll be hearing about some of that stuff," Dimon told Bloomberg Television on the sidelines of the World Economic Forum meeting in Davos, Switzerland. Dimon said the bank would target Ghana and Kenya, two countries in which local regulators have previously blocked the U.S. banking giant's expansion plans, according to media reports at the time.

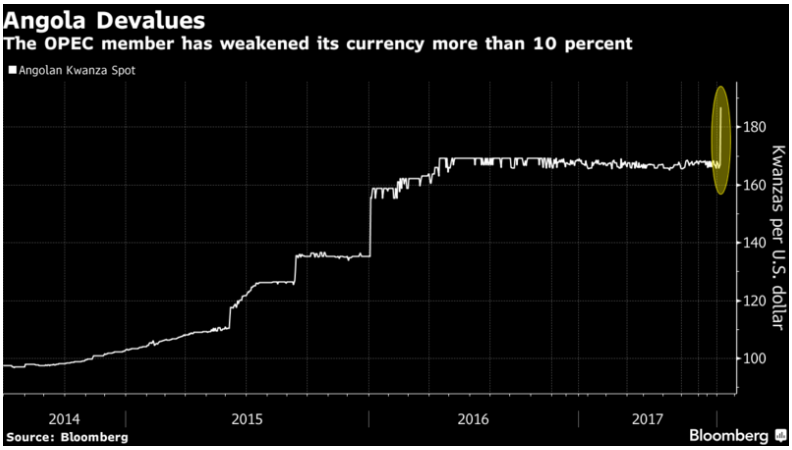
The announcement follows JPMorgan's unveiling of a $20 billion investment plan which will see it hike wages, hire more, and open new branches as it takes advantage of sweeping changes to U.S. tax law and a more favorable regulatory environment.
The five-year plan will see the U.S. bank ramp up overseas investment in addition to its domestic growth plans, after it finished cleaning up troubled mortgages following the 2007-09 financial crisis. (By Lawrence White; Editing by Mark Potter, Reuters)

Markets

OPEC's Angola Ditches Currency Peg as Kwanza Devalued at Auction

- Bank sells 83.65 million euros at average 221.26 kwanzas each
- Sale ends currency peg that was in place since April 2016

Angola devalued its currency as the OPEC member seeks to revive an economy still reeling from the oil-price crash four years ago.
The kwanza fell 11 % to 186.52 per dollar by 10:28 a.m. on 10th January in Luanda, the capital and depreciated 10 % to 221 per euro. The move came a day after the central bank allowed the currency to weaken in its first auction of foreign exchange since announcing it would end a dollar peg in place since April 2016.
Africa's second-biggest oil exporter joins a long list of commodity producers -- from Russia to Kazakhstan and Nigeria -- that have floated or devalued currencies in a bid to end crippling shortages of dollars and stop bleeding reserves. Angola's cash pile more than halved since 2014 as it tried to defend the peg.



"Angola has finally adopted a new currency regime, which seemed inevitable given the imbalances facing the country due to weaker oil prices and the growing pressure on foreign-currency reserves," said Victor Lopes, an economist in London at Standard Chartered Plc. "The new regime will be a managed float. This is a major change in terms of economic policy."
The move is part of President Joao Lourenco's efforts to attract investment just three months after replacing Jose Eduardo dos Santos, who ruled the former Portuguese colony for almost four decades. Lourenco, who used to be a minister, inherited an economy beset by the plunge in revenue from oil -- which accounts for almost all Angola's exports -- and widespread corruption.

More to Come?

Angola may have to weaken the kwanza further if it's to close the gap with the black-market rate, which fell to 430 per dollar as hard currency in the import-dependent nation dried up. While Brent crude prices are still well below levels of mid-2014, their increase of more than 50 % since June to almost $70 a barrel probably led Angola to weaken the currency by less than it would have otherwise done, according to Absa Bank Ltd.
"A 10 % devaluation was probably much less than the market was expecting," said Samantha Singh, a Johannesburg-based strategist at Absa, citing quotes for kwanza one-month non-deliverable forwards of 190/218 per dollar. "Unless oil prices continue to rally, further currency adjustments are warranted."
At Tuesday's 9th January auction, the Banco Nacional de Angola sold 83.65 million euros ($100 million) to commercial banks at an average rate of 221.26 kwanza per euro. It allocated most of the funds to pay for raw materials, factory parts and equipment, the bank said. Angola's last auction

before Tuesday's was in early November, when it sold euros at 186.3 kwanzas each. The European currency has since strengthened by more than 3 % against the dollar.

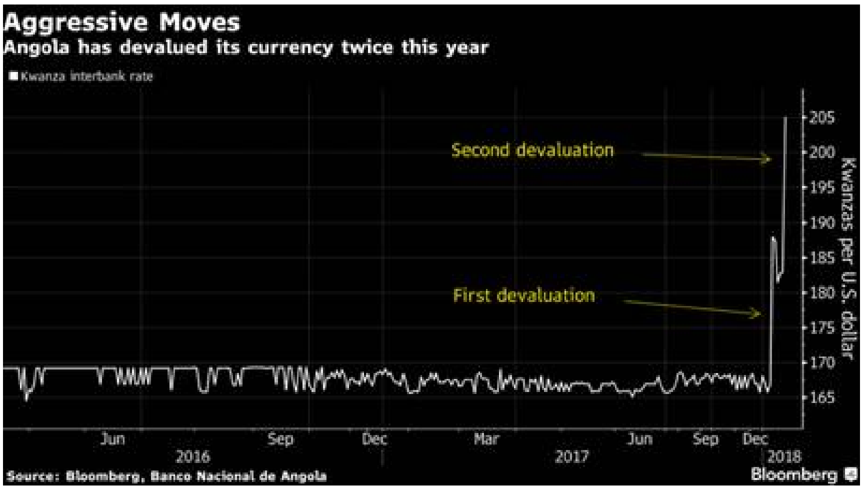
The central bank has mostly auctioned euros in the past two years because international lenders are reluctant to provide the southern African nation with dollars, given the perceived risk of violating anti-money laundering laws. Angola ranks among the 20 most corrupt countries in the world, according to Berlin-based Transparency International. (By Henrique Almeida, Candido Mendes and Paul Wallace, Bloomberg).

Angola's Terminator Gets Serious on Reforms as Kwanza Falls

- Nation allows currency to drop almost 20% against dollar
- Plans Eurobond sale in 2018, paying $5 billion in arrears

Angola is on a roll. In just three hours, it updated plans for a Eurobond sale, said it will pay back arrears of $5 billion and allowed its currency to plummet, again. "The signal is quite strong from the Angolans that they're willing to do the right thing," said Samantha Singh, a Johannesburg-based strategist at Absa Bank Ltd. "Not many people expected the central bank to be as aggressive as it has been."

Africa's second-biggest oil producer has been battling to revive an economy hit by low crude prices, dollar shortages and inflation of more than 25 %. In the three months since Joao Lourenco, 63, replaced Jose Eduardo dos Santos as president, he replaced the central bank governor and fired his predecessor's children as heads of the state oil company and the sovereign wealth fund. He's been dubbed The Terminator by Angolans on social media after Arnold Schwarzenegger's movie character.



The government said it would repay arrears of $5 billion to contractors by 2019 and plans to tap the international bond market by the end of June. Lourenco's new central bank governor, Jose de Lima Massano, also weakened the kwanza another 11 % against the euro, bringing its total drop to about 25 % since the nation scrapped a peg last week that was put in place in early 2016. The currency is now down almost 20 % against the dollar this year to around 205, though it's still much stronger than its black-market rate of 450 against the greenback. "It isn't clear how far they're going to go with the devaluation," Singh said by telephone. "The budget suggested that they'd allow the currency to fall around 30 %, but it assumes an oil price of $50 a barrel. It's much higher than that now."

Borrowing Binge

Brent crude this week closed above $70 per barrel for the first time in three years. Angola had been on a borrowing binge since oil prices collapsed from more than $110 a barrel in 2014, raising its debt-to-GDP ratio to above 60 % in June from 47 % three years earlier. Angola will probably have to turn to the International Monetary Fund for financial help, Standard Chartered Plc said in a note last week.

The reforms are making Angola's assets attractive, according to Aberdeen Standard Investments, the London-based company that manages about $900 billion of funds. The extra yield investors demand to hold Angolan debt over U.S. bonds is 399 basis points, compared with the 347 average for sub-Saharan Africa, according to JPMorgan Chase & Co. indexes. "You can see it as cheap versus its sub-Saharan African peers," said Edwin Gutierrez, Aberdeen's head of emerging-markets sovereign debt. "Other than Zambia, it's the only other major one still at about 400 basis points. And unlike Zambia, it's doing a lot of the right things to get an IMF deal. Whether it actually wants an IMF deal remains uncertain." (By Paul Wallace, Henrique Almeida , and Lilian Karunungan)

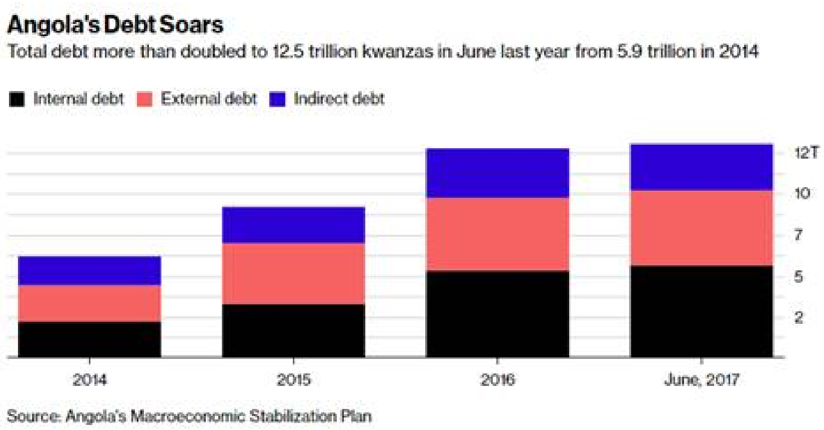
Angola Owes $5 Billion to Firms, Plans Eurobond Sale in 2018

- Oil-producing nation seeks to settle unpaid invoices by 2019
- Angola wants to renegotiate maturities of bilateral debt

Angola owes more than 1 trillion kwanza ($5 billion) to companies in Africa's second-biggest oil producer and may sell an international bond this year, according to its Macroeconomic Stabilization Plan.

President Joao Lourenco's government is seeking to settle the unpaid invoices by 2019, according to the document seen by Bloomberg. The arrears relate to costs incurred in the country between 2014 and 2016, it showed. "The payment of these arrears, after being verified and validated, is a priority," according to the plan. "That payment is not only a right for the creditor companies, but will also represent a positive and stimulating factor for the economy."

Angola's economy has been hit by low crude oil prices, soaring inflation and a shortage of dollars needed to import products. It's expected to expand 4.9 % this year, accelerating from 1.1 % growth in 2017. The third-biggest economy in sub-Saharan Africa posted zero growth in 2016 -- its worst performance in more than a decade. The state has devalued the kwanza against the dollar twice this year after scrapping a peg, in a bid to boost the battered economy.



Rising oil prices could help Angola pay these arrears, said Tiago Dionisio, a Lisbon-based analyst for Eaglestone Advisory SA. Angola, which depends on crude for more than 90 % of its exports, forecasts a $50 a barrel average price in its 2018 budget report. Brent crude closed above $70 a barrel for the first time in three years. "It won't happen from one day to the next, but authorities in Angola know that settling the late payments to suppliers will help the overall economy," Dionisio said.

Non-Registered Debt

The drop in oil prices, which began in 2014, boosted Angola's borrowing needs. Total debt rose to 12.5 trillion kwanzas in June 2017 from 5.9 trillion kwanzas in 2014. The debt-to-GDP ratio increased to 61.2 % in June compared to 46.6 % in 2014. "The debt's trajectory is currently crossing the limit of its sustainability," the government said in the macroeconomic plan for 2017 and 2018. "All the necessary efforts should be developed to keep it sustainable." Under the proposal, the government will cut spending and negotiate the maturities of its bilateral debt with its main partners during the first half of this year. The Finance Ministry is also seeking to confirm Angola's "non-registered debt," according to the document. Angola plans to complete all necessary steps to sell Eurobonds before the end of June. Dionisio, the Eaglestone analyst, said in a research report in December he expects Angola to issue a $2 billion bond in February.

Angola to issue $2 bln Eurobond in 2018 to ease debt burden

Angola plans to issue a Eurobond and renegotiate bilateral debt in 2018 as part of a series of measures aimed at restructuring the economy and controlling mounting debt payments, a government macroeconomic plan showed.

President João Lourenço took power in September and is seeking to win credibility with international investors and shed Angola's image as an opaque oil economy with rampant corruption. The government earlier put the Eurobond's size at $2 billion. (By Stephen Eisenhammer, Reuters)

Nigeria Plans $2.5 Billion Eurobond Sale in the First Quarter

- Nigeria selling dollar bonds to refinance local-currency debt
- Nation seeks to return to JPMorgan's local-currency bond index

Nigeria may sell $2.5 billion of Eurobonds in the first quarter to refinance domestic debt and wants to start talks with JPMorgan Chase & Co. about being reinstated in its local-currency emerging-market bond index, according to a government official.

The issuance would complete a dollar-debt program that started with selling $3 billion of Eurobonds in November, according to Debt Management Office Director-General Patience Oniha. The yield on dollar bonds due November 2027 have fallen about 60 basis points since they were issued late last year to 5.92 %, almost eight percentage points lower than the yield on similar maturity local-currency government bonds.

President Muhammadu Buhari's administration is selling more foreign debt to help reduce the financing burden from paying double-digit yields on local-currency bonds. That would help free up funds to increase investment in infrastructure and spur economic growth. The International Monetary Fund forecast the economy will expand 2.1 % this year compared with 0.8 % in 2017, driven by the oil sector.

The issuance is "subject to market conditions," Oniha said in an interview from her office in the capital, Abuja. The whole $2.5 billion could be raised in one go or in tranches, she added.

Index Inclusion

The government also plans to begin talks with JPMorgan about being included in its government bond index for emerging markets, said Oniha. The nation's naira securities were removed in 2015 because of foreign-currency shortages.

"We would like to get back into the index," Oniha said. Daily trading volumes for the naira have risen to about $200 million from as little as $20 million three years ago, according to Standard Chartered Plc. That bodes well for discussions on returning to the index, according to Oniha. "The securities trading was never the problem, it was always the foreign-currency liquidity," which has now improved, she said.

Here's more from the interview:

- The government is looking to sell another sukuk -- debt that complies with Shariah principles -- after the 2018 budget is approved
  - The securities are tied to specific projects, Oniha said
  - Nigeria in September sold a seven-year sukuk of 100 billion naira ($278 million), and used the proceeds to fund development of 25 roads across the country
- Due to declining borrowing costs in Nigeria, corporate bond sales are expected, probably after the second quarter as the process of issuing improves, Oniha said
  - "There is money on the table. Rates are lower. So let's begin to work on encouraging corporate bonds," she said
  - "The main reason there aren't many corporate bonds in Nigeria is because interest rates were too high," she said
- Of the $3 billion raised in November's Eurobond sale, $2.5 billion went to funding the 2017 budget, and $500 million to refinancing local debt

(By David Malingha Doya, Antony Sguazzin , and Sophie Mongalvy, Bloomberg)

It Would Be a Pitch Like No Other: Zimbabwe Eyes Bond Market

- Mugabe's exit paves way for reintegration into global system
- New leader Mnangagwa has debt sale plan as he woos investors

It’s a sales pitch as tough as they come: the economy has halved since 2000, unemployment’s at 90 % and bank withdrawals are capped at $40 a week. What’s more, the government’s behind on World Bank loan payments and some officials have been sanctioned by the U.S. and Europe.

Welcome to Zimbabwe, where new president Emmerson Mnangagwa wants to sell debt to revive one of the world’s worst-performing economies and end its isolation from international capital markets. The odd thing is, the pitch might just work.

“It is a tall order, but no longer out of the question with the change in leadership,” said Hasnain Malik, the Dubai-based head of equities research at Exotix Partners LLP, who covers Zimbabwe. Mnangagwa, 75, is mingling with the elite of the capitalist world at Davos this week, two months after replacing Robert Mugabe.

Under Mugabe, 93, who ruled the southern African nation for almost 40 years until the military ousted him in November, Zimbabwe turned from one of the continent’s most promising economies into a virtual pariah state. His sanctioning of violent takeovers of white-owned farms from 2000 crushed agriculture, the mainstay of the economy, and caused investors to flee.

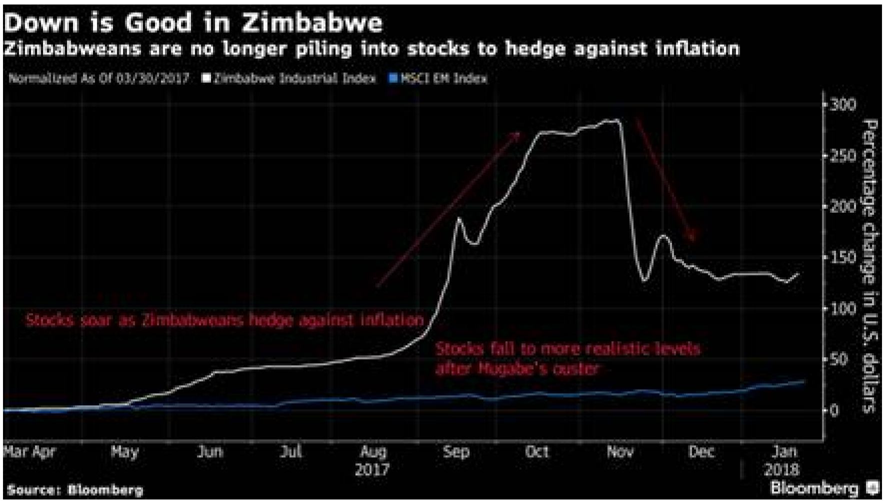
Inflation surged to 500 billion %, according to the International Monetary Fund, as Mugabe printed money in a desperate attempt to get out of the hole he’d created. Hyperinflation only ended in 2009 when Zimbabwe scrapped its worthless dollar and adopted the U.S. version, which is still the dominant currency among a basket of notes accepted as legal tender.

While Mugabe’s exit paves the way for Zimbabwe’s reintegration into the global financial system, bond investors will first want to see credible elections, evidence of more fiscal discipline and a deal with the IMF for financial help, Malik said.

Spy Chief

Mnangagwa, a former spy chief who was close to Mugabe throughout his presidency and the nation’s liberation war before that, plans to hold elections within five months and invite international observers, he said in an interview with Bloomberg in Harare, the capital, last week. He’s confident he’ll win.

While it could take several years before Zimbabwe can reintroduce its own currency, it may start the process soon by building reserves of gold and diamonds, Mnangagwa said. His government will also prioritize repaying its roughly $1.8 billion of arrears to external lenders and getting support from the IMF, he said.



Until Zimbabwe does that and obtains credit ratings, “no one will buy from these guys,” said Kevin Daly, a London-based money manager with Aberdeen Standard Investments, which oversees $900 billion including African sovereign debt.

Still, there have already been improvements in Zimbabwe’s local markets. The nation’s stocks became skewed under Mugabe: they soared for all the wrong reasons last year as locals, worried about another round of money-printing, sought to hedge against potential inflation. Since Mugabe’s exit, they’ve dropped to more realistic levels in a sign of rising confidence, according to Malik of Exotix. The gauge is up 0.3 % this year.

Even if Zimbabwe does the right things, the earliest it would be able to issue a Eurobond is the end of this year, according to Rick Harrell, a sovereign analyst at Loomis Sayles & Co., which oversees $268 billion. The task would be that much easier if the high global demand for emerging-market debt is sustained until then.

"They have a laundry list ahead of them," said Harrell, who is based in Boston. "But the market environment couldn't be any better for an issuer."

Fund

Angolan President analyses proposed measures for the Angola Sovereign Fund

The President of Angola, João Lourenço, said in Luanda he would analyse the measures proposed by the Ministry of Finance for the Angola Sovereign Fund, which may be implemented in the next few days, at his first press conference since he took office. Lourenço said that an "independent" company has been hired to carry out a diagnosis of the accounts of the Sovereign Fund and said that as a result of this work the Ministry of Finance presented a proposal for measures to be taken in order for the government take more effective control of the money made available to the Fund. The Angola Sovereign Fund was created in 2012, with an initial allocation of US$5 billion. The Board of Directors of the Fund is chaired by Filomeno dos Santos, son of the former President of the Republic, José Eduardo dos Santos. Lourenço, quoted by the Angolan news agency, stressed that the dismissal of the current board of directors of the Sovereign Fund was a possibility, stating "I won't say that I will exonerate it, but it could happen." At the same press conference, which brought together more than 100 journalists from the national and foreign media, the Angolan President said that the government will sell all state companies that are not profitable. The President stressed that private activity should be the main driver of production of goods and services and that the Angolan State will focus on the national and foreign private sector to develop the country's economy. Lourenço noted in this regard that the model designed for Special Economic Zones, in which management was the responsibility of the State, had not provided the results that would be expected. (Macauhub)

ENERGY

Angola signs two loans for Laúca Hydroelectric Plant

The Angolan government has taken on two new loans with a combined value of US$396 million to be invested in the Laúca Hydroelectric Plant, the country's largest dam, according to two presidential orders from the end of December. One of the loans, in the amount of US$246 million (41 billion kwanzas) will be taken on from the Standard Chartered Bank, and the second will be from British company Gemcorp, worth US$150 million (25 billion kwanzas).

Jornal de Angola reported that the funding is needed to cover the power transmission system related to the Laúca Hydroelectric Plant. The Laúca Hydroelectric Plant, located on the Kwanza River between the provinces of Kwanza Norte and Malanje, required a public investment of US$4.3 billion, making it the country's largest public works project. Also considered the largest civil engineering project ever in the country and the second largest dam in Africa, Laúca will serve 8 million people, reaching the central provinces of Huambo and Bié in 2018. The work was financed by a Brazilian credit facility and in its various phases it hired about 13,000 workers. It began in 2012 with Brazilian group Odebrecht as contractor. (Macauhub)

Two new plants to convert natural gas into electricity in Nacala-a-Velha

Two new 400-megawatt power plants generating electricity using natural gas are to be built in Nampula's Nacala-a-Velha district, places the region firmly in the orbit of large investments. Nampula governor Victor Borges explained to Notícias that the project, which will start this year, will be spearheaded by a foreign-owned company called Nacala Power, which will respond to the challenges of the central government energy matrix by increasing the availability of electricity in response to demand from the industrial sector in particular. The gas to be converted into electricity, which will then be sold to the company Electricidade de Moçambique (EDM), which has already expressed an interest, will be imported in the instance from producer countries in Asia. However, imports will later be replaced by product from the Rovuma basin in Cabo Delgado, in the north of the country. (Club of Mozambique)

Drought constraints Cahora Bassa electricity generation

Hidroelectrica de Cahora Bassa (HCB), the company that operates the Cahora Bassa dam on the Zambezi river, in the western Mozambican province of Tete, produced almost 13.8 million megawatt-hours of electricity in 2017. A release from HCB said that the total production, of 13,778,414 megawatt-hours, was 6.76 per cent more than initially planned, but 11.53 per cent less than the amount of power generated in 2016. The 2017 production was only 75.7 per cent of the dam's installed capacity. Electricity generation was constrained by the low level of water in the upper and middle Zambezi. Drought in the region, the release explained, meant that, at the start of 2017, the elevation of the Cahora Bassa reservoir was 312.22 metres above sea level, eight metres lower than normal. This was an "historically low level of water storage" behind the dam. Management of the reservoir, the release said, "has been cautious, seeking a compromise between levels of electricity generation and the need to restore normal levels of water storage". By the beginning of 2018, the elevation of the reservoir had risen to 317. 69 metres "a better situation than at the beginning of last year", HCB said, "but still three metres below the desired level". The target for HCB electricity generation in 2018 is 13.47 million megawatt-hours. This year sees the start of a five year strategic plan (for 2018-2022), which will see the start of capital expenditure of 500 million euros (602 million US dollars). The capital expenditure plan covers a ten year period "based on an assessment of operational risk, and it covers a range of projects in the critical areas of the business, intended to increase HCB's capacity to supply reliable and sustainable electricity at a competitive cost to the national and regional markets". (Club of Mozambique)

Necsa marks South African nuclear industry milestone

The South African Nuclear Energy Corporation (Necsa) marked an important milestone when it formally handed over the first locally-designed and manufactured safety-critical nuclear component, fully certified, to national power utility Eskom for use in the Koeberg nuclear power plant, near Cape Town. Necsa has a Nuclear Manufacturing unit within its Pelindaba Enterprises division.

The component is an air receiver vessel. The specifications and overall design were drawn up by a team at Koeberg, while the detailed design and computer modelling was carried out at Pelindaba Enterprises. Design and manufacture were monitored by global quality assurance organisation TUV and by the South African National Nuclear Regulator. "This is our first delivery of a fully-qualified product," affirmed Pelindaba Enterprises group executive (Mr) Ruby Ramatsui. "This has confirmed we are ready to supply the rest of the world." "This is the first ASME III certified vessel certified and manufactured in South Africa," highlighted Necsa Pelindaba Enterprises chief engineer Jaco van der Merwe. ASME (originally the acronym for the American Society of Mechanical Engineers) Chapter III contains the globally accepted quality standards for pressure vessels manufactured for nuclear applications.

South Africa had previously had some nuclear manufacturing capabilities, but, with the end of the apartheid era and of the concomitant sanctions, these were not economically viable and were shut down. "This is a process of restarting what we had before," explained Ramatsui. But this time, the aim was to be commercially competitive. He pointed out that other countries had successfully localized nuclear technology and created competitive nuclear industries. South Korea was a particularly good example. "We can do it!" he assured.

The fabrication of the air receiver vessel was the result of a Necsa vision to become a manufacturer of nuclear products for the nuclear industry in South Africa and internationally, pointed out Van der Merwe. The first step was to build a team of skilled engineers and artisans (such as boilermakers and welders). Once that team had been built, the next step was to check quality assurance and management standards and procedures, and identify gaps and shortfalls. These gaps were then filled and the shortfalls rectified and the team members trained up to the very high required standards.

ASME was then invited to send an audit team to Pelindaba Enterprises. They did so, and the result was the granting of ASME III certification, with the requisite certificates for nuclear design and manufacturing. "Nuclear Manufacturing [within Pelindaba Enterprises] has been appointed as an approved [nuclear] supplier. ... [A]ccording to ASME standards," stated Van der Merwe. "We are pioneering a sustainable path for the African nuclear industry," stressed Ramatsui. "We will continue to build capacity in cooperation with Eskom and local industry. (By Rebecca Campbell, Engineering News)

INFRASTRUCTURE

China's financing of public works in Mozambique exceeds US$2.28 billion

The Maputo/Catembe bridge, due to be opened in the next few months in the Mozambican capital, is the project with the biggesting funding granted by China for the construction of infrastructure in the African country, the total amount of which exceeded US$2.28 billion from 2000 to 2014.

The "Official Chinese Funding for Africa," document recently released by AidData, a research body linked to William & Mary University in the US, shows that the construction of the new bridge in the Mozambican capital costs an estimated US$725 million, of which 95% was covered by a loan granted by the Export Imports Bank of China (ExIm) and the remainder by the Mozambican State Budget.

Last October the China Road and Bridge Corporation (CBRC) installed the first module of the 57 that will make up the main deck of the bridge connecting Maputo to the town of Catembe on the other side of Maputo bay, which was originally scheduled for completion at the end of 2017, but which is now expected to be opened in the first few months of 2018.

Construction of the bridge is part of the Maputo-Ponta de Ouro road construction project, over a distance of 209 kilometres. The project is divided into three parts – the first section from Maputo to Katembe, over 35 kilometres; the second section comprising Katembe-Ponta de Ouro (109 kilometres) and includes the repair/construction of roads between Katembe/Bela Vista and Bela Vista/South Africa and the third section of 63 kilometres covering the repair of the Bela Vista/Boane road. The AidData document showed that the second largest slice of Chinese funding to Mozambique was granted by the same bank in 2013, in the amount of US$416.5 million, to repair the Beira-Machipanda road.

The project is part of a package agreed in May 2013 during a visit to China by former President Armando Guebuza to build a set of roads that also includes the already inaugurated Maputo circular (US$300 million) and the Bene-Zumbo (US$278 million), among others. The total of US$2.28 billions of Chinese funding between 2000 and 2014also includes almost US$155 million of interest-free loans granted in 2007 for agriculture, health and education projects announced during a visit to Maputo by the former Chinese President Hu Jintao. The list also includes funding of US$133 million granted by the ExIm Bank for migration from analogue to digital broadcasting in Mozambique, by Chinese company StarTimes, involving Mozambican public television and radio. The same bank also appears in the AidData survey by granting a loan of US$120 million in 2014 for the reconstruction of the fishing port of the city of Beira, in Sofala province. In the same period, AidData identified schedule agreements and debt pardons valued at US$95.4 million. The Economist Intelligence Unit recently reported that the Mozambican government plans to strengthen its relationship with Asian countries in the coming years "in particular with China (a large creditor of Mozambique)." (Macauhub)

EMODRAGA reinforces dredging operations at Port of Beira

The Mozambique Dredging Company (EMODRAGA) has been subcontracted by the Dutch company Van Oord to assist emergency dredging operations in the port of Beira access channel which began in November 2017 and are expected to be completed in April of this year, AIM reports. EMODRAGA Chairman of the Board of Directors Domingos Bié said two dredgers with

capacity for one thousand cubic meters each would be brought into action The manager described the contract as an opportunity for EMODRAGA to explore new dredging techniques and to learn best practice in the field, Van Oord being in his view one of the best dredging companies in the world.
The operation covers the emergency dredging of the dock and maneuvering basins of the Port of Beira, and the removal of sands to the landfill of the future Cereal Terminal. The project is budgeted at approximately EUR 25 million, provided by Mozambican Ports and Railways (CFM). Under supervision of the CFM, the work will restore the channel widths from 135 to 250 meters with depths of 8.00 to 9.20 meters in the straight sections and Macúti curve respectively. The completion of the dredging will see the Port of Beira once again accessible by PANAMAX-type ships up to 60,000 gross tonnage, against the current capacity of 30,000 gross tons. The project is already employing the largest oceanic dredger in the country, the Macúti, with a capacity of 2,500 cubic meters of sediment.
This vessel is currently being repaired in South Africa after it crashed last year with a Panamanian-flagged vessel in the Port of Beira access channel, resulting in heavy damage to the dredging machinery which has since been repaired with funds from the insurer. (Club of Mozambique)

Indian company Essar Ports builds coal terminal in Mozambique
Indian company Essar Ports of the Essar group plans to invest US$500 million to build a new coal terminal in Mozambique and expand the capacity of two domestic projects, Hazira and Salaya, the chief executive of the company said in Mumbai. Rajiv Agarwal said that the investment will be made over the next two and a half years and will expand the company's capacity to 150 million tons of coal a year from the current 110 million tons, according to the Press Trust of India news agency. In August 2017, Essar Ports signed a 30-year concession agreement with the Mozambican government for construction of the coal terminal at the port of Beira, in Mozambique's Sofala province. The coal terminal to be built in Mozambique will be the only business that Essar Ports operates outside India, where it has port facilities in Hazira and Salaya on the west coast and Vishakhapatnam and Paradip on the eastern coast. (Macauhub)

Angola Road Fund spends millions on maintaining national roads
The Angolan Road Fund spent about 10 billion kwanzas (US$60 million) in 2017 to maintain 2,200 kilometres of national and secondary roads, said the director of Studies and Planning at the institution, Nascimento Cassule. Cassule, quoted by Jornal de Angola, also said that 17% of the amount spent or 1.7 billion kwanzas came from revenues collected through road tax in 2016, with the remaining 83% of that amount coming from transfers from the State Budget. The 2,200 kilometres of roads that benefited from maintenance work account for just 15% of all national roads, which in the last ten years have increased from 5,000 to 13,000 kilometres, leading to increased maintenance commitments in the country's 18 provinces, said the official. Cassule said that the basic network of roads linking the provinces has grown considerably, as did the secondary and tertiary roads, which increased from 26,000 to 56,000 kilometres. In ten years, the Road Fund has seen road network growth of 200%, but tax collection for maintenance only covers 20% of needs. The General Tax Administration (AGT) at a session to launch the sale of new road tax stamps, that more than 60% of motorists in the country did not pay road tax in 2016. (Macauhub)

President of Angola announces Brazilian funding for infrastructure projects
Brazil will soon resume lines of credit to Angola, with the priority of covering the sectors of "large public works," Angolan President João Lourenço said in Davos, Switzerland, after a meeting with his Brazilian counterpart Michel Temer. The financing, in undisclosed amounts, as previously will be provided by the National Bank for Economic and Social Development of Brazil (BNDES), according to the Portugal Digital website. Lourenço pointed out, among the priority projects, infrastructure in the construction, energy and water sectors, mainly hydroelectric dams.

In this regard, the Angolan head of state announced that Finance Minister, Archer Mangueira, would travel to Brazil in the next few days, with his counterpart, to start working on this. The Angolan President also announced his first official visit to the South American country, probably next May, following an invitation from Temer. The two heads of state met in Davos on the sidelines of the 48th World Economic Forum. (Macauhub)

MINING

Catoca to produce seven million carats of diamond

Saurimo - The Mining Society of Catoca, biggest diamond company in Angola and fourth in the world, expects to produce seven million carats of diamond. The information was released in Saurimo City, eastern Lunda Sul Province, by the company's general director, Sergei Amelin, who did not add the expected profit for this year. According to the manager, Catoca's main exploration mine is to produce six million carats, while CATE-42, unveiled in 2017, is expected to produce one million carats of diamonds. The CATE-42 mine, which is expected to officially start operating in March, represents a reserve of around 350 million carats of diamond and an exploitation activity foreseen for 29 years, in an area of 100 hectares, being projected in 400 metres of depth. The company is responsible for 75% of the diamond extraction in Angola. (Angop)

Brazilian group Odebrecht divests stake in Angolan diamond company

Wargan Holdings Limited, a company whose share capital is 100% owned by Russian group Alrosa PJSC, acquired the 16.4% stake held by Odebrecht Mining Service Investments GmbH in the Catoca Mining Company (Sociedade Mineira de Catoca – SMC), according to an order published in Angola's official bulletin, Diário da República. The same order cited by Angolan news agency Angop also said that Wargan Holdings Limited subsequently sold this stake to the Alrosa PJSC group and the state-owned diamond company Endiama in equal shares of 8.2 %. The share capital of SMC was thus divided into two 41% stakes owned by Endiama and the Russian group and the remaining 18% is owned by LL Internacional Holding B.V. "Odebrecht Angola has expressed its intention to sell the 16.4% stake held in the capital of Sociedade Mineira de Catoca in order to concentrate on infrastructure projects," said the document signed by the President of the Republic, João Lourenço. SMC, located in the municipality of Saurimo, Lunda Sul province, is the fourth largest producer of diamonds in the world, with a share of 86.3% by volume and 60.3% by value. (Macauhub)

Kenmare to study capital projects as 2018 volumes to fade

Mozambique mineral sands producer, Kenmare Resources, would try to match last year's record ilmenite production in 2018, but the general outlook was a slight fade in output.

As a result, the company – which is listed in London – would spend $19m examining growth projects and studies at its Moma mine during the year in an effort to offset the plateau to downward shift in production. The mine is set to run into lower grades. Michael Carvill, CEO of Kenmare Resources, said the company wanted to keep ilmenite production above one million tonnes in the long term. Production for 2017 was 998,200 tonnes of ilmenite. "In 2018, Kenmare will upgrade capacity of Wet Concentrator Plant B by up to 20% uplift in capacity. "Further options are being examined which will both address grade reduction in future years and facilitate an increase in ilmenite production beyond one million tonnes per annum," he said in the firm's fourth quarter trading update published.

Shares in Kenmare were up marginally by 1.45% in early UK trade. The stock has traded flat on a one-year basis, although that doesn't tell the whole story of Kenmare's last three years in which it nearly went bust. A $275m recapitalisation of the business eventually saved it which saw its share price rise from below £1/share in 2016 to £2.80 today.

The production numbers for 2017 were: an 11% increase in ilmenite to 998,200 tonnes, while a 9% lift was registered for zircon to some 74,000 tonnes. Ilmenite production for 2018 would be between 900,000 to one million tonnes while between 65,000 to 72,000 tonnes of zircon would be produced.

The markets for both minerals had significant improved over the last two years. Commenting on the outlook for sales, Carvill said conditions were looking positive. Demand for titanium dioxide pigment, which is the main market for ilmenite, had continued to increase in line with global GDP growth. There are some headwinds for the mineral. The Chinese are able to produce ilmenite as a by-product of their iron ore mining, although production from this source was mostly likely capped as they were at capacity. But increased environmental regulations and enforcement regarding domestic pigment and ilmenite production had disrupted the market.

However, Kenmare agreed higher prices with customers for the first half of its 2018 financial year. It, therefore, expected spot prices would improve over the course of the year. As for zircon, prices "… grew strongly through 2017", said Kenmare. "These market dynamics are expected to persist in 2018, potentially supporting further price increases." Kenmare's financial numbers are due to be released separately but the firm disclosed that net debt had declined to $34.1m as of December 31 compared to net debt of $44.8m in the previous year. (Club of Mozambique)

Anglo-Australian consortium requests license for heavy sand exploration in Inhambane, Mozambique

Mutamba Mineral Sands, a wholly-owned subsidiary of Anglo-Australian mining group Rio Tinto, has made three mining license applications to the Ministry of Mineral Resources of Mozambique for the Mutamba heavy sands project, British company Savannah Resources said in a statement.

The three license applications cover an area of 417,32 square kilometres in the province of Inhambane, including Jangamo with 118.08 square kilometres, Dongane/Ravene with 161.26 square kilometres and Chilubane with 137.98 square kilometres, according to information from Savannah Resources. David Archer, chief executive of the British company, said in the statement that the applications are the final formal step to obtaining long-term mining licenses and noted that a pilot processing unit was commissioned in the fourth quarter of 2017 to produce condensates under an economic pre-feasibility study, which is being prepared. Savannah Resources, which explores copper and gold deposits in Oman and lithium deposits in Portugal, is involved in this heavy sand project in Mozambique in consortium with the Rio Tinto mining group, with a 20% stake, which could increase to 35% and 51% after completion of the pre-feasibility and economic feasibility studies. (Macauhub)

OIL & GAS

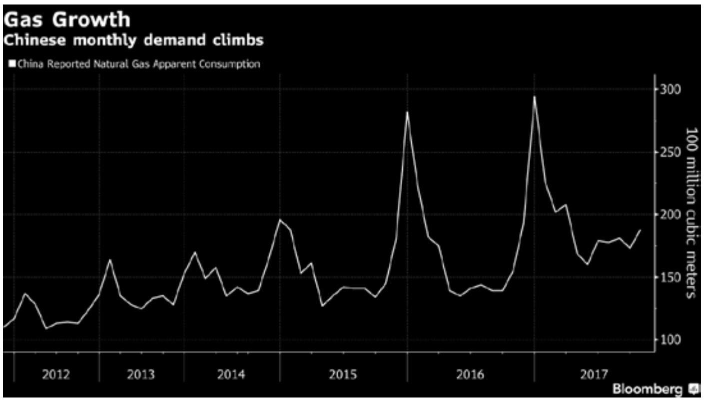
US$8 billion investment set to return Mozambique to growth

An approximately USD 8 billion investment in Mozambique's Coral Floating Liquefied Natural Gas (FLNG) development marks Mozambique's first step as a regional and global offshore natural gas producer and supplier. The landmark energy deal is the first of its kind in the country and is widely expected to transform Mozambique's growth prospects. "This game-changing transaction initiates a cycle of energy investment set to return Mozambique to growth while heralding the country's arrival as a key global liquefied natural gas supplier," says Paul Eardley-Taylor, Head, Oil & Gas, Southern Africa, Standard Bank.

Standard Bank and its 20 % shareholder, the Industrial and Commercial Bank of China (ICBC), are collectively the largest lenders to the project – reflecting the power of their partnership in driving African growth. ICBC plays a critical role in this transaction by acting as the Pathfinder Bank, K Sure agent, Chinese tranche agent and one of the facility account banks. Standard Bank acts as commercial facility agent, onshore account bank and security trustee in respect of the project. "Our support of the funding of the Coral FLNG project grew out of our long-term commitment to

Mozambique, consistently supporting the country's potential as a future offshore natural gas production and export giant," says Eardley-Taylor.
In addition to broader advisory work currently underway in East Africa, Standard Bank and ICBC's support for the Coral FLNG project builds on a long history of oil and gas development in Mozambique, including Sasol, ROMPCO, ENH, CMG, and CMH. Standard Bank also authored Mozambique's landmark LNG macro-economic study informing the development of the 2014 Rovuma Basin Decree law. This milestone transaction gives life to Standard Bank and ICBC's broader vision and strategy to develop East Africa as global energy production and supply hub, especially to East Asia.
Global interest in Mozambique and the region's potential as future energy suppliers is reflected by broad international participation in the deal. Export credit agencies, including Coface (BPI), K Exim, K Sure, Sace and Sinosure, are joined in this transaction by leading global energy giants ENI, Petrochina, GALP, ENH and Kogas.
ICBC and Standard Bank believe that this deal is an important signal on Mozambique's longer term growth prospects, especially the implications of this investment for future southern and east African energy trade and security. "This transaction demonstrates ICBC and Standard Bank's vision of driving Africa's growth by attracting foreign direct investment back into Mozambique's promising energy production and export sector," says Mr Eardley-Taylor. Significantly, "this game changing transaction puts East Africa on the map as a global energy supplier," he adds.
In South Africa, Standard Bank's Corporate & Investment Banking (CIB) division serves a wide range of requirements for banking, finance, trading, investment, risk management and advisory services. CIB delivers this comprehensive range of products and services relating to: investment banking; global markets; and global transactional products and services.
Standard Bank's CIB's expertise is focused on industry sectors that are most relevant to emerging markets. It has strong offerings in mining and metals; oil, gas and renewables; power and infrastructure; agribusiness; telecommunications and media; and financial institutions. (Club of Mozambique)

Anadarko discussing Mozambique LNG supply with Chinese buyers
Anadarko Petroleum Corp. is in talks to sate China's increasing appetite for liquefied natural gas from its planned development in Mozambique. It's in discussions with "a variety of Chinese counterparts including national oil companies and emerging independent LNG buyers," Anadarko said. Increasing consumption makes China "a long-term strategic market for the Anadarko-led Mozambique LNG project." China's record-breaking gas demand could help spur investment decisions on projects to export LNG from East Africa, according to Emma Richards, a senior oil and gas analyst for BMI Research. LNG prices were buoyed as Chinese imports rose almost 50 % in the first 10 months of 2017, making it the world's third-largest buyer after Japan and South Korea, according to data compiled by Bloomberg New Energy Finance.



While Eni SpA has signed off on its $7 billion floating Coral project in Mozambique, Anadarko needs more sales and purchase agreements to justify a final investment decision on its own development in the north of the country. Anadarko has already lined up SPAs for about 2.6 million tons a year of the more than 8 million tons it's targeting. "Mozambique's favorable central geographic location means the country is well positioned to meet the needs of customers in the

Atlantic market and Asia-Pacific markets, in particular tapping into the growing demand for energy in China," Anadarko said in an emailed response to questions.
Chinese demand would also temper the impact of the U.S. shale gas boom that has weighed on prices, said Richards of BMI. "China could play a role in making that glut a little shallower," Richards said in a phone interview. "If you do have China coming into the market more strongly, looking to take up more volumes, then yes, certainly that would help the operators in Mozambique and Tanzania locking in those SPAs, getting the financing in place, and moving the projects forward to development." Onshore facilities to chill the fuel from discoveries off northern Mozambique were initially targeted to reach production this year. BP Plc signed a 20-year contract in 2016 to buy all the LNG from Eni's Coral project. Last year, Exxon Mobil Corp. bought 25 % of another of the Italian explorer's developments in the African nation and will lead the construction and operation of its onshore facilities.

A decision over Tanzania's proposed onshore LNG project is likely years away. Operators such as Statoil ASA have highlighted the country's need for the completion of laws related to the sector. (By Paul Burkhardt, Bloomberg)

LNG in Rovuma basin: Anadarko project in final evaluation stages

The president of the National Petroleum Institute (INP), Carlos Zacarias, says that the government is still evaluating the Rovuma basin natural gas project development plan presented by the American company Anadarko. The approval of this plan, which is expected to happen in the first half of this year, is considered crucial to the final investment decision of a project estimated to be worth approximately US$25 million.
In an interview with Notícias some days ago, Zacarias explained that the intention was to evaluate whether the plan was in compliance with the legislation in force and best industry practice. "Anadarko has presented a development plan for its Dolphin Tuna project that is being analysed by the INP and other relevant entities in this area. I can say that we are currently in the process of approving this plan," he said.
Unlike the Eni project designed to produce just 3.3 million tonnes, the Anadarko plan is expected to generate 12 million tonnes of liquefied natural gas, and requires a correspondingly larger investment. Zacarias explained that to secure financing for the project it was first necessary to close long-term contracts, "which is what the US multinational is doing". As a result of this work, Anadarko already has a buyer – PTT of Thailand, one of the companies in Area 1 – and was in advanced discussions with buyers from Japan and other Asian countries. Zacarias also spoke about the Eni project and recalled that this operator had already secured the necessary financing for the Coral-Sul gas liquefaction project. "The construction of the floating platform in Coral-South has to begin this year, and, because the special legal and contractual regime applicable to liquefied natural gas projects allows the approval of multiple development plans, Eni is likely to submit other plans for the development of offshore and/or onshore projects," he said. Zacarias said that the government had been giving all necessary support so that Area 4 as well Area 1 projects were implemented according to schedule. "We therefore believe that the production and export of gas from the Rovuma Basin will take place in late 2022 or early 2023," he concluded. (Club of Mozambique)

British-American consortium to explore oil in São Tomé and Príncipe

The oil consortium made up of BP Exploration Operating Co. Ltd. and US-based Kosmos Energy has been awarded the right to prospect in two oil blocks in the São Tomé and Príncipe Exclusive

Economic Zone, the director of the National Oil Agency said in São Tomé. In a statement sent to Macauhub in São Tomé, Orlando Pontes noted that the decision follows a "restricted" tender launched a little over a month ago by the São Tomé government through the National Oil Agency for blocks number 10 and 13. The document also said that "in the next few days the National Oil Agency will start negotiations with the consortium to sign the Oil and Gas Production Sharing Contract," for the blocks. In addition to the winning consortium, another consortium made up of Portuguese group Galp Energia and France's Total also took part in the tender. In addition to the exclusive area, São Tomé and Principe also has another joint area shared with Nigeria based on a treaty signed in 2001 establishing 60% of revenues for the Nigerian state and the remaining 40% for the São Tomé archipelago. (Macauhub)

Angola is second-largest oil producer in Africa in 2017
Angola's oil production in 2017 reached 1.640 million barrels per day according to secondary sources, a drop of 4.9% over 2016, when it rose to 1.725 million barrels per day, according to the bulletin of the Organization of Petroleum Exporting Countries (OPEC) for January. Nigeria was ranked first in the list of Africa's largest producers, producing 1.663 million barrels per day, compared to 1.556 million barrels per day in 2016. Based on direct communication, Angola's production fell by 5.22% to 1.632 million barrels per day, with Nigeria coming in second place on the list of the largest producers in Africa with a production of 1.516 million barrels per day, or an increase of 6.23%. In December, Angola increased production by 44,800 barrels of oil per day, according to secondary sources, to 1.633 million barrels, but Nigeria increased its production by 75,700 barrels per day to reach 1.861 million barrels per day. Based on direct communication, Angola's output fell by 59,000 barrels a day to 1,548 million barrels a day, but Nigerian production rose 88,700 barrels per day to 1.636 million barrels per day. (Macauhub)

AGRIBUSINESS

Cape Verdean coffee producers await completion of planned investments
Getting up a unit for reception, husking and bagging of coffee in Santo Antão is one of the investments that coffee producers hope to see in 2018, in order to re-launch this cash crop on the island, said producer Francisco Chantre speaking to the Inforpress news agency. Setting up a cooperative, which will be responsible for selling the coffee, is another plan that producers want to see implemented as part of the project to add value to the coffee sector in Santo Antão.

The project, which began in 2013, was suspended in 2016 with the closure of the Business Development and Innovation Agency (ADEI), which had been coordinating the actions. The project is due to be re-launched this year by Pro-Empresa (Institute for Business Support and Promotion). A technician linked to the project said that Pro-Empresa will continue to implement the planned actions, adding that producers have "great expectations" about relaunching coffee, which "once had an important role" in the economy of the island.

The Santo Antão coffee project, which initially consisted of training farmers and restoring coffee plantations, also includes a second stage, in addition to setting up the unit to receive, husk and bag the coffee, also organises producers into a cooperative. Santo Antão coffee has so far been produced in the traditional way (roasted and ground) and has reached some of the country's islands through the PARES cooperative, based in Porto Novo. Santo Antão has 63 coffee plantations in the counties of Ribeira Grande and Paul. Adding value to Santo Antão's coffee plantations is part of a national project financed by the United Nations Food and Agriculture Organization (FAO), which involves the creation and development of the Cape Verde coffee chain. (Macauhub)

Obtala Group enters into a public-private joint-venture forestry exploration in Mozambique
The forestry group Obtala Ltd has partnered with FundInvest, an investment company, to combat illegal logging and to promote timber processing in Mozambique, the group said in a statement

issued in Guernsey. FundInvest, made up of the Ministry of Land, Environment and Rural Development, will be managed under a non-binding memorandum of understanding with 51% of the joint-venture capital, with the remaining 49% to be divided into 1.0% for the group and 48% for Argento, a subsidiary of the group. The joint-venture will operate a business for the felling, purchase, processing, export and distribution of forest products in Mozambique, with the authorisation to purchase timber from small concession holders. The Obtala group has no plans to invest directly in the joint-venture but will be responsible for obtaining financing at preferential interest rates both from private lenders and from government entities. It was also established that the sawmill that the group built in Nampula will grant competitive prices for processing the wood obtained by the joint-venture, and that the two entities will work together to sell processed wood, both in Mozambique and abroad. The Obtala group, based in Guernsey, has 10 forest concessions in Mozambique covering an area of 120,000 hectares. (Macauhub)

Angola to introduce new forest exploration license

Angola plans this year to introduce a new model of forestry licensing providing greater legal certainty, abolishing current licenses, announced sday the Secretary of State for Agriculture for Forestry, André Moda. The Secretary of State also said that the measure is intended to promote a greater degree of supervision and inspection of forest resources and, as a result, a reduction in the number of companies involved in forest exploration and greater confidence from economic agents, according to Angolan news agency Angop. Moda explained that in terms of partnerships between Angolan and foreign companies, the Ministry of Agriculture and Forestry is implementing measures to supervise and monitor contracts to ensure that the interests of the State and of each party are not harmed. He also said that to improve supervision and inspection of transported wood, there are plans to build inspection and sale warehouses in strategic locations to receive the wood from several production points. The Secretary of State also announced that the Ministry of Agriculture is working with the country's defence and security agencies to set up a forest police, taking into account the lack of inspectors (326) across the country. The forestry regulations that are being prepared include heavy fines for transgressions, loss of license, cancellation of concession contracts and seizure of products and equipment by the State. (Macauhub)

Angola has a forest area of 693,000 square kilometres

Angola has estimated wood reserves of 4.5 billion cubic metres and a forest area estimated at around 69.3 million hectares or 693,000 square kilometres, which is 55.6% of the country's land area, according to official data. With this potential, Angola currently has an annual allowable felling capacity of around 500,000 cubic meters of wood, a volume that will not jeopardise forest sustainability. Secretary of State for Forestry, André Moda, speaking about the reality of the Angolan forestry sector, said that the capacity for self-renewal provides a global forest growth estimated at 7.59 million cubic metres a year. In addition to the resources that the natural forest represents, the country also has a potential of planted forests, consisting of eucalyptus, pine and other exotic species that occupy an area of about 140,000 hectares, which are located in the central plateau, in the areas between the provinces of Benguela, Huambo, Bié and Huíla. Moda said that the current average levels of wood cutting are acceptable, of around 200,000 cubic metres in the last three to five years, or about 40% of the annual allowable felling capacity. Provisional figures for 2017 showed that the forestry sector provided the State with 1.5 billion kwanzas (US$9 million) from the issuing licenses, fees, and miscellaneous fines. (Macauhub)

Lack of water halves banana production at Mozambique's Bananalândia

Production at Bananalândia, one of Mozambique's largest banana producers, has halved due to a lack of water to irrigate plantations, production manager Manuel Maluana told Mozambican news agency AIM. The plantations of Bananalândia, a company located in the district of Boane, about 30 kilometres from the Mozambican capital Maputo, depend on the water collected from the Umbelúzi river, which in turn depends on the water accumulated in the reservoir of the Pequenos Limbombos dam. In December 2016, the Mozambican authorities banned the use of water retained in the dam for the irrigation of agricultural fields in favour of the Umbelúzi treatment and pumping station, which supplies drinking water to Maputo and neighbouring Matola. Maluana said that in addition to production halving, the quality of the bananas also suffered, with each bunch losing an average of 10 kilograms in weight to 50 kilogrammes now. Bananalândia is currently exporting 1,200 tons of bananas to South Africa, Botswana and Swaziland every month and supplies 25 tons to the domestic market, "half of what the company exported and sold locally when there were no water restrictions." The production director added that the company has suspended all the projects it had in its portfolio, namely banana exports to the Middle East and the opening of new plantations in the districts of Moamba and Namaacha. (Macauhub)

UPCOMING EVENTS

Third Africa Forum on STI: Building on Science, Technology and Innovation to Boost Private Sector and Socio-Economic transformation in Africa, will be held from February 10-12, 2018 in Cairo, Egypt. Co-organized by the African Development Bank and the Egyptian government, the event is also supported by the Republic of South Korea, Japan and other partners.

Africa Gas Forum 19 the February 2018 at the Sandton Convention Centre, Johannesburg and is aligned as an official side event of the annual Africa Energy Indaba.

Africa Energy Indaba, 20 – 21 February 2018 Sandton Convention Center, Johannesburg
http://www.africaenergyindaba.com/

Workshop on Sustainable Rural Biofuel Strategy in Africa 2018 - Workshop to be held at 21st Session of the African Forestry and Wildlife Commission, in early 2018 (TBC) - In cooperation with the World Agroforestry Center (ICRAF) and Japan International Research Center for Agricultural Sciences (JIRCAS)

Africa Investment Exchange: Gas, 11 – 12 April 2018 RSA House, London
https://www.eventbrite.co.uk/e/aix-gas-2018-registration-36924810101

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Additional information is available upon request.

LONDON-28 Dover Street- T: +44 20 7038 6200

LUANDA-Rua Marechal Bros Tito n° 35/37 - 9th Floor B- Kinaxixi, Ingombotas-T: +244 222 441 362

LISBON-Av. da Liberdade , 131, 6th Floor- T: +351 21 121 44 00

CAPE TOWN-22 Kildare Road Newlands 7700- T: +27 21 674 0304

JOHANNESBURG -Unit 4, Upper Ground, Katherine & West 114 West Street, Sandton – T: +27 11 326 6644

MAPUTO-Rua dos Desportistas Edificio JAT 5, 4th Floor -T: +258 82 055 17 04

AMSTERDAM - Herengracht 450-454 1017 CA - T: +31 20 240 31 60

Disclosures

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

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

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

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EAGLESTONE SECURITIES

Business Intelligence
Caroline Fernandes Ferreira
(+351) 211 214 430
caroline.ferreira@eaglestone.eu

Research
Tiago Bossa Dionísio
(+351) 211 214 431
tiago.dionisio@eaglestone.eu