INSIDE AFRICA

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Now is the time to invest in Africa

EAGLESTONE SECURITIES

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Angola
- Angola's CPI quickens to 14.27 % y/y in December
- Angola’s Central Bank Sells $187m of FX in Week Ended Jan. 15

Egypt
- Egypt's Orascom Construction says wins $420 mln power plant contract
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Gabon
- Gabon signs loan accords on two infrastructure projects for $200 mln

Ghana
- IMF approves third disbursement to Ghana
- Bank of Ghana reviewing microfinance companies
- Inflation rate currently at 17.7 per cent
- Tullow optimistic of weathering oil price storm

Kenya
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Mozambique
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Nigeria
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- Nigeria to Sell N80bn Bonds
- Nigeria approves $200 million World Bank loan for projects in Lagos

South Africa
- South African govt bond yields fall in thin liquidity
- South Africa's net reserves tick up to $40.654 bln in December
- Citibank cancels loan facility to South African Airways
- South Africa's Nov factory output down 1.0 % y/y
- South Africa to import up to 6 mln tonnes of maize

Uganda
- Umeme to spend Shs8 billion on replacing electricity poles

In-depth:
Africa economy: Electrifying Africa

When compared with fast-increasing electrification rates across the globe, Sub-Saharan Africa (SSA) is an unmistakable outlier. Extremely low levels of electricity access across the continent stem from chronic supply-side shortages coupled with burgeoning population growth. Progress towards a solution has been slow, hurting the continent's economic prospects to the tune of 1-2% of GDP growth lost each year.

Access is not only low, but also markedly uneven. In many countries fewer than half of urban dwellers have electricity access, and in rural areas the proportion of people connected to a power grid is sharply lower. Only five countries-Botswana, Comoros, Ghana, Seychelles and Mauritius-are able to boast a 50% or above rural electrification rate, and in many over 95% of rural populations are left without access. This reflects the limited scope of transmission and distribution networks, which rarely extend beyond key cities. Overall, the World Bank estimates that the aggregate generating capacity of the Sub-Saharan area is 28 gw-equivalent to electricity production in Argentina, a country with 4% of SSA's population and where generating capacity per head is accordingly around 22 times higher. Many of the key reasons for stunted supply are no new revelation; power infrastructure- particularly for transmission and distribution-is often inadequate, poorly maintained and most critically falls victim to severe underinvestment. This raises production costs, in turn pushing prices up for consumers or lumbering states with expensive subsidies. Adding to supply issues, soaring population growth across the continent means that improving national electrification rates will become an ever-more daunting challenge. So far, access has increased in approximate proportion with demographic trends, but much more will be needed to effectively stabilise the dual challenge of short supply and rising demand.

Although many governments give high priority to enhancing power infrastructure in national budgets and development plans, their ambitions are frequently thwarted by limited financing options. It has long been evident that, if Africa is to make substantive headway in building up its power capacity, foreign investment will be critical. Yet according to the International Energy Agency in 2015, attaining universal energy access in SSA by 2030 is estimated to need over US$300bn in investment-equivalent to upwards of US$20bn annually for 15 years. Much of SSA is under pressure from low commodity prices and burdensome external debt servicing, so external inflows will be crucial if such a sum is to be met. Yet annual foreign investment in SSA's energy sector from both private and multilateral sources presently averages around just US$1.2bn. Bilateral funding has grown rapidly in recent years, particularly from China, but the financial shortfall for continent-wide energy access nevertheless remains sizeable. Filling SSA's wide financing gap will thus be a cornerstone of energy development strategies across the continent.

Efforts to liberalise energy sector fall short

Liberalising SSA's energy sector has long been recognised as an essential precondition for enticing greater levels of foreign direct investment and private-sector interest towards it. So far, however, efforts to do so have been inconsistent and fallen short of making a substantive dent in SSA's unsatisfied electricity demand. Although more open than they were prior to the 1990s, in many countries liberalisation has been restricted to a "top-down" approach, wherein only electricity generation is open to competition, while transmission and distribution remain managed by long-standing state-owned monopolies that are often inefficient, fix tariffs at loss-making rates and restrict the capacity of overall networks.

On the surface of it, private-led external involvement in electricity generation has nonetheless been on the increase. Independent power producers (IPPs)-which are entirely private-sector electricity-generation enterprises-are often advocated by energy experts as a solution to Africa's energy deficit and have proliferated in SSA, usually in countries with prepossessing credit ratings and stable investment climates.

Indeed, along with direct Chinese loans into larger state-managed power projects, IPPs are steadily emerging as the fastest-growing source of investment in Africa's energy sector. Yet, curiously, there is little in the way of correlation between the number of IPPs in a host country and its generating capacity or electrification rates. Exemplifying this, Kenya is one of Africa's private-sector energy leaders, with 11 IPP generation projects in operation, yet the country produces just 2,295 mw, or 0.049 kw per head, and has one of the lowest national electrification rates in SSA, at just 20%. The explanation lies in the small scale of IPPs across the continent-with off-putting investment conditions deterring the development of larger projects with a greater impact. Indeed, Kenya's electricity transmission and distribution is overseen by Kenya Power, a state-owned monopoly that has faced recurring criticism from investors and consumers for allowing its infrastructure to deteriorate (despite a sizeable annual turnover), causing significant and costly electricity losses. Furthermore, the scope of Kenya Power's transmission and distribution network remains limited, meaning that larger-scale generation projects would face uneconomical surpluses as the electricity produced is unable to be transported to consumers. For these reasons, more sizeable generation ventures often require some public backing, frequently in public-private partnerships. Yet even these projects are often slow to get started as investors face myriad setbacks and regulatory complications that throw timeline projections months (if not years) off course before financial close. Without comprehensive liberalisation and institutional reform that opens electricity transmission and distribution up to private investment, Africa will be consistently unable to draw in the funding it sorely needs for meaningful improvement in electricity access. Yet the necessary regulatory overhaul is hefty enough to guarantee it won’t happen quickly. A catch-22

Meanwhile, countries with high investment risks struggle to get any meaningful level of financing for projects, be they private, public-private, large or small. The majority of countries in SSA fare unfavourably for operational risk in our Risk Briefing index, and this has a strong association with poor electrification performance-with no high-risk country having above 50% power access. Conversely, nearly every country with over 50% electrification rates in SSA has a stronger operational risk rating. This has led to a situation whereby those countries that most need a power network upgrade are also the least likely to attract external financing-which will be a systemic obstacle to private-sector-led electrification in Africa for many years to come.

Looking forward-renewed interest, in renewables

One way around the current impasse with private investment is by looking towards development partners, many of whom are committed to advancing renewable energies as a solution to Africa's power deficit. After having withdrawn from major investment in Africa's energy sector from the 1990s, international agencies and multilateral donors have revived an interest in the sector in recent years in support of the development of renewable energy.

Being clean, harnessing renewable sources of power chimes with a growing international emphasis on reducing global carbon emissions, which are sentiments that have been heightened by the 2015 UN Climate Change Conference. Yet the UK's Department for International Development "Energy for Africa" campaign and USAID's "Power Africa" programme have been putting clean energy centre stage for some years-and especially emphasise using renewables as a means of delivering off-grid electricity to households. Promoting off-grid access will be an important step in electrifying remote areas that are presently outside the limited reach of existing transmission infrastructure, and solar power is a particularly promising means of providing it, particularly considering the abundance of solar energy potential across the continent-a sunny climate. Renewables as a feasible solution to Africa's electricity burden is some years off, but the International Renewable Energy Agency projects that such energies will grow from 5% of total power production in 2014 to a sizeable 22% in 2030, with the majority being solar. Although attaining universal electricity access by 2030 remains unlikely in many respects, reinvigorated multilateral support for off-grid renewable energies makes access for those excluded from existing transmission networks increasingly possible. *(Economist Intelligence Unit)*

Mozambique: Economic Overviews

POLITICAL STABILITY: The long-standing ruling party, Frente de Libertação de Moçambique (Frelimo), is set to retain a firm grip on power in 2016-20. The party is, however, increasingly fractious, and internal power struggles will be a recurrent source of volatility. Frelimo's leader and the state president, Filipe Nyusi, will struggle to assert his political authority, while a hardline faction within the ruling party (allied to the former president, Armando Guebuza) will seek to retain influence. The likely emergence of two competing centres of power in Mozambican politics--Frelimo's Political Commission (the party's most senior decision-making body) and Mr Nyusi's more moderate cabinet--will have negative consequences for government effectiveness and policy clarity. The Economist Intelligence Unit expects Mr Nyusi to remain in power, owing to the lack of an alternative that is acceptable to all factions, but political tensions within Frelimo will worsen Mozambique's wider political stability.

ELECTION WATCH: The next national elections are due in 2019. Frelimo remains the front-runner, with party unity expected to prevail over factional divisions during the electoral period. Frelimo will also continue to benefit from a well-oiled party machine, a healthy financial position, fragmentation of the opposition and influence over state institutions and media.

Regional disparities in electoral politics will persist, with Frelimo dominant in southern provinces, but opposition support stronger in the centre and north. Opposition parties will attempt to build on the parliamentary gains made in the October 2014 national elections, which marked a dramatic comeback for Renamo and its leader, Afonso Dhlakama, after a decade during which support had waned. Should the government fail to make any concessions to Renamo before 2019, a boycott of the elections cannot be ruled out. Nonetheless, since Frelimo is keen to be seen to be promoting democracy, we expect it to commit to enough reform to ensure Renamo's participation in the polls. With much of the political discourse centred on Frelimo and Renamo, it is unlikely that a third party will make a significant breakthrough in the 2019 elections.

INTERNATIONAL RELATIONS: Mozambique's main donors (the World Bank, the US and the EU) will remain engaged over the forecast period, with effort by the authorities to improve fiscal transparency leading to continuing aid flows. Nonetheless, foreign policy will focus on reaching out to new partner countries, with the long-term aim of offsetting aid with trade and investment. Investment from Brazil, India and China will strengthen ties with those countries, with China also likely to remain a major creditor to the Mozambican state. Links with Mozambique's main historical partner, Portugal, and its key trading partner, South Africa, will remain strong, underpinned by long-standing commercial and personal ties.

POLICY TRENDS: The government's overarching economic policy goal will remain the promotion of inclusive growth and poverty reduction. Yet following overly expansionary fiscal policies in recent years, this will be balanced by efforts to preserve debt sustainability. The IMF will provide a US$286m stand-by credit facility (SCF) to act as balance-of-payments support, in exchange for a strong package of corrective policy reforms. As well as tighter fiscal and monetary agendas, this includes structural reforms to improve public finance management and limit the government's distortion of the financial sector. The SCF will give the IMF greater leverage over the government's policy direction

but, amid political pressures for higher spending and patchy institutional capacity, we expect the pace of reform to be relatively slow.

ECONOMIC GROWTH: Real GDP is forecast to expand by 6.2% in 2016, compared with an annual average of 7% in the preceding five years. This modest slowdown reflects comparatively weak private demand and a slump in government consumption. Beyond 2016, real GDP growth is forecast to pick up to a yearly average of 7.1% in 2017-20. The coal industry will be a key driver of growth as the country's existing coal mines slowly return to profitability.

Mining companies will gradually expand production over the forecast period, although new investment is likely to remain subdued owing to persistently weak international coal prices. We expect some investment into other mining subsectors, notably graphite and titanium, in the latter part of the forecast period, although a prolonged slump in global mineral demand threatens to derail this. The gas industry is another driver of medium-term growth, with Eni (Italy) and Anadarko (US) progressing with plans to develop liquefied natural gas (LNG) export facilities. Given the technical and regulatory complexity of onshore terminals, we expect Eni's floating LNG facility to be the first on stream, with relatively modest production of 2m-4m tonnes/year from the early 2020s. Significant development work on the much larger onshore facilities is not expected to begin until the latter part of the forecast period.

INFLATION: We expect year-on-year inflation to rise to an average of 7.5% in 2016 (from 3.4% in 2015), fuelled by the lagged effects of rapid currency depreciation in late 2015 and rising domestic food prices. Increases to most regulated domestic prices (fuels, utilities and public transport) will further exacerbate inflationary pressures in 2016. Imported inflation will, however, be held back by the relative stability of Mozambique's currency vis-à-vis the South African rand, as most non-oil imports come from South Africa. Beyond 2016, we expect inflation to fall gradually, to an average of 4.1% in 2020, with the effects of tight monetary policy and a progressively smaller fiscal deficit partially offset by higher international food and oil prices.

EXCHANGE RATES: Having lost over 20% of its value against the dollar in 2015, the metical will continue to depreciate in 2016, albeit at a slower pace. This reflects the sizeable current-account deficit, low foreign-exchange reserves and subdued foreign direct investment (FDI) inflows, with the metical forecast to slide to an average of MT48.3:US$1 in 2016, from an estimated MT39.6:US$1 in 2015. Thereafter, the metical will depreciate at a progressively slower pace, to MT56.1:US$1 in 2020, as the fiscal deficit declines and inflation eases. A failure to contain public expenditure or a prolonged price slump for Mozambique's main exports would trigger faster depreciation.

EXTERNAL SECTOR: Mozambique's sizeable trade deficit will narrow from 26.1% of GDP in 2016 to 17.7% of GDP in 2018, before edging up to 20.2% of GDP in 2020. Export growth will be driven by coal, which is set to overtake aluminium as Mozambique's main export during the forecast period. The anticipated launch of Nacala railway in early 2016 will ease transport bottlenecks and reduce the cost of Mozambican coal. However, weak international coal prices will slow down the pace at which mining companies ramp up production and we do not expect significant export growth until 2017--when the global price is forecast to improve slightly.

Thereafter, the industry will remain vulnerable to several risks--most notably, a weakening of demand in India (its key export market) and weather-related disruption to transport infrastructure. Goods imports are expected to rise steadily over the forecast period, owing to rising domestic demand and higher global oil prices from 2017. Capital goods imports will rise sharply in 2019-20 in line with rising investment. *(Economist Intelligence Unit)*

Angola: Economic Overviews

POLITICAL STABILITY: Angolans have traditionally been wary of the military and police reaction to protest, and a deep-seated stoicism, bred by decades of war, has also militated against a popular uprising. The Economist Intelligence Unit does not expect unrest to present an existential threat to the government, but there is a danger of increasing protests given the country's continued fiscal difficulties in the current environment of low oil prices--and the impact this has on the state's ability to finance its security apparatus and patronage networks. Increased sensitivity to any potential threats to stability or its hegemony is likely to prompt the ruling Movimento Popular de Libertação de Angola (MPLA), via the security services, to engage in further crackdowns, pre-emptive arrests and high-profile trials of critics. However, this could backfire, as the growing catalogue of allegations of police cruelty could act as a catalyst for more sustained instability.

ELECTION WATCH: The next legislative election is scheduled to take place in 2017. Opposition groups have thus far struggled to capitalise on growing public discontent with Angola's economic conditions. Much of this is because the MPLA in effect restricts the political space and exploits its grip on power, but a lack of dynamism within the main opposition party, União Nacional para a Independência Total de Angola (UNITA), is also a factor. Isaías Samakuva, re-elected as UNITA leader in December with 82.8% of the vote, has led the party for 12 years and has questionable appeal to the younger generation of voters seeking substantial political change. UNITA has invested heavily in regional campaigning, which might help it boost its tally of seats in 2017 (from just 32 out of 220 seats in 2012). It will, however, face competition from the Convergência Ampla de Salvação de Angola (CASA), formed by Abel Chivukuvuku, a former UNITA stalwart. However, this could also serve to split the opposition vote.

INTERNATIONAL RELATIONS: Angola will continue to seek to consolidate relations with key strategic partners and to diversify access to international finance. The Chinese and Angolan presidents reiterated pledges to consolidate

bilateral relations at a December meeting in South Africa, and the Angolan government is likely to continue to prioritise debt repayments to China so as to secure ongoing credit. Angola will also continue to prioritise relations with the US--because of its global superpower status and the presence of US oil companies in Angola--Brazil and Portugal. However, foreign investors will continue to regard Angola as a "difficult" market--a perception reinforced by its consistently low ranking in the World Bank's Doing Business reports (181st out of 189 states in the 2016 edition).

POLICY TRENDS: The government will seek to promote stable and inclusive growth and formal job creation, as well as important social and infrastructure programmes, within the constraints imposed by the low oil price environment, which will continue to have a substantial impact on government revenue. In an attempt to counter this, it will seek to boost non-oil tax income by increasing formalisation in the sector. However, it will have to proceed cautiously, since raising tax bills when profits and turnover have fallen because of the wider economic slowdown could choke non-oil growth and undermine efforts to foster the development of medium-sized enterprises that can generate employment and transfer skills to Angolans.

ECONOMIC GROWTH: The government is projecting 2016 growth at just 3.3%--down from its revised official 2015 growth forecast of 4.4%. It expects non-oil growth to remain weak, although agriculture is forecast to expand by 4.6%; however, more rapid agricultural expansion will continue to be held back by weak infrastructure and poor supply-chain management, despite extensive efforts to improve both. The performance of the hydrocarbons sector will remain crucial, and official projections of a slowdown in growth in 2016 are largely explained by the authorities' expectation that local production and international prices of oil will remain relatively weak, at 1.88m b/d and US$45/barrel respectively. We are marginally more optimistic about prices but have revised down our 2016 oil price forecast to US$53.2/b, from US$60/b previously. With downside risks predominating, we forecast 2016 growth at just 2.9%, meaning that real GDP per head will shrink for the second successive year.

Growth will accelerate slightly thereafter, to 5.9% in 2018, driven by solid government and private consumption growth as oil prices recover. A renewed dip in oil prices and more moderate local output increases will see growth ease to 5.1% in 2020.

INFLATION: Inflation remained in double digits in November, with the year-on-year rate rising to 13.3% from 12.4% the previous month. This is the highest rate in four years, and reflects inflationary pressures arising from the successive reductions in fuel subsidies (since September 2014) and the kwanza's continued weakness against the US dollar, which continues to push up the cost of imported goods. As underscored by five interest-rate rises during the course of 2015 (the most recent in December), we expect the monetary policy committee of the Banco Nacional de Angola (the central bank) to maintain a relatively tight policy stance, although this is unlikely to be sufficient to lead to a rapid reduction in inflation, given political considerations.

With inflationary pressures likely to be sustained by government spending (particularly in the run-up to elections in 2017) and higher non-oil commodity prices in 2017-18, we expect the annual rate to average 13.1% in 2016--up from an estimated 10.2% in 2015--and 8.1% in 2017-20.

EXCHANGE RATES: The central bank's ability to support the kwanza through market intervention in 2016 and beyond will depend on the level of foreign-exchange reserves. Notwithstanding the boost resulting from inflows from the November Eurobond issue, reserves are likely to decline again in 2016, and given the pressure generated by a period of lower oil prices, we expect further official adjustments of the currency and a managed slide through 2016. We therefore expect the official rate of the kwanza to depreciate to an average of Kz170:US$1 in 2016 from an estimated average of Kz119.7:US$1 in 2015, and to decline further to Kz180.1:US$1 in 2017. The rate of decline will moderate thereafter as oil prices hover above US$70/b, taking the rate to Kz188.9:US$1 in 2020 and closing the gap with the parallel-market rate. However, if the sharp decline in oil prices is sustained (or local production problems increase), the depreciation of the official and parallel-market rates could be much deeper.

EXTERNAL SECTOR: Angola is expected to run current-account deficits throughout the forecast period. Although oil prices will recover in 2017-18, before dipping again in 2019-20, the rebound will not be as substantial as after the 2009 price crash, meaning that the current account will not return to surplus. That said, total export earnings should start to recover after their sharp dip in 2014-15. Import growth will remain relatively modest--reflecting a moderation of government-led capital investment owing to the oil price environment and the ongoing devaluation of the kwanza limiting consumer demand. The trade surplus as a percentage of GDP should thus recover to an annual average of 19.9% in 2016-18--although this is just half the 2010-12 levels--before deteriorating again in 2019-20, reflecting a renewed downturn in oil prices. The services deficit will rise in 2016-18, averaging 18.5% of GDP, reflecting greater activity in the oil sector, before narrowing again in 2019-20 as oil prices moderate. The income deficit will average 5.2% of GDP a year in 2016-20, while the current transfers deficit will trend downwards, reaching 1.4% of GDP in 2020. Overall, the current-account deficit should moderate from an estimated 7.2% of GDP in 2015 to 5.3% of GDP in 2018, because of rising oil prices and local oil production. The deficit as a percentage of GDP will widen again in 2019-20, as oil prices dip, ending the forecast period at 6.9% of GDP. *(Economist Intelligence Unit)*

SOVEREIGN RATINGS

North and South America - Asia

18-01-2016	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Argentina	Ca	Sdu	RD	NR	Sdu	RD
Australia	Aaa	AAAu	AAA	NR	A-1+u	F1+
Brazil	**Baa3 * -**	BB+	**BB+**	NR	B	B
Canada	Aaa	AAA	AAA	NR	A-1+	F1+
China	Aa3	AA-	A+	NR	A-1+	F1
Colombia	Baa2	BBB	BBB	NR	A-2	F2
Cuba	Caa2	NR	NR	NR	NR	NR
Hong Kong	Aa1	AAA	AA+	NR	A-1+	F1+
India	Baa3	BBB-u	BBB-	NR	A-3u	F3
Japan	A1	A+u	A	NR	A-1u	F1
Macau	Aa2	NR	AA-	NR	NR	F1+
Mexico	A3	BBB+	BBB+	WR	A-2	F2
Singapore	Aaa	AAAu	AAA	NR	A-1+u	F1+
Uruguay	Baa2	BBB	BBB-	NR	A-2	F3
Venezuela	Caa3	CCC	CCC	NR	C	C
United States	Aaa	AA+u	AAA	NR	A-1+u	F1+

Sources: Bloomberg, Eaglestone Advisory

Eurozone

18-01-2016	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Austria	Aaa	AA+	AA+	P-1	A-1+	F1+
Belgium	Aa3	AAu	AA	NR	A-1+u	F1+
Cyprus	**B1**	BB-	B+	NP	B	B
Estonia	A1	AA-	A+	NR	A-1+	F1
Finland	Aaa	AA+	AAA	NR	A-1+	F1+
France	Aa2	AAu	AA	NR	A-1+u	F1+
Germany	Aaa	AAAu	AAA	NR	A-1+u	F1+
Greece	Caa3	CCC+	CCC	NP	C	C
Ireland	Baa1	A+	A-	P-2	A-1	F1
Italy	Baa2	BBB- u	BBB+	P-2	A-3u	F2
Latvia	A3	A-	A-	NR	A-2	F1
Lithuania	A3	A-	A-	NR	A-2	F1
Luxembourg	Aaa	AAA	AAA	NR	A-1+	F1+
Malta	A3	BBB+	A	NR	A-2	F1
Neherlands	Aaa	**AAAu**	AAA	P-1	A-1+u	F1+
Portugal	Ba1	BB+u	BB+	NR	Bu	B
Slovakia	A2	A+	A+	NR	A-1	F1
Slovenia	Baa3	A-	BBB+	NR	A-2	F2
Spain	Baa2	**BBB+**	BBB +	P-2	A-2	F2
United Kingdom	Aa1	AAAu	AA+	NR	A-1+u	F1+

Sources: Bloomberg, Eaglestone Advisory

Region - Africa/Middle East

18-01-2016	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Angola	**Ba2**	B+	B+	NR	B	B
Bahrain	Baa3	BBB-	BBB-	NR	A-3	F3
Benin	NR	NR	WD	NR	NR	WD
Botswana	A2	A-	NR	NR	A-2	NR
Burkina Faso	NR	B-	NR	NR	B	NR
Cameroon	NR	B	B	NR	B	NR
Cape Verde	NR	B	B	NR	B	B
Egypt	B3	B-	B	NR	B	B
Emirate of Abu Dhabi	Aa2	AA	AA	NR	A-1+	F1+
Ethiopia	B1	B	B	NR	B	B
Gabon	Ba3	B+	B+	NR	B	B
Ghana	B3	B-	B	NR	B	B
Iran	NR	NR	NR	WR	NR	NR
Iraq	Caa1	B-	B-	NR	B	B
Israel	A1	A+	A	NR	A-1	F1
Ivory Coast	**Ba3**	NR	**B+**	NP	NR	B
Jordan	B1	BB-	NR	NR	B	NR
Kenya	B1	B+	B+	NR	B	B
Kuwait	Aa2	AA	AA	NR	A-1+	F1+
Lebanon	B2	B-	B	NP	B	B
Lesotho	NR	NR	BB-	NR	NR	B
Libya	NR	NR	WD	NR	NR	WD
Mali	NR	NR	WD	NR	NR	NR
Mauritius	Baa1	NR	NR	NR	NR	NR
Morocco	Ba1	BBB-	BBB-	NR	A-3	F3
Mozambique	**B2 * -**	B-	B	NR	B	B
Namibia	Baa3	NR	BBB-	NR	NR	F3
Nigeria	Ba3	B+	BB-	NR	B	B
Oman	A1	**BBB+**	NR	NR	A-2	NR
Qatar	Aa2	AA	AA	NR	A-1+	F1+
Republic of Congo	Ba3	B	B+	NR	B	B
Republic of Zambia	B2	B	B	NR	B	B
Rwanda	NR	B+	B+	NR	B	B
Saudi Arabia	Aa3	A+	AA	NR	A-1	F1+
Senegal	B1	B+	NR	NR	B	NR
Seychelles	NR	NR	BB-	NR	NR	B
South Africa	Baa2	BBB-	**BBB-**	P-2	A-3	F3
Tunisia	Ba3	NR	BB-	NR	NR	B
Uganda	B1	B	B+	NR	B	B
United Arab Emirates	Aa2	NR	NR	NR	NR	NR

Sources: Bloomberg, Eaglestone Advisory

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

IMF, WORLD BANK & AFRICAN DEVELOPMENT BANK

AfDB launches "High-Fives" application: A tool for tracking progress on the Bank's development priorities

In his inaugural speech after taking office on September 1, 2015, African Development Bank President Akinwumi Adesina laid out the five priority areas that the Bank will focus on to advance Africa's transformative agenda over the next 10 years. These areas are to Light up and power Africa, Feed Africa, Integrate Africa, Industrialize Africa, and Improve the quality of life for the people of Africa. These five areas, which are in line with the Bank's Ten Year Strategy, have been termed the "High-Fives," serving as a blueprint for African countries to embark on a course of sustainable transformation.

Against the backdrop of this ten-year transformative agenda, the Bank's Statistics Department has developed several innovative tools, as part of its Africa Information Highway (AIH) initiative, which will enable the Bank to monitor and disseminate information/data on the performance of African countries in the High Fives priority areas. One such tool is the High-Fives application, which can be accessed on the Bank's AIH Open Data Platform. The application is specifically focused on tracking progress of individual African countries in these five priority areas, thereby creating opportunities for any necessary and timely corrective action. Through the High-Fives application, users can access a wide range of priority-area development data compiled from multiple international and national official sources. They will also be able to perform visual data comparison across time and countries.
"What makes the application unique is its ability to provide the Bank with the facility to easily track comparative progress for different indicators coming under the High-Fives at national and sub-regional levels from their mobile devices," said Charles Lufumpa, Director of the Bank's Statistics Department. "Furthermore, the application will assist Senior Management and decision-makers to more effectively target assistance and resources where they are most needed and to easily monitor implementation progress."
Data are presented in a choice of formats, including ranking tables, charts and maps, giving a wealth of options for analysis, depending on the user's specific areas of interest. When multiple countries are selected, the performance of these indicators can be compared to each other. In addition, users are able to export table and chart outputs to Microsoft Excel, Word, CSV, or PowerPoint formats. Users can also drill down to get more detailed information on any indicator and country.
The High-Fives application can be downloaded at this link http://opendataforafrica.org/ and is accessible on iPads, iPhones, Androids, laptops and PCs.

AfDB and Nigeria's Federal Government to spend US $300m on youth agriculture scheme

The African Development Bank (AfDB) and the Federal Government of Nigeria are planning for long-term solutions to youth employment in the agricultural sector. They will spend about US $300 million on the Enable Youth Empowerment Agribusiness Programme.
The project is to be implemented in partnership (AfDB with Nigeria's Federal Ministry of Agriculture and Rural Development) within 18 months. "AfDB's Director of Agriculture and Agroindustry, Chiji Ojukwu disclosed this information, recently in a top level meeting with Nigeria's agricultural authorities, in Abuja", **The Nation** reported.
The scope and impact of this initiative would create 250,000 jobs; the beneficiaries would be trained at various incubation centres on all aspects of value chains, with each beneficiary of the project supported with about US $75,000.
Ojukwu said the three-year project would enable training and funding of young graduates, who are interested in farming across the country. "A total of US $300 million would be accessed to cover the three year project which would bring young graduates together and train them for 18 months as entrepreneur farmers."
In a statement by the ministry's Director of Information, Tony Ohaeri, the Agriculture Minister, Chief Audu Ogbeh disclosed that the project would commence from the three Federal Universities of Agriculture in the country.
"The initiative would create 250,000 jobs; the beneficiaries would be trained at various incubation centres on all aspects of value chains, with each beneficiary of the project supported with about US $75,000. The project would cover the 36 states including the FCT, while the Agricultural transformation Agenda (ATA) would be expanded through the processing zones."
The Minister, in his remark, emphasized the need for the three universities of agriculture in Umudike, Makurdi and Abeokuta respectively to revert back to the provisions of the Act that established them.
Ogbeh advised the country to re-invent her own economic strategy to revive its economy.
He stated that the strength of a nation lies in the population of the youth and expressed concern on the rate of youth unemployment in the country saying, "We need to take care of them before they take care of us."
He promised to collaborate with representatives of AfDB and International Institute of Tropical Agriculture (IITA), who came to present him the concept note on the youth agriculture scheme.
However, the Minister tasked IITA to intensify efforts towards researching into the conversion of cassava leaves into animal feeds, while some components of the Labour Intensive Family Enterprise (LIFE) of the ministry could be built into the youth empowerment initiative.
IITA Director-General, Nterayana Saginga, called for a change in the mindset of the young graduates, saying that the IITA's experiment in the past on young unemployed graduates revealed that they could make good turn over on their investments. He pledged the readiness of IITA to provide necessary support to the ministry

Senegal: First Review Under the Policy Support Instrument and Request for Modification of Assessment Criteria-Press Release; and Staff Report

Summary: Meeting the fiscal deficit targets for 2015 and 2016 requires continued revenue raising efforts, streamlining of public consumption and raising the efficiency of public investment. Achieving the Plan Senegal Emergent (PSE) growth targets requires creating economic space for SMEs and FDI. This means accelerating reforms in the energy sector, tackling rent seeking, and improving the business environment.

AfDB approves US $76.11-million loan for Four Towns Water Supply and Sanitation Improvement Program in Ethiopia

The Board of Directors of the African Development Bank Group (AfDB) on Wednesday, January 13, 2016 approved a loan of US $76.11 million from the AfDB financing window to the Federal Democratic Republic of Ethiopia for the implementation of the Four Towns Water Supply and Sanitation Improvement Program.

The four program beneficiary towns are Adama in Oromiya Regional State, Adwa in Tigray Regional State, Bichena in Amhara Regional State and Gode in Somali Regional State. The program aims to improve the health and socio-economic development of the residents of the four towns through increased access to sustainable water supply and sanitation services and improvement in service delivery. The aggregate average water supply and sanitation access in the four beneficiary towns is estimated at 53% for water supply and 76% for sanitation and the program plans to increase both to 100% by 2020, benefiting 635,000 residents of the towns and approximately 227,000 people in other nearby villages, towns and rural population indirectly.

The project aims at increasing the water production capacities, improvement in distribution systems, provision of public latrines, improvement in collection and disposal of faecal sludge and capacity development of the regional water bureaus and utilities. The program's outcomes include increased household access to water supply; increased access to sanitation facilities; improved reliability and continuity of water supply services and improvement in revenue collection efficiency. The availability of sustainable water supply will help also to increase the private sectors involvement in the towns. These outcomes, combined, will result in a reduction in water borne diseases and spur the development of the towns.

The program is part of the Government's Second Growth and Transformation Plan (2016-2020) in which the water sector has been accorded high importance. The plan seeks, not only to increase access, but also quality of service and standards thereby improving the quality of life of people. The program will be implemented within the framework of the One WaSH National Program (OWNP) in which the Bank, partnering with other Development Partners, is participating with funding approved in 2014 to the tune of UA 66.8 million (approximately US $92.57 million) for the rural component of that program. The resources from the Bank will be channeled through the Water Resources Development Fund (WRDF) under the Ministry of Water, Irrigation and Electricity to the beneficiary utilities.

The project implementation will take 48 months and it will be executed by WRDF with the Regional Water Bureaus as implementing agencies.

New Energy Project Targets 150,000 Liberians for Increased Access to Affordable and Reliable Electricity

WASHINGTON, January 11, 2016 – The World Bank Board of Executive Directors today approved a new financing agreement of US$27 million to increase access to affordable and reliable electricity and to foster the use of renewable energy sources in Liberia. This agreement comprises of US$25 million grant from the Strategic Climate Fund Scaling Up Renewable Energy Program and US$2 million International Development Association (IDA)* credit.

The Liberia Renewable Energy Access Project (LIRENAP) seeks to establish a mini hydropower plant to benefit about 50,000 people, as well as small businesses, associations and public institutions in Lofa County through connections to the mini-hydro electric grid. The project would also benefit additional 100,000 people nationwide who would gain access to stand-alone solar systems and lanterns.

"This project, aligned with Liberia's development strategy, Agenda for Transformation, targets electricity service expansion, reduction of the cost of electricity and fostering renewable energy resources, which are essential components for achieving sustainable economic transformation and poverty reduction," said Inguna Dobraja, World Bank Liberia Country Manager.

Expansion of electricity access would be critical to expand access to electricity services in remote areas that are not likely to be connected to the national grid in the foreseeable future, and to promote nationwide use of renewable sources of energy away from more expensive imported fuel. The LIRENAP would also contribute to the Liberian Government's efforts to rebuild the economy after the Ebola outbreak since the project's area of major intervention will be in Lofa County that was harshly affected by the epidemic.

"This project targets the construction of a hydropower plant near Kolahun on the Kaiha River, distribution lines and facilitating connections for households, businesses and public entities," said Clemencia Torres de Mästle and David Vilar, World Bank Co-Task Team Leaders. Major towns to benefit from this hydropower plant are Voinjama, Foya, Kohalun, Massambolahun/Bolahun and surrounding areas they added.

The LIRENAP will be implemented by the Rural and Renewable Energy Agency (RREA) of Liberia and it would liaise with the Ministry of Lands, Mines and Energy to ensure consistency between the activities financed under this project and the sector policies for decentralized electrification. The project is also aiming at enhancing the capacity of the RREA.

In February 2014, with the financing of the World Bank, RREA completed and handed over to the Government of Liberia a rehabilitated and expanded 60 kilowatts mini-hydro plant in Yandohun, Lofa County. The present LIRENAP builds upon the experience gained from this pilot project and seeks to expand the benefits of developing the hydro-electrical potential of the country.

* The World Bank's International Development Association (IDA), established in 1960, and helps the world's poorest countries by providing grants and low to zero-interest loans for projects and programs that boost economic growth, reduce poverty, and improve poor people's lives. IDA is one of the largest sources of assistance for the world's 77 poorest countries, 39 of which are in Africa. Resources from IDA bring positive change for 2.8 billion people, the majority of whom live on less than $2 a day. Since 1960, IDA has supported development work in 112 countries. Annual commitments have averaged about $18 billion over the last three years, with about 50 % going to Africa.

AfDB and Government of Sudan launch US $26-million Water Sector Reform for West Kordofan State

On Monday, December 14, 2015, the African Development Bank (AfDB) and the Government of Sudan launched the US $26-million Water Sector Reforms and Institutional Capacity Development project, which will benefit West Kordofan State and some federal water sector institutions. The project is funded with an AfDB grant of US $22 million over the next five years, financed from the Bank's Transitional Support Facility and its Rural Water Supply and Sanitation Initiative. The event was presided over by the Director of Drinking Water and Sanitation Unit (DWSU) at the Ministry of Water Resources and the AfDB Resident Representative Abdul Kamara. It was attended by representatives of federal Government of Sudan, West Kordofan State and various stakeholders and beneficiaries.

In his opening remarks, the Director of DWSU expressed his commitment to this project to ensure its timely implementation and impact on the ultimate beneficiaries. He thanked the AfDB for its targeted support to the water sector, noting that several localities lack access to basic water and sanitation facilities in the State of West Kordofan and stressed that the project will make a significant contribution to improving the lives of local communities in the state. For his part, AfDB Resident Representative Abdul Kamara highlighted the need for Sudan to implement this project expeditiously, emphasizing the Bank's renewed emphasis on timely implementation of its operations to maximize impact on intended beneficiaries. He then urged the Government to provide full support to the project implementation team to avoid any processing delays. He also urged the project personnel to familiarize themselves with the Bank's procurement and disbursement guidelines. He added that experts from the Bank's Water and Sanitation Department and from the Procurement Department, who are currently in Sudan, will train the project implementation team and stakeholders in several interactive sessions over the next days to ensure a smooth implementation.

The Project was approved by the Bank's Board in September 2015. Its objective is to contribute to building a resilient and sustainable water and sanitation sector that meets the needs of all users or beneficiaries in Sudan, particularly in West Kordofan State, while contributing to peace building, improved livelihoods and resilience against climate variability and change. The project outputs include: i) water-sector policy and institutional reforms supported for better efficiency of the water and sanitation sector; ii) capacity development for federal and state staff and community supported for improved services and livelihoods; and iii) water supply points and sanitation facilities provided for improved resilience and stability.

In spite of Sudan's inability to accrue new loans from the African Development Bank due to the arrears situation, the institution continues to engage in the provision of targeted support that directly benefits the poor and needy segments of the Sudanese population. The AfDB now plays a leading role in Sudan in the provision of technical assistance and capacity building especially in the areas of financial governance and accountability, and service delivery in key sectors such as water and sanitation, health and education.

Blue Economy: Cape Verde wins SEFA grant to develop revolutionary wave-powered desalination system

Cape Verde was awarded a US $930,000 grant by the African Development Bank-hosted Sustainable Energy Fund for Africa (SEFA) on December 21, 2015 to develop the world's first wave-driven desalination system. Wave2O™, to be located in Praia Grande, Cape Verde, will operate completely "off-grid" and supply more than 48,000 people with clean fresh water at a competitive cost. The system is expected to have a capacity of 4,000 m3/day of water and will eliminate 5,400 metric tons of CO_2 per year.

Resolute Marine Energy (RME) Cape Verde, a subsidiary of the US-based RME and the company which will develop the project, considers Cape Verde's abundant near-shore wave resources to be particularly well-suited for development of this new technology. RME Co-Founder and COO Olivier Ceberio said, "We have had tremendous cooperation from many people and institutions in Cape Verde and we greatly appreciate their help in securing this ground-breaking SEFA grant, the very first focused on utilizing wave energy for seawater desalination."

Cape Verde's access to sustainable water resources is the second lowest of any country in Sub-Saharan Africa. Constant water shortages create stressful living conditions for the entire population. And while Cape Verde has abundant renewable energy resources including solar, wind and biomass, most of its electricity is currently generated through imported fossil fuels. The unique Wave2O™ program will help the country meet its ambitious goal of replacing fossil-based electricity generation with 100% renewable energy by 2020.

"Wave2O™ has the potential to revolutionize the transformation of ocean water into potable water for our growing human needs," stated Joao Duarte Cunha, SEFA Coordinator. "The system, which is a unique combination of new and mature technologies, harnesses the ocean's abundant and inexhaustible energy to produce fresh water suitable for drinking and agriculture. The SEFA grant is critical for the project's success, and will help catalyze funding from additional investors and partners."

At the nexus of energy and water, Wave2O™ has the potential to not only increase potable water supplies but also to shift energy consumption to other sectors, enabling better management of existing electrical capacity and better control over energy pricing. RME Co-Founder and CEO Bill Staby said, “We commend the African Development Bank and SEFA for recognizing that our technology can significantly improve access to water and electricity for coastal populations and commercial/agricultural operations in developing countries and island nations.” This revolutionary water production solution is fully in line with AfDB’s commitment to support energy infrastructure, climate change mitigation and adaptation, and access to clean drinking and agricultural water. The project is also well aligned with the AfDB’s “New Deal on Energy for Africa”, the Sustainable Energy for All (SE4All) and Africa Renewable Energy Initiative (AREI)’s objectives of increasing renewable energy penetration.
About SEFA Launched in 2012, SEFA is a US $95-million multi-donor facility funded by the governments of Denmark, the United Kingdom, the United States and Italy. It supports the sustainable energy agenda in Africa through: grants to facilitate the preparation of medium-scale renewable energy generation and energy efficiency projects; equity investments to bridge the financing gap for small- and medium-scale renewable energy generation projects; and support to the public sector to improve the enabling environment for private investments in sustainable energy. SEFA is hosted by the Energy, Environment and Climate Change Department of the AfDB.

INVESTMENTS

Angolan company invests in production of medical dressings and gauzes

Angolan company Medvid will invest US$24 million in building a factory for production of dressings and medical gauzes, under a contract signed with the Technical Unit for Private Investment (UTIP). The investment will be used for construction of the factory facilities, buildings and warehouses, as well as to purchase machinery and equipment needed to operate the factory. This project, which is expected to be carried out in the first quarter of 2016 will be built in the Luanda-Bengo Special Economic Zone and create 100 jobs, mostly for Angolans. Initial production from the factory – dressings and gauze for ophthalmic treatment, cleaning of medical and surgical instruments and bandages – will cover 90 % of Angola’s needs for such products and substitute imports worth US$7.5 million. *(Macauhub)*

China has new projects in Guinea-Bissau and Cabo Verde

The Chinese authorities and companies from China are launching new projects in Guinea-Bissau and Cabo Verde (Cape Verde), in areas such as fisheries, tourism and the media, which promise closer relations with the Portuguese-speaking countries of West Africa. The Guinean Prime Minister, Carlos Correia, last week held an audience with the Ambassador of China, Wang Hua, and both discussed a Chinese project to invest over US$300 million, in addition to establishing a free trade zone in the southern Biombo region. “The purpose [of the new projects] is to implement the spirit of the China-Africa Summit” held in December in Johannesburg, targeting “within” three years lead to a new level the cooperation in agriculture, industry, education, health , infrastructure, culture and other areas, “thus boosting socio-economic development, says note the office of the Head of the Guinean government.
In a week when a group of businesspeople and investors from China visited Guinea-Bissau, the statement added that the prime minister and ambassador, accompanied by the Secretary of State for International Cooperation and Communities, Suzi Barbosa, reviewed bilateral cooperation for 2016. The US$300 million project, sponsored by Fujian Shai Corp, aims to build a fishing complex and a luxurious five-star hotel in Prabis, 18 kilometres southwest of Bissau.
According to statements from the president of the Chinese company, Yang Ming, thee are also plans to build a fishing port to unload the fish and for reconstruction of the road between Bissau to that location. These projects are expected to create 3,000 direct jobs. Also last week, a contract worth US$60 million was reported to have been signed by Guinea-Bissau Telecom and telecommunications manufacturer Huawei, with a view to re-launching mobile network coverage by installing 150 signal relay stations equipped with the latest technology. Huawei clarified later, through its representative in Bissau, that “at the moment” there was no contract, but stressed, however, its “great interest” in establishing a “good partnership” with the State Secretariat for Transport and Communications that will contribute to the modernisation efforts of that Guinean sector. China’s involvement is most visible in the construction of public infrastructure and also in agriculture, cashew cultivation and a training centre where technical training is provided to local farmers.
In Cabo Verde (Cape Verde), the Director-General of Social Communication, Justino Miranda, spoke last week of China’s interest in financing the new headquarters of public media company, Rádio Televisão de Cabo Verde e Inforpress (RTCI), with the Cape Verdean government this year due to present a detailed project for construction to begin in 2017. Miranda stressed at the time that cooperation with China had borne fruit for the sector through the distribution of computer equipment and training and is expected this month to donate equipment worth about US$1 million. *(Macauhub)*

China to lend Egypt c.bank $1 bln during president's visit

China is expected to lend Egypt's central bank $1 billion to help shore up its foreign reserves during a visit by the Chinese president this week, Egypt's ambassador to Beijing said in comments to the official MENA news agency.

Egypt is battling to overcome an acute dollar shortage with a raft of rules aimed at cutting back imports and thereby reducing demand for hard currency. Chinese President Xi Jinping will arrive later this week, and the two countries are expected to discuss potential Chinese investments in an array of Egyptian projects including one to build a new administrative capital. Egypt's ambassador to Beijing, Magdi Amer, said China was also due to sign a $700 million agreement with the state-owned National Bank of Egypt to provide a line of credit to finance future projects as well as a $100 million loan agreement with Banque Misr aimed at financing small and medium-seized projects. Egypt's central bank has faced strong pressure to devalue the currency in line with other emerging markets but has continued to defend it despite dwindling foreign reserves. Foreign reserves in Egypt have fallen to $16.445 billion in December from around $36 billion before the 2011 uprising ushered in a period of turmoil, which scared off foreign investors and tourists -- key sources of hard currency. The Chinese leader is visiting Egypt as part of a regional tour that will also take in Gulf rivals Saudi Arabia and Iran. *(Reuters)*

What influences foreign direct investment into Africa?

Barring certain exceptions, armed conflict and terrorism, policy uncertainty, macroeconomic instability and inadequate and corrupt legal systems in specific African countries, and regions, have historically tainted foreign investors' perception of Africa as an investment destination.

Subsequent to the 2008 financial crisis, however, Africa, with its high growth rates, burgeoning population, growing middle class, perceived improved political and macroeconomic stability and vast tracts of arable land and attractive geology, has become more attractive to foreign investors.

During the five year period ended 2014, total foreign direct investment (FDI) inflows to Africa have increased by 20%. Southern Africa achieved the largest increase in FDI inflows over this period, followed by Central and East Africa. FDI inflows to both North and West Africa have declined since 2010.

The question as to what influences FDI inflows into Africa can be split into two separate factors – namely, Africa's significant natural resources and, secondly, the political and business environment which is impacted by security factors, infrastructure and government policies.

FDI inflows to African countries with exceptional mineral or oil and gas resources continued in 2014, despite the downturn in certain commodity prices. The Republic of Congo, Nigeria and Mozambique all featured in the top five FDI inflow host countries in Africa in 2014, despite their low rankings in the 2014 Transparency International *Corruption Perception Index* and the 2014 World Bank *Ease of Doing Business* survey. Other African countries with high-potential natural resources but challenging business environments, that are receiving high levels of FDI inflows, are the Democratic Republic of Congo, Equatorial Guinea, Tanzania and Uganda. This supports the view that if the natural resources in a country are sufficiently attractive to investors, they will look for solutions to difficulties in starting and running businesses as well as corruption issues in a particular country.

The other important consideration for potential investors is the political landscape and business environment. The political situation incorporates political stability and security factors. The business environment includes factors such as infrastructure, corruption, onerous regulations, taxation regime and the conduciveness of the regulatory environment to the starting and operating of a business in that jurisdiction.

As can be seen from the reduced FDI inflows to North and West Africa, armed conflict, political uncertainty and security threats are the biggest deterrents to FDI inflows, regardless of the quality of a country's geological base.

However, countries that are politically stable and that have better infrastructure, lower levels of corruption and business environments that are more conducive to investment as well as a more diversified economy, do attract higher levels of FDI inflows. A good example of this trend is South Africa, which is still considered to have an attractive business environment. This has helped South Africa weather the reduced FDI inflows storm despite lower commodity prices and on-going labour unrest. Other examples of this trend are Kenya, Morocco and Rwanda. The business environments in both Zambia and Ghana are conducive to foreign investments, but these two countries have been impacted by the downturn in certain commodity prices and high levels of foreign currency denominated debt.

In summary, African countries that have outstanding natural resources continued to experienced strong FDI inflows during 2014 despite poor governance and business environments, provided that the security and political situations in those countries was stable. In our view, all other African countries stand to gain in the FDI inflow rankings if they have business environments that are more conducive to the conduct of a business in that particular country. A diversified economy is also an attractive feature, particularly during the current cycle of lower prices for certain commodities. *(How we made it in Africa)*

Tokyo takes on Beijing in Africa, claiming quality over speed

The eight-lane motorway stretching north for 45km from the heart of Nairobi to the industrial town of Thika was hailed as a marvel of Chinese engineering when it opened in 2012 after taking less than four years to build.

"People liked what they saw because of the speed at which it was built," says Moses Ikaria, the managing director of the Kenya Investment Authority. "The perception here was that roads took a long time to build but the Chinese changed that."

In the middle of last year Nairobi's southern bypass, also built by the Chinese, opened to similar fanfare. While less than 30km and only two lanes in each direction, the road is a definite improvement on the wider Thika highway — not

least because the speed bumps are signposted. Sandwiched between the two was the 2013 opening of the "Kileleshwa bypass", a Japanese road cutting through the Kenyan capital. It is "of an infinitely higher standard than of any other road to be found in Nairobi," according to Aly-Khan Satchu, an investment analyst in the city. The three roads encapsulate the nature of the two Asian countries' investment in Kenya, and Africa more broadly. Japanese investment is usually regarded as reliable and of excellent quality whereas that from China, while more prevalent, is seen as inferior in quality but improving.

Although neither side openly admits they are engaged in an "anything you can do, I can do better" competition, the evidence can suggest otherwise. In a speech at the official reception for the Japanese emperor's birthday, Tatsushi Terada, ambassador to Kenya, said: "A Japanese project might cost more but the life cycle cost in the end is much better because it requires less maintenance." He did not need to name names for everyone present to know where his comment was directed.

Meanwhile, on a recent visit to Nairobi, Ji Peiding, a member of the Chinese government's Commission for Africa, said Beijing wanted to "transform" its relationship with the continent. "We want to see value come back to Africa," he said, adding: "I'm happy now that in Africa people are talking about being partners rather than still having begging bowls for aid that keep making everyone poorer." This shifting strategy in part reflects China's slowing trade with Africa, which grew at an average of 42 per cent a year in 2003-08, but fell to an annual 14 per cent in 2009-14, according to the China Africa Research Initiative at Johns Hopkins University. In 2014, bilateral trade in goods between Japan and Africa was $27.5bn, compared with $200bn of business done that year with China, Africa's biggest trading partner.

The sense of competition extends to investment conferences. In December, Xi Jinping, the Chinese president, attended the sixth triennial Forum on China-Africa Co-operation, in South Africa, where he promised $60bn in financial support to the whole continent. This included $35bn in preferential loans and export credit lines, $5bn in grants, $15bn to two China-Africa funds and $5bn in loans to smaller companies. Japan's own equivalent, the Tokyo International Conference of African Development (Ticad), began in 1993 with the first five held every five years. The sixth, and the first in Africa, will be held later this year in Nairobi — only three years after the previous one.

The deals signed at Ticad VI will almost certainly be worth a fraction of the sum announced by President Xi. Yet analysts say the Chinese investment numbers should be treated with caution: it was unclear over which period the money would be available, or how much of the $60bn was new money and how much of it would actually be invested.

"Many people overestimate what the Chinese are doing in Africa," said Deborah Brautigam, director of the China Africa Research Initiative at Johns Hopkins in Baltimore. "There are a lot fewer of those big investments than people think. For example many oil investments are just exploration while some announced deals never get to the size that companies expected they might."

Japanese investment has its critics too, particularly over the pace at which decisions are taken. "There's a joke here that they do a feasibility study of a feasibility study of a feasibility study before investing while the Chinese are quick on their feet," says Mr Ikaria. Dennis Awori, the Toyota chairman in Kenya, "would like to see a little more speed" in decision-making from all quarters. "To be cautious is the right thing but when you do it so slowly it's almost as if you're reinventing the wheel," he said. Some of the caution may stem from what Kenyan interviewees identified as a natural Japanese reticence combined with a lack of knowledge about how to maximise the potential of diving into the continent. "Africa is seen by investors as one of the large geographical areas where there's a lot of opportunities to grow and have high returns," said Marc Fevre, a partner at law firm Baker & McKenzie. Chinese engagement rests on a combination of the state and private sector to support various infrastructure schemes, including Kenya's biggest project, a $5bn standard gauge railway. Yet Japanese companies are increasing their presence too — with agriculture a new favourite. As Mr Ikaria put it: "People are looking for new and innovative ways to compete with China [and that is] creating a competitive space."*(Financial Times)*

Foreign investment bouncing back in Ivory Coast

Ivory Coast inaugurated a huge new shopping mall last month, a further sign that the former economic jewel of West Africa may be regaining its sparkle. When the latest shopping mall opened in Ivory Coast's economic capital Abidjan, President Alassane Ouattara himself was at the inauguration. The commercial centre sprawls across 20,000 square metres and is the biggest of its kind in the West Africa sub-region. The mall includes the first regional stores by French retailer Carrefour and American fast food chain Burger King. These are just the latest examples of foreign investments in the country, whose economy is bouncing back five years after post-election unrest claimed the lives of 3,000 people.

With an average annual growth of 9% in the past four years, the country has become the rising economic star in West Africa. A few days ago, the Centre for the Promotion of Investment in Ivory Coast, or CEPICI, was holding an assessment of its activities in 2015. And the mood was good. On stage, CEPICI general manager Esmel Emmanuel Essis thanks a Moroccan investor who is about to create another multi-million dollar project in the country.

Direct foreign investment made up an estimated 69% of the total investment in Ivory Coast during 2015, said Essis. Fears of political volatility were unfounded. "Some were saying there would be no investment in Ivory Coast in 2015 during the presidential election period. Investors get worried, but it's our role to show them that hope exists. The president proved that the elections were free, fair and peaceful," said Essis. In November, Ouattara, a former economist, was re-elected on the promise that he will make Ivory Coast an emerging country by 2020.

New investment code
Ivory Coast is the world's leading cocoa producer, and the government has been investing in big infrastructure projects and implementing reforms to try to improve the business environment, including the adoption of a new investment code. The International Monetary Fund's representative in Ivory Coast, Alain Feler, says the economic recovery is also due to a sense of relief after years of crisis. "When you are down, and you come up, it gives you an element of rebound… a good environment also helps. If you have good policies to take advantage of it, it adds to that performance," said Feler. Feler says the next challenge for Ivory Coast is to sustain that momentum. "It's important to take good advantage of environment, but also prepare for volatility, tougher times in the future. There is a great potential, but the challenge also to be able to make it sustainable for a long time, and this is what will actually make a transformation for Côte d'Ivoire," he said. The IMF has forecast that Ivory Coast's GDP will grow again this year, by 8.6 %.*(How we made it in Africa)*

BANKING
Banks

Uganda's treasury lowers 2015/16 growth, citing costly credit
Uganda's finance ministry has lowered the East African country's 2015/2016 (July-June) economic growth forecast to 5 % from a previous projection of 5.8 %, citing the impact of higher lending rates. In a budget policy paper seen by Reuters, the ministry also forecast growth would climb back to 5.8 % in 2016/2017.
Last year, the central bank raised its benchmark policy rate several times, to try to stem inflationary pressures partly triggered by a weak shilling. The central bank and the International Monetary Fund have also lowered their 2015/2016 growth projections citing sluggish private sector credit growth. "Growth is expected to remain at 5.0 % in fiscal year 2015/16, constrained by the higher commercial bank rates," the ministry said in the paper. The rate of economic expansion, it said, was expected "to pick up to 5.8 % in fiscal year 2016/17, mainly driven by a scale up in public infrastructure spending and a rebound in private sector activity." Uganda is at various stages of implementing a range of energy and transportation infrastructure projects, including two hydropower dams, express highways and a railway project.
The two hydropower dams are key pieces of the government plan to drive up the country's generation capacity to 1500 megawatts from the current 850 megawatts over the next three years to make electricity cheaper and more accessible. Plans are also underway to develop a refinery to process the country's crude oil reserves, estimated by government geologists at 6.5 billion barrels. To finance the infrastructure projects, Uganda would increase its concessional borrowing in 2016/2017 to $908 million, from $720 million in the current year. Although traditionally Uganda has been borrowing from the World Bank and European development agencies, lately it has been increasingly turning to China whose credit, officials say, is cheaper and unconditional. *(Reuters)*

BEE investors sue Abil directors
African Bank Investments Limited's (Abil's) black economic empowerment (BEE) shareholders are suing directors of the failed company, as well as auditing firm Deloitte, for about R2bn, claiming they were reckless. The action could become a test case for suing directors in their personal capacity under the Companies Act of 2008. Should the matter go to court, a petition is likely to be presented for the release of the report commissioned by the Reserve Bank into the business, trade, dealings, affairs, assets and liabilities of African Bank after it went into curatorship. The report arising from the investigation that was led by Advocate John Myburgh has been kept under wraps by the Reserve Bank for almost a year.
In a summons issued on December 17, BEE shareholders of the Hlumisa and Eyomhlaba schemes say they lost R729m and R1.3bn, respectively, in shareholder value. They argue in the court papers that between December 2012 and December 2014, the directors "were knowingly parties to the carrying on of the business of Abil in a manner which was reckless". The alleged reckless decisions included one by Abil directors to advance R1.4bn to its furniture subsidiary Ellerine Holdings "without making provision for security" and in "circumstances where there was no reasonable prospects of the loans being repaid". Ellerine Holdings was a struggling entity and is seen as a contributor to the misfortunes of Abil and its biggest subsidiary, African Bank. Ellerine Holdings CEO Antonio Fourie was retained as an Abil director when the R1.4bn loan was advanced, which the BEE shareholders say was a conflict of interest. They further took issue with the appointment of the late Thami Sokutu as African Bank's chief risk officer, implying he was unfit for the job. The BEE shareholders also allege that Abil directors "failed to make prudent provisions for the losses sustained due to bad business decisions". The Abil directors are accused of signing off and publishing financial statements that were misleading. The BEE shareholders claim this led to their shareholder value diminishing from about R2bn in April 2013 to zero.
The Abil directors listed as respondents are former CEO Leon Kirkinis, former finance director Nithia Nalliah, non-executive directors Mojanku Gumbi, Morris Mthombeni, Nomalizo Langa-Royds, Nicholas Adams, Mr Fourie, Sam Sithole, Robert Symmonds and chairman Mutle Mogase. Mr Mogase and Mr Nalliah said they had not seen the court papers, while Mr Kirkinis could not be reached.

The BEE shareholders say it was "false" of auditing firm Deloitte to note that in its opinion the financial statements fairly presented the financial position of African Bank. "The auditors were aware or should have been aware that Abil was concealing nonperforming loans by making new loans to the same debtors to service old loans for the sole purpose of making collections look good when they were not," the summons noted.
The BEE shareholders alleged that Abil was not employing generally accepted accounting practices. "The auditors failed … to indicate … the true state of affairs and the unorthodox accounting practices employed by Abil, and when this practice was finally reversed in 2013, the effect was a R2.1bn reduction in assets."
Deloitte Africa CEO Lwazi Bam said the firm subscribed to the highest standards of ethics, integrity and professionalism. "We are confident in the sufficiency and completeness of our audit procedures and quality reviews, and stand by the quality of our work."A company's management has the responsibility for the preparation of financial statements in compliance with relevant accounting standards and as auditors, we have a responsibility to independently audit and report on those statements," Mr Bam said. *(BDLive)*

Rwanda: Atlas Mara's Equity Stake in BPR and BRD Commercial to 'Boost Financial Inclusion'
The sale of Banque Populaire du Rwanda (BPR) equity stake to Atlas Mara Ltd and merger with BRD Commercial will boost financial inclusion and enhance stability in the banking sector, the Minister for Finance and Economic Planning, Claver Gatete, has said. Atlas Mara has invested more than $20.4 million (about Rwf15.3 billion) in BPR and merged it with BRD Commercial Bank Ltd, part of Development Bank of Rwanda (BRD), acquired by sub-Saharan financial services, Mara Group in 2014.
The integration was officially launched in Kigali.
According to minister Gatete, this makes BPR the second largest financial service bank in the country, and is expected to add value to the country's financial sector. Speaking at the official launch of the integration exercise in Kigali, yesterday, Gatete urged financial market players to improve service delivery and invest more resources to help boost financial inclusion and drive the country towards a cashless based economy. John Rwangombwa, the Governor of the National Bank of Rwanda (BNR), said the merger brings with it new innovative technologies critical for the stability of the financial sector. "The country's financial sector is already doing well with growth rate of more than 14 per cent and 42 per cent in terms of profitability; therefore, we are confident that this merger will only improve the numbers," Rwangombwa re-assured. John Vitalo, the chief executive officer, Atlas Mara, said the merger is in line with the Group's vision of building Africa and specifically, Rwanda's financial sector to help fast track economic development. "The overall objective is to support Rwanda's ieffort to become a hub for financial services in East Africa," Vitalo noted.
Atlas Mara is expected to invest some $21 million (about Rwf15 billion) into the bank and hold a majority stake in the financial institution of about 62 per cent. Vitalo added that the Group is confident the deal makes it possible for customers to greatly benefit from enhanced capital base, enlarge distribution network and expanded capabilities of the institution.
New CEO appointed
Meanwhile, Sanjeev Anand, the former I$M Bank boss, was appointed the CEO of the institution. He replaces Ephraim Turahirwa, who has been BPR's chief executive officer for the past three years.
About Atlas Mara
The banking group has so far invested more than $700 million in more than seven countries in Africa. The bank was listed on the main market of the London Stock Exchange in December 2013. It also seeks to create a sub- Saharan Africa premier financial services institution through a combination of its experience and access to capital, liquidity and funding, it says. On October 2015, Atlas Mara acquired 100 per cent of the voting shares of BRD's commercial operations forming what is known today as BRD Commercial Bank. (All Africa)

Fitch: Negative Sector Outlook for Sub-Saharan African Banks
Fitch Ratings says in a new report that the sector outlook for banks in Sub-Saharan Africa (SSA) is negative for 2016 as sovereign worries raise bank risk.
Falling commodity prices, faltering GDP growth, weaker currencies, greater political risks and external factors are to varying degrees putting increasing pressure on SSA sovereigns and therefore bank risk profiles. As a result, of strong and multiple challenges, we believe SSA banks are likely to face slower growth, weaker earnings, worsening asset quality and tighter liquidity and capitalisation.
This is, however, unlikely to lead to rating downgrades given the current level of bank ratings in the region, which are mostly in the 'B' range (only banks in South Africa and Mauritius have investment-grade ratings). Ratings at this level in Fitch's view capture many of the risks we highlight. As headwinds are unlikely to ease, we believe banks will come under further stress in 2016, but a sector-wide bank crisis in the region is unlikely.
Against this backdrop of weaker operating conditions, asset quality has started to deteriorate. We believe NPLs will rise across the region in 2016 owing to slower GDP growth and a weaker commodity sector, particularly in oil and mining.
The region is also in a higher interest rate cycle - this will initially lead to higher retail and SME NPLs. Further pressure on asset quality comes from depreciating currencies, which are negative for the real economy as the region is highly

import-dependent. We are already seeing higher NPLs mainly in the trading and manufacturing segments, which are typically some of the banks' largest industry concentrations.

Bank capital ratios are generally high due to additional regulatory requirements (due to regulators adopting Basel II or in the case of South Africa Basel III) which commenced before the current turmoil. However, in the context of increasing bank risk, capitalisation is viewed to be no more than adequate, especially if sovereign creditworthiness deteriorates further and at a faster rate. Lower retained earnings and currency devaluations are eroding regulatory capital ratios.

Banks are primarily customer deposit-funded, and deposit growth will continue given the under-banked nature of most countries. Foreign-currency liquidity i s,however, scarce. Refinancing risk on USD borrowing could be challenging but is expected to be moderate in 2016 - it will probably be more of an issue in 2017 and 2018. Local-currency liquidity is satisfactory, but sensitive to monetary policy actions. Cost of funding will continue to increase.

Generally, a two-notch downgrade of the sovereign (one-notch in South Africa) would lead to a downgrade of banks' Long-term Issuer Default Rating (IDRs).

Viability Ratings are sensitive to a material increase in NPLs, and therefore weakening capital. As ratings are generally low, downgrade potential in the short-term is limited. There is little upside potential at present.

The report, 2016 Outlook: Sub-Saharan Africa Banks, is available on www.fitchratings.com or by clicking the link above. *(Fitch)*

Markets

Germany grants loan to Mozambique to improve power supply

Germany will grant a loan of 29 million euros to Mozambique to support projects aimed at improving the electricity supply in the country, state power company Electricidade de Moçambique (EdM) said in a statement.

EdM also said that of that amount, 20 million euros would be invested in the Mozambique/Malawi power transmission line and the remaining 9 million euros would finance the state’s short-term investment plan. The loan will be granted by German state-owned development bank Kreditanstalt für Wiederaufbau (KfW), according to the information released. Mozambique currently has an estimated power generation capacity of 2,200 megawatts, produced mostly by the Cahora Bassa hydroelectric facility. Most of the electricity produced there is exported, particularly to South Africa and to a lesser extent to other neighbouring countries. *(Macauhub)*

Bank of Mozambique keeps interest rates unchanged

The Monetary Policy Committee of the Bank of Mozambique decided to keep key interest rates and reserve requirements unchanged, at 10.5 %, according to a statement issued in Maputo. The interest rates on the marginal lending facility stand at 9.75 % and the deposit facility at 3.75 %. The committee also decided to intervene in the interbank market to ensure that cash in circulation in January will not exceed 70.211 billion meticais.

In the document, the committee said the economic growth target of 7 % and annual inflation of 5.6 % were a challenge, noting that drought and flooding may increase risks. At the end of 2015, Mozambique had US$1.997 billion in net foreign reserves, which was enough to cover 3.84 months of imports of goods and services, excluding the operations of major projects. *(Macauhub)*

Angola's kwanza weakens more than 15 % against dollar - cbank data

Angola's kwanza tumbled more than 15 % against the dollar on 4th January, central bank data showed, as Africa's second-largest oil exporter reels from weak global oil prices and high demand for the more stable dollar. In addition to the fall in the price of oil, domestic petrol prices rose sharply on Jan. 1 as the government cut its subsidies, in a move likely to push up inflation and weaken the domestic currency further. Data on the Bank of Angola website showed the kwanza was officially bid at 154.835 against the greenback compared with 134.573 on Dec. 31. "This is an adjustment to reduce the gap between the exchange rate from the central bank and the exchange rate from the street market, which is the real market," chief executive officer of state-owned Bank of Commerce and Industry, Jorge Peres said. The kwanza is now down more than 50 % since January 2015. *(Reuters)*

Angola’s dollar shortage deepens

Angola’s foreign exchange liquidity crisis has worsened following a devaluation of the currency and two major banks’ decision to cut supply of dollars to the country at the end of November. Plummeting oil prices are pushing the kwanza, the national currency, to record lows. New foreign exchange restrictions designed to shield the currency are making it increasingly difficult for investors and business owners in Africa’s second biggest oil producer to repatriate capital or pay for imports. The kwanza’s value against the dollar dropped to a record low on January 4 after the central bank allowed the currency to devalue further, trading at record lows of 158 against the dollar, down from 135 a week earlier. A year ago, it was trading at 103 to the dollar.

On the black market, kwanzas trade at 270 per dollar, around 200 % lower than the official rate. Low global oil prices have made 2015 a difficult year for Angola, a country where oil represents 45 % of GDP and 95 % of exports. On 6

January, Opec's reference basket price – a weighted average of members' price per barrel – slid below $30 a barrel. High exposure to the slowing Chinese economy has not helped.
Despite the punishing costs of black market dollars, forex restrictions and inefficiencies in the banking system have made the informal market the only option for an increasing number of distressed investors seeking to repatriate their kwanza-denominated earnings or pay for imports. South Africa's Rand Merchant Bank stopped supplying Angolan banks with US dollar notes on November 30, compounding the problem. This decision came on the back of Bank of America's decision to do the same earlier that week.
In the week following this move, hard currency injections to commercial banks in Angola decreased by 66 %. Foreign exchange injections are now limited to $113m per week. According to government strictures, foreign currencies are to be used exclusively to facilitate priority transactions, mostly in the petroleum industry and to secure imports of some basic consumption goods.
Foreign investors outside these priority sectors are finding it increasingly cumbersome to repatriate earnings. "It often takes months for us to receive a transfer, and that is [only] when the transfer request goes through," says Luís Patrício, CFO of Portuguese construction and engineering group Somague.

Looking for solutions

An immediate solution to this crisis has proven elusive so far. Policymakers have focused on the long-term need to diversify the economy away from petroleum. While this shift in economic planning may prove to be an investment opportunity in the long run, such structural transformations may take years.
In the short term, prospects for investors are bleak. "Recovery may only begin in 2017, but there are negative risks, including a further decrease in the price of oil," says Ricardo Velloso, division chief in the IMF's African department. As a consequence of projections that oil prices will remain low for some time, Angola's plan to issue foreign exchange denominated debt was received with scepticism by investors despite the country's relatively low debt-to-GDP ratio. As of now, all hopes are on a potential deal with China, whose currency has recently joined the IMF's benchmark Special Drawing Rights currency basket. The two governments are currently negotiating a deal to allow the renminbi to circulate, similar to a deal struck with nearby Zimbabwe. Debt relief and aid are also rumored to be on the table. With presidential elections approaching in 2017 that could usher in a successor to the 37-year rule of president José Eduardo Dos Santos, the ruling MPLA party is under pressure to ensure a successful outcome. *(This is Africa)*

Cote d'Ivoire concretizes its first sukuks issue and gets FCFA150 bn

Cote d'Ivoire successfully proceeded to its first sukuk issue. The country was able to obtain $245 million (FCFA150 billion) from the WAEMU (West African Economic and Monetary Union) market by issuing Islamic bonds between November 20 and December 21, a release dated January 13, 2016, from the public treasury reveals. The geographical distribution of subscriptions to the "Sukuk Etat de Côte d'Ivoire 5,75% 2015-2020" issue shows that a significant proportion of underwriters are from outside the WAEMU and have underwrote more than FCFA67 billion, 45% of mobilized sum, the same source says. Local investors underwrote more than FCFA55 billion (37% of collected amount), whereas WAEMU underwriters invested more than 26 billion FCFA (17%). The distribution by category of subscribers shows that institutional investors injected 148 billion CFA, more than 98% of total. The rest was provided by firms and individuals (0.55% and 0.75% respectively). The money obtained will be used to finance the new National Program for Development (PND in French). Upon successfully issuing these Islamic bonds, Cote d'Ivoire was awarded Sukuk deal of the year and Africa deal of the year titles by the Islamic Finance News (IFN). In April 2015, Cote d'Ivoire announced a program for the issuance of 300 billion FCFA worth of sukuks by 2020. In Africa, Islamic finance is still weak despite the 400 million Muslims it holds. A study from last August by the rating agency Standard & Poor's (S&P) revealed that African countries have so far issued a billion of sovereign sukuks for a global average of $100 billion yearly over the past five years. *(Ecofin)*

Sub-Saharan Africa 2015 debt issuance falls 22 pct

Debt issuance in sub-Saharan Africa fell to its lowest annual total in three years in 2015, data from Thomson Reuters showed, as sinking currencies and faltering economies kept borrowers out of the market. Taking advantage of historically low yields and strong investor appetite, Africans have borrowed heavily in international markets in recent years. Debt sales reached record highs in 2014.But the prospect of rising interest rates in the United States, slowing economies at home and a gloomy outlook for commodity prices are making African states and companies more reluctant to tap capital markets. Sub-Saharan Africa raised $15.5 billion through debt in 2015, a 22 % decline and the lowest annual total since 2012, Thomson Reuters' quarterly investment banking analysis showed. South Africa, the continent's most advanced economy, was the biggest issuing country, accounting for more than a third of the activity, followed by the Ivory Coast with 28 %. The value of merger and acquisitions targeting sub-Saharan African companies rose nearly four-fold to a record $41.1 billion, the data also showed. African companies are attracting increasing investor attention as the spending power of the rising middle class increases and the continent's natural resources sector grows. Investment banking fees for sub-Saharan African increased 24 % to $476 million. Rand Merchant Bank, a unit of FirstRand, earned more than 10 % of the fee pool. *(Reuters)*

Southern Africa			15-jan	13-jan	12-jan	11-jan	08-jan	07-jan	06-jan
Angola									
	7.000%;	08-16-2019	91.646	94.500	95.064	95.477	95.727	94.911	95.250
	Yld		10,033%	9,010%	8,993%	8,648%	8,563%	8,849%	8,711%
	Moody's rating:	Ba2							
	S&P rating	B+							
Namibia									
	5.500%;	11-03-2021	97.875	99.250	99.623	99.562	99.750	99.933	100.339
	Yld		6,079%	5,806%	5,694%	5,708%	5,656%	5,647%	5,541%
	Moody's rating:	Baa3							
	Fitch rating:	BBB-							
Republic of Congo									
	4.000%;	06-30-2029	74.000	76.562	76.281	76.500	77.719	77.719	77.562
	Yld		9,681%	9,008%	9,095%	8,871%	8,841%	8,840%	8,695%
	Fitch rating:	B+							
South Africa									
	5.875%;	09-16-2025	99.948	101.505	101.359	101.738	101.921	102.272	102.289
	Yld		5,924%	5,712%	5,736%	5,687%	5,669%	5,613%	5,607%
	Moody's rating:	Baa2							
	Fitch rating:	BBB-							
	S&P rating	BBB-							
Zambia									
	8.500%;	04-14-2024	68.650	71.909	73.216	74.775	75.975	76.727	77.636
	Yld		15,546%	14,594%	14,204%	13,870%	13,568%	13,360%	13,120%
	Fitch rating:	B							
	S&P rating	B							
East Africa			**15-jan**	**13-jan**	**12-jan**	**11-jan**	**08-jan**	**07-jan**	**06-jan**
Ethiopia									
	6.625%;	12-11-2024	82.786	85.136	85.469	85.947	86.143	86.006	86.357
	Yld		9,675%	9,199%	9,140%	9,056%	9,016%	9,002%	8,978%
	Moody's rating:	B1							
	Fitch rating:	B							
	S&P rating	B							
Kenya									
	6.875%;	06-24-2024	84.175	85.909	85.958	85.955	86.023	86.091	86.659
	Yld		9,804%	9,431%	9,407%	9,421%	9,407%	9,804%	9,804%
	Fitch rating:	B+							
	S&P rating	B+							
Rwanda									
	6.625%;	05-02-2023	92.886	94.045	94.023	94.398	94.540	94.237	95.317
	Yld		8,049%	7,825%	7,829%	7,712%	7,688%	7,784%	7,576%
	Fitch rating:	B+							
	S&P rating	B+							
Seychelles									
	7.000%;	01-01-2026	93.666	93.779	92.935	92.935	92.935	92.165	93.123
	Yld	8,948%	8,949%	9,039%	9,039%	9,038%	9,242%	9,056%	
	Fitch rating:	BB-							
West Africa			**15-jan**	**13-jan**	**12-jan**	**11-jan**	**08-jan**	**07-jan**	**06-jan**
Gabon									
	6.375%;	12-12-2024	71.050	74.036	74.143	75.825	76.813	76.786	78.000
	Yld		11,880%	11,179%	11,154%	10,775%	10,558%	10,562%	10,299%
	Fitch rating:	B+							
	S&P rating	B+							
Ghana									
	7.875%;	08-07-2023	67.800	70.429	71.714	73.900	74.545	75.393	77.545
	Yld		15,421%	14,623%	14,261%	13,671%	13,480%	13,274%	12,688%
	Moody's rating:	B3							
	Fitch rating:	B							
	S&P rating	B-							
Ivory Coast									
	6.375%;	03-03-2028	87.175	88.607	89.091	89.772	89.613	89.886	90.083
	Yld		8,154%	7,932%	7,896%	7,763%	7,791%	7,746%	7,709%
	Moody's rating:	Ba3							
	Fitch rating:	B+							
Nigeria									
	6.375%;	07-12-2023	84.860	87.712	87.923	87.937	87.682	86.658	86.787
	Yld		9,361%	8,758%	8,720%	8,762%	8,763%	8,989%	9,361%
	Fitch rating:	BB-							
	S&P rating	B+							
Senegal									
	6.250%;	07-30-2024	85.750	86.821	87.179	87.791	87.562	87.786	88.364
	Yld		8,809%	8,557%	8,491%	8,359%	8,421%	8,483%	8,266%
	Moody's rating:	B1							
	S&P rating	B+							

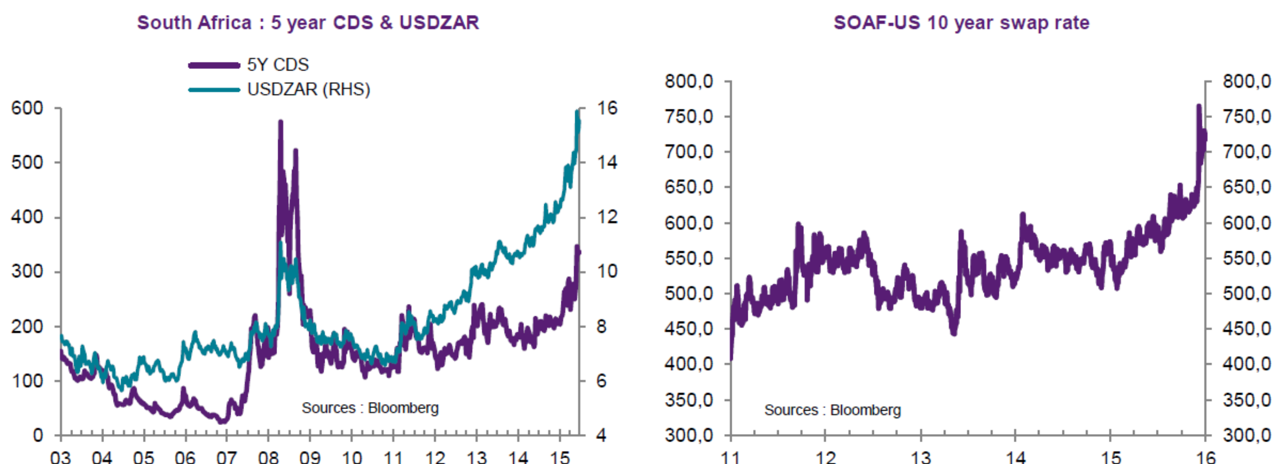
NOTE: Angola in 2012 sold $1 billion of 7 percent securities due August 2019 to selected investors in an agreement brokered by Moscow-based VTB Bank OJSC. Pricing source is the Composite Bloomberg Bond Trader (CBBT) Yld = Bid Yield to Maturity.

What outlook for the ZAR ?

The South African currency has fallen by 26 % last year and this adjustment doesn't seem over. The December political crisis added uncertainty and the South African rating should be further degraded by the major rating agencies. Structural problems in the energy and transport and a high current account deficit are not great signs for the ZAR. We therefore remain bearish on the currency for the short to medium term. As a result, we revised our forecast for the USD/ZAR to 17 in coming months.

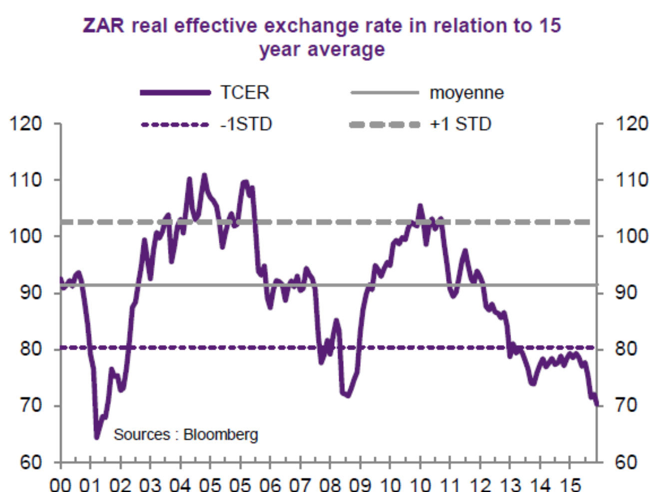
For the South African government, 2015 ended on a rather chaotic note, with three Finance Ministers following in rapid succession. This 4-day carousel came to an end when President Jacob Zuma recalled former Finance Minister Pravin Gordhan in place of little-known David Van Rooyen. This political instability stoked uncertainties over the country's fiscal policy, prompting Fitch to downgrade the sovereign rating to BBB- in December. South African assets corrected sharply as a result. The 5-year CDS soared to 343bp, its highest level since 2009. The SOAF-US 10-year swap spread widened to a high of 750bp in reaction to the significant capital outflows.

Against this backdrop, the South African rand weakened by around 8% against the US dollar in December, shedding 26% over 2015 as a whole. Since 2011, when emerging assets started to correct, the South Africa rand has corrected by nearly 140%. After this correction, the question is whether the currency's adjustment is over?



An undervalued currency

To answer this question, one needs to consider several factors, notably the South African rand's valuation in real terms, but also the country's outlook in light of internal and external risk factors. As regards the currency's valuation, it is clear that the rand is undervalued in terms of its real effective exchange rate. It is low by past standards (see chart below), suggesting it is an attractive buy. *(Natixis)*



Zuma Begins Fightback as South Africa's Rand Gets Hammered

President Jacob Zuma is blaming everything from market overreaction to political intrigue in a public relations fightback against criticism that his leadership is undermining South Africa's economy and denting the popularity of the ruling African National Congress.

In interviews this weekend, Zuma cited market "overreaction" when the rand weakened to a then record low and bond yields rose to a seven-year high last month after he fired Finance Minister Nhlanhla Nene and replaced him with little-known lawmaker David van Rooyen. The currency hasn't recovered since he rescinded his decision and appointed Pravin Gordhan to the post. He also called criticism that his friendship with a wealthy Indian family which employs his son reeks of influence peddling "a political thing." "Zuma's comments indicate a profound lack of understanding of how global capital markets work and how trust is built between governments and lenders," said Nic Borain, an adviser to BNP Paribas Securities South Africa. "He's saying the rand was going down anyway and it's not his fault, but it is his fault."

Zuma spoke at a time when the rand is hitting record lows almost daily, South Africa's debt is threatened by a credit downgrade to junk and the ANC is preparing for what analysts expect to be hotly contested local elections this year, particularly in the capital, Pretoria, and Johannesburg. The vote will take place against a backdrop of mounting discontent among poor South Africans over living conditions and a 25.5 % unemployment rate.

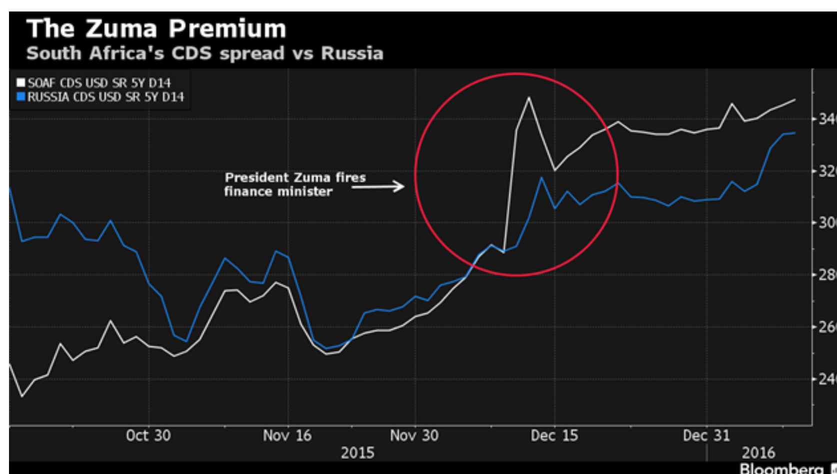
While more than 200,000 people have signed online petitions calling for the president to quit or be ousted, Zuma's comments indicate he won't go willingly before his current term ends in 2019. He'll be able to remain in office as long as he retains the backing of the ANC, which won 62 % of the vote in the last elections in 2014.

Public Distrust

In power since 2009, Zuma has repeatedly come under attack from opposition parties for squandering taxpayers' money on a 215-million rand ($13 million) upgrade of his private home. Public distrust in the president stands at a record of 66

%, up from 37 % in 2011, and a majority of South Africans believes he routinely ignores parliament and the courts, an Afrobarometer poll of 2,400 people released in November showed.

Former Finance Minister Trevor Manuel, ex-Public Enterprises Minister Barbara Hogan and former central bank governor Tito Mboweni voiced criticism after Nene was axed. "There was an exaggeration that was unfortunate," Zuma told the South African Broadcasting Corp. in an interview. "In any case, I've never come across a period in which people say the markets are happy. It differs in degrees. No one can say this is the first time we had this kind of a problem."



Rand Slides

Even after the appointment of Gordhan, who served as finance minister between 2009 and 2014, the rand's downward slide has continued unabated. It reached a record low of 17.9169, before rebounding to trade at 16.5748 in Johannesburg. "The president seems quite clearly to have been stung by the criticisms surrounding his decision to fire Nene, otherwise he would not still be talking about it a month later," Judith February, a political analyst at the Institute for Security Studies, said by telephone. "He has not given any rational basis for the firing and when Zuma is left to ad lib or speak in a non-structured environment he is inclined to muddy the waters even more." Zuma told ENCA television the criticism of his friendship with the Gupta family was political posturing, and there was nothing untoward about their relationship. He's previously denied playing any role in securing permission for them to land a plane at the high-security Waterkloof air force base to take friends to a wedding or using his position to further their business interests.

Election Challenge

Zuma's failure to acknowledge his missteps may backfire on him and the ANC in the local elections that are scheduled to be held between May and August, according to Susan Booysen, a politics professor at the University of the Witwatersrand's School of Governance. "The president's comments this weekend did not even offer a halfhearted apology for the Nene debacle," Booysen said by telephone. "It seems that the president's advisers are either not briefing him properly or that there is a general trend in the ANC to leave him to hang out and dry. Whatever, the reason, it could be disastrous for the party at the local elections." *(Bloomberg)*

Kenya tests international appetite for new debt sale

Kenya is gauging international appetite for new sovereign bonds as investors warn that weakening emerging markets will push the country's borrowing rate above 10 per cent. Henry Rotich, Kenya's finance minister, said the country was planning an international roadshow for new long-dated bonds, while also exploring alternative means of raising external budget support. These could include a soft loan from the China Development Bank, Islamic financing, export credit arrangements and the sale of debt denominated in Japanese yen, known as samurai bonds. "We just want to expand our menu," Mr Rotich told the Financial Times in an interview. "Which one to pick depends on how quick we can pick one."

Kenya's announcement follows news that Nigeria and Mongolia are also planning to issue debt despite dwindling investor appetite for bonds sold by developing countries. Falling bond prices mean countries that paid 5 or 6 per cent to borrow on markets two years ago now face rates of 10 per cent. "Kenya is lucky that it can still issue," said Kevin Daly at Aberdeen Asset Management. "Ghana and Zambia have been shut out of markets by prohibitively high yields. For Kenya, issuance will be challenging but the last bond sale did well and there is likely still appetite." Prices for the country's five- and 10-year bonds have dropped sharply since last year, pushing the yield on Kenya's 2024 bond from 5.97 per cent in April to 9.45 per cent. Kenya hopes to boost its standing with international investors by securing an extension of standby facilities from the International Monetary Fund before holding a bond roadshow in February or March. The roadshow "is basically to meet investors and gauge appetite for our longer-term bonds", said Mr Rotich. "If we were to issue another eurobond, could we look at 15 years, 20 years, I've seen countries that have done 30 years."

As a net oil importer, Kenya has benefited from the slump in oil prices and the government expects growth to reach 5.8 per cent for 2015, and 6.1 per cent in 2016.

However the country's debt burden has grown to equal 56 per cent of GDP, a high level for EMs and the budget deficit target for 2015-16 is 8.7 per cent. To limit the pressures, Kenya plans to diversify its sources of credit. Mr Rotich said he was in discussions with the China Development Bank for a budget support loan of $600m at a rate of about 3.65 per cent above the London interbank offered rate (Libor). Kenya is also scheduled to host an Islamic financing conference

next month, although Mr Rotich said it would take up to two years to issue any sukuk (Islamic bond) because the country's banking law would first have to be amended. East Africa's largest economy was one of the most successful participants in the recent EM credit boom, breaking records in 2014 for the biggest sovereign bond debut by an African country. About $600m of the $2bn money raised was used to pay off a syndicated loan while the remainder was mostly spent on development infrastructure projects such as roads, rural electrification and health projects. *(Financial Times)*

Nigeria plans return to international bond markets

Nigeria is planning to make a comeback on international bond markets two years after its last sale of debt, as Africa's largest oil producer tries to plug an $11bn budget deficit.

However, during that time the cost of borrowing in dollars has surged for developing countries, making any bond sale a test of investor willingness to fund emerging markets. Last year Ghana had to offer 10 per cent to borrow $1bn in 15-year debt, far higher than expected, while Iraq, Kurdistan and Pakistan were forced to rethink borrowing plans as a slowdown in China, a rise in official US borrowing costs and falling commodity prices diminished demand for their bonds.

Undeterred, Africa's largest economy is finalising plans for an investor roadshow by the end of March, Kemi Adeosun, finance minister, has told the Financial Times. "We're looking to test the eurobond market," she said. "We think there's appetite. We're finalising plans for a non-deal roadshow in the first quarter." If successful it will be the first issuance of external debt by Nigeria since July 2013, when it raised $500m of five-year bonds and $500m of 10-year bonds, at yields of 5.38 per cent and 6.63 per cent respectively.

Prices for both have since fallen, pushing the yields to 8.5 per cent and 6.81 per cent. Foreign investment in EM bonds and equities has dropped to the lowest levels since the financial crisis. Ms Adeosun did not specify the size or maturity of the eurobond but said the possible return to international capital markets would be one of several ways Nigeria would borrow externally this year.

Last month Muhammadu Buhari, president, said Nigeria's deficit would be funded partly by domestic bonds and partly from borrowing abroad. "We've decided to divide [the deficit] down the middle," Ms Adeosun said. "We recognise the need to stimulate the economy and not crowd out the private sector." She stressed the need not to increase interest rates by "borrowing too much domestically".

Nigeria is rated BB minus by Fitch Ratings and B plus by S&P, below investment grade. Its finances have come under acute pressure as oil prices have dropped. The budget deficit has swollen to N2.2tn ($11bn), driving down the naira and leading the government to impose measures to defend it, including capital controls.

Last year Nigeria was ejected from influential indices of EM bonds by JPMorgan and Barclays, which said the country's problems — and new foreign exchange policies — had made transactions problematic for foreign investors. Ms Adeosun said Nigeria had applied for budget support from the World Bank and the African Development Bank, adding that some other funding was likely to come from "export support projects" with "a couple of Exim [government or semi-government agency]" banks. An IMF team is in the country to assess whether its borrowing costs are sustainable.

On a visit to Nigeria last week Christine Lagarde, the IMF chief, praised Mr Buhari's anti-corruption fight and recommended fiscal discipline as a means to address the economic crunch caused by the oil price crash. Nigeria's largest budget to date was announced last month, and the president pledged to revive the economy by "helping industry, commerce and investment to pick up" and increasing spending by about 20 per cent from last year. Ms Adeosun, a London-born former investment banker, was appointed finance minister in November. She told the FT shortly after her appointment that raising non-oil revenues was her priority. Citigroup and Deutsche Bank, which worked on Nigeria's most recent sale of debt, declined to comment. *(Financial Times)*

Private Equity

Private equity firm discusses Ethiopia pharma investment

UK-based private equity firm 54 Capital today announced it has entered Ethiopia's pharmaceutical market through an investment of US$42m into Addis Pharmaceutical Factory (APF). According to the firm, an initial investment of $30m, with the option to invest a further $12m, will be used to increase APF's national and international reach.

***How we made it in Africa** asked Nathalie Bennett, investment associate at 54 Capital, why the firm decided to invest in Ethiopia's pharmaceutical industry.*

What was the main motivation for this investment?

We already have a strong base in Ethiopia, with some of the team having more than four years' experience through our investments in the FMCG sector (we have several investments including water bottling, pasta and flour, and edible oil production). From these we have gained a high degree of understanding in terms of manufacturing, selling and distribution.

We wanted to build upon this experience to expand and apply it to another sector that we have always had an interest in. We believe there is a huge opportunity for growth in terms of pharmaceutical investment. We also have a lot of confidence in Ethiopia as a country, and the government has highlighted in their most recent Growth and

Transformation Plan a focus on the development of the private sector, within which they want pharmaceutical manufacturing to be a priority area.

When we first visited APF we were impressed by the facilities and the ambitious management team who have really driven the company forward these past few years, and who have long-term goals which, together with our investment, they will be able to realise.

Tell us about the products that APF manufactures.

APF manufactures a wide range of products which are today primarily serving the public market, many of which are antibiotic-based medicines. The Adigrat (situated in northern Ethiopia) plant produces 70 types of medicines under seven major categories, while the smaller plant in Addis Ababa produces injectables.

Describe the growth opportunities in Ethiopia's pharmaceutical industry.

Ethiopia has the second largest population in Africa and the market itself is expected to increase about 15% per annum over the next three years to reach a total value of $1bn by 2018 versus 10% growth across Africa.

Among local manufacturers, there are a number of internationally-backed companies who have expansion projects underway, but are either concentrating on other segments of the market or much smaller than APF.

In terms of imported products, local manufacturers actually have an advantage over imports. As previously mentioned, the Ethiopian Government is keen on reducing import bills and therefore prioritises and protects local manufacturers, with a target to increase their market share in tenders from about 20% to 50% by 2020 and 60% by 2025. This will take the form of a significant growth (30%-plus) of the tender market opened in priority to local manufacturers.

How did this deal come about?

From our inception as a company, our chief investment officer, Saad Aouad, had already identified the pharmaceutical sector as an area we would like to become involved in, and after research it was clear APF would be an ideal company to partner with. We established a relationship with APF last year through EY Ethiopia, and it quickly became clear to us that the company had a strong and driven management team whom we worked well with, and where we could see a lot of value creation through an investment.

What are the biggest risks associated with this investment?

With any investment into emerging markets there are always risks to some extent. These can include inflation, competition as well as timing to get projects online, which can sometimes take longer than expected. However, we are confident we can either avoid or work with these in order to ensure they have minimal to no impact on our operations. The central bank has done well to manage inflation since the high rates witnessed in 2011, by taking a number of strong fiscal and monetary measures to get the situation under control.

Of course, delays in project timing can be problematic – we do not want to be in a position where we do not deliver on projects we have told our investors would be complete within a certain time. However, the fact that we have an extremely strong on-the-ground presence, as well as very good relationships with our local partners, means this is unlikely to happen.

Within our portfolio companies in the FMCG sector we have already been able to get new lines operational and production started within short time frames and are confident that alongside our international experts, we will be able to replicate this same success at APF.

What are the benefits of manufacturing pharmaceuticals locally in Ethiopia, as opposed to importing?

Let's look at other countries, which are 10 to 15 years ahead of Ethiopia in terms of the maturity of their pharmaceutical markets, such as Egypt, Algeria, Morocco or Tunisia. In all of these countries we can see that early on the government has put in place incentives for local manufacturing to build capability and capacity. Subsequently, they have reduced imports as local demand picked up. This has ensured strong local supply, created employment and competitive pricing.

As these markets matured, a handful of local players ended up sharing the top 10 rankings with multinationals, where local players covered the middle and lower tiers, and multinationals the top tier in terms of pricing. Typically those locally-branded generic operators which emerged in leading positions were the ones most able to build strong brands based upon product quality, high-capability sales forces with country-wide coverage and, not least, the ability to launch new products every year to address all key patient needs. It can only be good for Ethiopia to have its own local pharmaceutical player.

How involved will 54 Capital be in the day to day running of APF?

We have put a strong team of international experts in place who will be based either full time or part time at the plant, and will be involved in its daily running together with the local management team, especially during the early stages of our investment. As with our other deals, the entire team will be involved as we have taken a hands-on approach to our other investments in the country to date.

By when do you plan on exiting this investment?

Our typical deal lifespan is between 5 to 7 years. *(How we made it in Africa)*

African private equity in 2016: What effect will the global economic climate have?

Low oil and commodity prices, coupled with a strong US dollar, have placed immense strain on African currencies. In the continent's largest economies, the South African rand has taken a dive while the Nigerian naira has seen strong depreciation in the parallel market, indicating a possible devaluation by the Central Bank of Nigeria. The Zambian

kwacha, Ghanaian cedi, Kenyan shilling, and Angolan kwanza are just some of many other currencies on the continent under pressure, with persisting global conditions suggesting there will be little or no relief this year. This currency risk has impacted investment into African listed markets, but what does it mean for private equity on the continent?
Rory Ord, head of independent valuation at RisCura, says the industry's "saving grace" is that private equity capital is committed for a long period of time, with funds having already been raised over the last couple of years. "A lot of that money is committed and it now has to be invested over the next few years. So there shouldn't be that much change, despite these conditions. The deals should still happen."
However, current macro-economic hurdles increase investment risk and lower investor confidence – and Ord says this will likely affect the pricing of private equity deals this year. "What this means is investors will probably not be willing to pay as much for the deals to try and secure a higher return. So they will want to pay a lower entry price to try ensure that they do get their money's worth and a good return at the end of the day."

A year of re-adjusting

He notes that during times of economic changes there is often a disconnect between what sellers expect for their companies, and buyers are willing to pay. The result could mean longer negotiation periods and deals that come with contingency clauses. "So for example, private equity firms investing into companies may make their purchase price contingent on the results achieved in perhaps the coming year and the one after that – and trying to link their price to these things as much as possible to limit their risk," adds Ord. "But the money is there and will be invested over the coming years – I just think this will be a year of consolidation and re-figuring things out. We might see a little slowdown in deal activity, but that would probably then be made up for in the next year."

Reluctance over Nigeria

There might also be some reluctance by fund managers in brokering private equity deals with naira-based businesses in Nigeria, at least until issues surrounding the exchange rate are resolved, notes Ord. "If an investor has to go in at say the official rate, and then it immediately gets weakened to the parallel rate – if it is allowed to weaken – then that is a straight loss to the investor," he explains.
This week the naira hit lows of close to 300 to the dollar on the parallel market, around a 50% difference to the official central bank rate of near 200 to the dollar. "For investors who actually have the choice over which countries they invest in, I think they will have to be really convinced about the opportunity [of a particular deal] and actually take into account those severe currency risks [before investing in a Nigerian company]. "That is not to say the currency risks don't exist everywhere else – they really do… But as an investor you probably would rather be investing in a country which has actually got a bit more transparency in the currency." *(How we made it in Africa)*

M&A

African deal making muted in 2015 as global M&A hits record highs

As global mergers and acquisitions (M&A) hit record highs in 2015, deal making activity in sub-Saharan Africa remained relatively muted over the year, despite an uptick in activity in key markets and sectors towards the end of the 12 months, a report by international legal firm Allen & Overy has shown. "A disappointing performance in 2015 is, however, understandable. Investment into Africa has traditionally been primarily focused on the resources sector and so the fall in oil and other commodity prices and a slackening of demand from key markets, notably China, has hit Africa particularly hard," the firm's latest M&A Insights report read.
In certain African markets, the global decline in commodity prices had been exacerbated by local difficulties, it continued, describing South Africa as a "tricky market" for resources investment owing to government interference, labour issues and regular power outages. Other traditionally strong sectors were, however, faring better, with the telecommunications sector continuing to see a good stream of infrastructure deals and increased operator consolidation.
"With increased levels of capital being built up to invest across the continent, [we] expect this year to be a livelier period for transactions . . . [with] further deals on the cards in the year ahead. "Investment in power and transport infrastructure remains a pressing need across the region and a potential key focus for inbound investment. Such investment can act as a real spur to economic growth but requires governments to create the right legal and commercial frameworks for projects to proceed," Allen & Overy said. In South Africa, the firm expected the government to clarify its approach to inward investment in several crucial areas, not least of which was the foreign ownership of land. Investment in less traditional areas on the continent, such as consumer goods and retail and financial services also held potential, as economies grew and the middle-class expanded. "The appetite to invest is certainly there, but a scarcity of good assets remains an obstacle, albeit probably a relatively short-term one. "Investors within the region are also looking for opportunities across the continent and overseas . . . [and], with key African economies forecast to see some of the highest growth in gross domestic product in the coming years, we continue to believe the current dip in transactions activity will be short-lived, with activity beginning to grow again," it stated. While African deal making remained muted over the year, the global deal making environment swelled, with transactions in 2015 rising to record levels and ending the year at $2.76-trillion – ahead of the previous M&A high of 2007. The bulk of activity was seen in the telecommunications sector, followed by the life sciences industries, energy sector, consumer sectors and financial services industries. Some 33% of deals occurred in Western Europe, followed by the US, at 28%, Asia Pacific, at 14%, and Greater China, at 13%. *(Engineering News)*

INFRASTRUCTURE

Gabon signs loan accords on two infrastructure projects for $200m

Gabon has signed agreements with the Development Bank of Central African States (BDEAC) for loans on two major infrastructure projects totalling more than $200-million, the presidency said. The accords, which were signed, put up 51.6-billion CFA francs ($86-million) for the construction of a port in Owendo, close to the capital, jointly owned with Singapore-listed agricultural products group Olam International. "This port must assert itself as a major actor in the primary sector of Gabon," read the presidency's statement. "This port must assert itself as a major actor in the primary sector of Gabon," read the presidency's statement. "(It) will improve the competitiveness of the country." The port is expected to be operational in the second quarter of 2016. A second agreement contributed an additional 75.6-billion CFA francs ($126-million) of financing to the construction of a major highway project connecting Libreville with towns in the rest of the country expected to be completed at the end of 2016. IMF chief Christine Lagarde was in Cameroon last week, where she called for the six countries in the CEMAC bloc, which includes Gabon, to improve regional trade, which currently stands at 5% of formal trade. Poor infrastructure has traditionally been a major hindrance to regional trade and highways connect only two of the six capitals included in the zone. *(Engineering News)*

Expansion works of the port of Nacala, Mozambique, due to start in 2016

The second phase of the modernisation and expansion works of the port of Nacala may start this year. Currently preparatory work is underway to launch tenders for the project, the provincial governor of Nampula, Victor Borges said recently. This work, costing US$270 million, includes reconstruction and expansion of the pier, acquisition of general cargo handling equipment, construction of the railway container terminal and improvement of access roads. In May 2015, the Ambassador of Japan in Mozambique, Akira Mizutani, signed an agreement with the government of Mozambique to grant a loan of US$280 million to finance the second phase.

The first phase of the project was also funded by the Japanese government, which disbursed US$84 million, totalling, with the recent agreement, more than US$360 million. Work on the first phase, which included repairing the north pier, paving the container terminal, installation of equipment to modernise fuel operations and construction of a new railway terminal was awarded to Japanese company Penta – Ocean Construction Co Ltd. The port of Nacala, in addition to serving Mozambican commercial operators and farmers is the gateway for goods entering and exiting neighbouring Malawi. *(Macauhub)*

ENERGY

Egypt's Orascom Construction says wins $420m power plant contract

Egypt’s Orascom Construction has been awarded a $420-million contract to revamp two government-owned power stations, the company said. Orascom was part of a consortium that completed the build of the Assiut and West Damietta plants in the third quarter of 2015. The plants, which are operational and have a combined capacity of 1 500 MW, will now be converted to a so-called combined cycle from a simple cycle. A combined cycle reuses waste products, increasing capacity by 50% with no additional fuel intake. *(Engineering News)*

Mozambique : Cahora Bassa dam reaches production record for 2015

Mozambique’s hydropower dam in Cahora Bassa in 2015 generated a record output of 16,978 GW/h. This is the structure’s best performance since it has been launched in 1975. The Hidroeléctrica de Cahora Bassa (HCB), state-owned company operating the plant said this performance was due to the various investments made in the infrastructure over the recent years. Truly, nearly $132 million were injected to rehabilitate the weirs, renovate the sub-station’s converter in Songo, and reinforce the foundation of pillars that support the transmission lines. All these boosted the dam’s output which according to the HCB “*exceeded international standards of similar industries*”. Established on the Zambeze River in Mozambique, the Cahora Bassa plant has a capacity of 2,075 MW. It provides most of the power of the country but also export some of its output to South Africa, among others. *(Ecofin Agency)*

Renewable energy can compete at market price in Africa

Developing adequate power supply for Africa is one of the great challenges of our time. The climate agreement in Paris in December at COP 21 makes clear the global consensus that our energy future needs to be green and sustainable. Renewables are the way forward and can compete at market prices.

In telecoms, Africa has managed to skip a generation of development and has gone directly to mobile networks. The same can be done for renewables. Africa can develop its energy resources without having to make investments in older forms of power generation and grids. Renewables in Africa can be developed competitively without subsidy and by mobilising resources from the private sector

Despite increases in generation capacity, sub-Saharan Africa is the only region in the world where the number of people without access to electricity is set to rise, from less than half the population today to more than two thirds in 2030. If current trends continue, billions of people will be denied access to a better quality of life.

Renewable energy is uniquely placed to provide solutions to Africa's energy challenge. Wind and solar are not only carbon free, but they are scalable, easy to install and appropriate to today's level of technology.

In a number of countries solar energy is now cheaper than wind on high radiation sites, which in turn is cheaper than gas, which is cheaper than new coal, which is cheaper than oil. All are cheaper than new nuclear. In South Africa, new onshore wind is already half the projected cost of new coal power. Over the past five years, the cost of wind has come down by, while solar has fallen by 80 %. This is the classic J-curve at work. It is a product of economies of scale, greater efficiency and, of course, breakthroughs in technology.

In the case of solar PV every time global production doubles, unit costs fall by 24 %. It is analogous to Moore's Law for the microchip. We are not yet at the bottom of the downward cost curve for renewable energy technologies. In their report published to coincide with the Copenhagen COP summit in 2009, the IEA predicted that there would be 20GW of solar PV installed in the world by 2015. The actual figure is 180GW. Wind has enjoyed a similar trajectory, far outpacing official predictions, as costs have fallen. Not only are wind and solar energy now cost competitive with fossil fuels, but the cost of fossils is rising even at a time of weak global demand.

Transitions towards renewable power in South Africa, in Chile, and in many other countries are remarkable, given that coal and gas generators in many countries are not yet paying a carbon price for their generation. Now, under the global agreement signed at COP21, the world looks set to increase the pace of progress towards adequate carbon pricing. The Chinese have already chosen carbon pricing as their primary policy instrument for reducing carbon emissions, as the EU did a decade ago. So have many US cities. When the price of carbon reaches $32 per tonne, as it inevitably will by 2030, the game will be finally over for fossil fuels. It is only a question of when.

In 2008, I founded Mainstream Renewable Power to develop wind and solar generation in Europe, the Americas and Africa. One of Mainstream's founding objectives was to develop renewable energy in emerging markets, recognising that the world was on a one-off transition to sustainability.

We have now delivered three of Africa's first large-scale wind and solar plants in commercial operation in 2014, while establishing ourselves as the leading developer of renewables projects in South Africa. We are also bringing forward a further 1,100MW of generation capacity across Ghana, Egypt and South Africa with additional projects in a number of other countries. Wind and solar energy are supplying low-cost, low-carbon, and highly reliable generation today. They are already generating the electricity that will power the cities, homes and businesses of tomorrow. Africa has a clear sustainable path to its energy future. It is one where wind and solar energy will deliver affordable and dependable electricity across the continent on large grids and micro-grids, in large cities and in small rural villages. In the not too distant future, people will wonder why we ever did anything else. *Eddie O'Connor is the CEO of Mainstream Renewable Power.* *(This is Africa Online)*

Opinion: Renewable energy a win-win African investment opportunity

This article is based on an interview with Chris Antonopoulos, CEO of Lekela Power, that took place at The Global African Investment Summit on 2 December 2015 in London, United Kingdom. Lekela is a majority investor in large renewable energy projects, with an exclusive focus on Africa.

The renewable energy sector is gaining traction in many African countries. Until relatively recently it was nearly impossible to construct a solar or wind farm without a government subsidy – it would've been simply too expensive.

But the costs of the technology have gone down by about 50% over the last five years. Investors can now finance entire projects themselves. Growth of the industry is also being driven by maturing renewable energy technology. This combination of reduced technical risks and lower costs is encouraging investment.

It's not just solar that's an obvious fit for Africa – there are also many lucrative locations for wind. With only about 30% of Africans currently having access to reliable electricity, the continent offers renewable energy investors bigger returns than developed markets such as the EU. But success is dependent on each country's natural resources, legal frameworks and overall political and economic situations.

Depressed oil prices have not stopped the development of renewable energy projects. The fundamentals of the industry remain intact regardless of the oil price. Renewables face no volatility in terms of input expenses – the cost of wind or sunlight will always be zero. This provides stability to investors.

Attractiveness to governments

Many governments now see renewables as a viable option, and are making moves to make it part of the energy mix. Renewable energy is a great way for governments to boost employment. Typical projects create between 600 and 800 jobs during the construction phase. It's rare to see this labour imported. It takes about 18 months to complete a renewable project, but the first power can often be generated after only nine months. This provides governments with relatively quick benefits – jobs are created within weeks and the country has more energy capacity in less than a year. With traditional energy projects it can take up to four years to deliver power to the grid.

However, for the sector to thrive, African governments need to create the right legal frameworks and policies to attract investors. In many countries there already seems to be the political will to stimulate investment in the sector. Chris Antonopoulos of Lekela says he is surprised at how fast the company has been able to grow. After little more than a year in business, it already has 1,200MW under construction across nine projects.

Private sector success

It is common for African companies to be involved across the value chain in order to avoid inappropriate partners and control the quality. However, Lekela has a horizontal structure – the technology is bought from tier-1 suppliers and the energy is sold to the public utility company. For this reason it does a thorough due diligence on all partners and continually monitors political and economic stability in each country. As Antonopoulos put it: "We would not venture out and go with someone who does not have a lot of experience." As for many companies in Africa, creating a social face is a part of their strategy. Many foreigner companies in Africa want to be viewed as part of the community instead as a foreigner. This is necessary due to the long-term nature of the projects – it's almost expected that within 20 years there will be major political or economic changes in a country – and being considered positive for the community is a good way to protect the company's interests.

To create this goodwill with the community, Lekela donates to local schools and assists with the improvement of hospitals and roads. Hiring locally also helps with goodwill and has financial benefits – there is no need to import many times more expensive foreign workers. Another key relationship is with the government. They're the main clients – the owners of the utility company – so the relationships are nurtured. Renewable power is a natural fit for Africa in terms of the energy landscape and the available natural resources. The sector will continue to grow and provide a lot of investment opportunities. *Bertrams Lukstins is a markets insights consultant specialising in the emerging African market.* *(How we made it in Africa)*

MINING

Kibo advances talks with Tanzania over Mbeya energy offtake

Dual-listed mineral explorer Kibo Mining continues to finalise a memorandum of understanding (MoU) with Tanzania Electric Supply Company (Tanesco) regarding a power purchase agreement (PPA) for the Mbeya coal-to-power project (MCPP), in Tanzania, informing the market that it continues to engage in "very constructive dialogue" with the State-owned energy group and the Tanzanian Ministry of Energy and Minerals. Kibo noted that the parties had identified an agreed set of principles to guide and direct the development of a PPA for the MCPP which sought to recognise, balance and protect the interests of all MCPP stakeholders.

This set of principles would be incorporated in an official MoU with Tanesco to serve as the reference framework within which the parties would jointly develop and implement an appropriate PPA for the MCPP, the company said in a statement. "The MCPP continues to make significant progress, with this latest breakthrough being one of the most important milestones in the development of the MCPP to date. Finalising critical commercial arrangements on the MCPP, to ensure optimal value creation and realisation on the company's flagship asset, is crucial at this stage of the project's development. "This announcement also shows that the company is diligently and successfully attending to the MCPP's key commercial development objectives," commented Kibo CEO Louis Coetzee. He added that the negotiations remained supported by the ongoing technical feasibility work that was rapidly advancing in parallel. Kibo continued to progress the final phases of the MCPP definitive feasibility study and expected to deliver a bankable feasibility study for the integrated MCPP on schedule. *(Engineering News)*

Capacity of Sena railroad in Mozambique increases to 20 million tons per year

Works to increase the capacity of the Sena railway line from 6.5 million to 20 million tons per year should be completed in the first half of 2016, said the provincial director for Transport and Communications of Sofala province. Hélcio Canda also told Mozambican daily newspaper Notícias that the work had been awarded to the consortium made up of Portuguese companies Mota-Engil and Edvisa (of the Visabeira group) was of a high quality, "having followed all international standards for works of this type."

The contract, which began in 2013 with an estimated cost of 163 million euros, involves extension of the intersections from 750 to 1,500 metres in all seasons, in order to allow the movement of trains with 100 cars pulled by six locomotives each, compared to just 42 cars hauled by two locomotives at the moment, for coal transportation. The Sena line links the port of Beira to the coal town of Moatize, between the provinces of Sofala and Tete, over a total distance of 575 kilometres, including the Inhamitanga/Marromeu branch line.

The project's specifications also include improvement of railway bridges in order to provide them with the capacity to handle larger loads as well as the elimination of bends with a radius less than 300 metres to provide greater security. *(Macauhub)*

South African Miners Sift Through Detritus of Gold Rush

Companies work through mounds of discarded ore looking for traces of precious metal

Miners are sifting through the detritus of a century-long gold rush here, scavenging through 150-foot-high mounds of discarded ore for traces of gold they may still contain. The mounds are the legacy of a mining industry that has yielded nearly half of the world's gold bullion and jewelry since the precious metal was discovered here in the late 1880s. After digging out raw ore from the ground, miners extract what gold they can from the mix, leaving behind hills of discarded ore as waste.

Over the years, these mounds—many now overgrown with scrub or abutting shantytowns—have been subsumed by the sprawling city, becoming part of its geography. But the mounds still contain trace amounts of gold. Until recently, going back for those scraps wasn't worth the trouble.

Today, though, companies like DRDGold Ltd. are using high-powered water cannons to blast many of the towering dumps open again, pushing their contents through miles-long pipes to processing plants that can extract tiny gold remnants. While gold prices have fallen sharply from their all-time high in late 2011, they are still buoyant enough to make the effort profitable. Executives also style the work as part of a cleanup drive, ridding the city of waste that irritates eyes and throats and contains cyanide, a chemical used in conventional mining, and uranium that is latent in the dug-up earth. "Hopefully one day, 20 years from now, all the mine dumps in Johannesburg will be gone," said Niël Pretorius, Chief Executive of DRDGold, the biggest company here focused solely on reprocessing mine waste. Sibanye Gold Ltd., South Africa's top gold producer, and AngloGold Ashanti Ltd., the world's third-largest gold miner, are also now working over old dumps. In the first half of 2015, about a fifth of AngloGold's production came from going back through mining residue, as well as discarded ore that was never processed in the first place.

It is hard work for thin margins. And while many inside and outside the industry say the effort could go a long way toward getting rid of the waste, critics say the industry hasn't gone far enough in addressing the environmental hazards. DRDGold uses water cannons to blast a ton of water every four seconds at the mounds. On one recent morning south of Johannesburg, a DRDGold worker in goggles and a waterproof jumpsuit was using his roaring water cannon to turn a powdery gray cliff-face of one partially vanished mound into a torrent of ashy sludge. The slurry is pushed into pipelines that run up to 40 miles long, to a processing plant. There, it passes through filters and is finely ground before being treated with cyanide, which leaches the gold particles out of the sludge. The recovered gold is then forged into rough bars and flown to a nearby foundry—by helicopter to evade South African bandits, who often hijack armored cars.

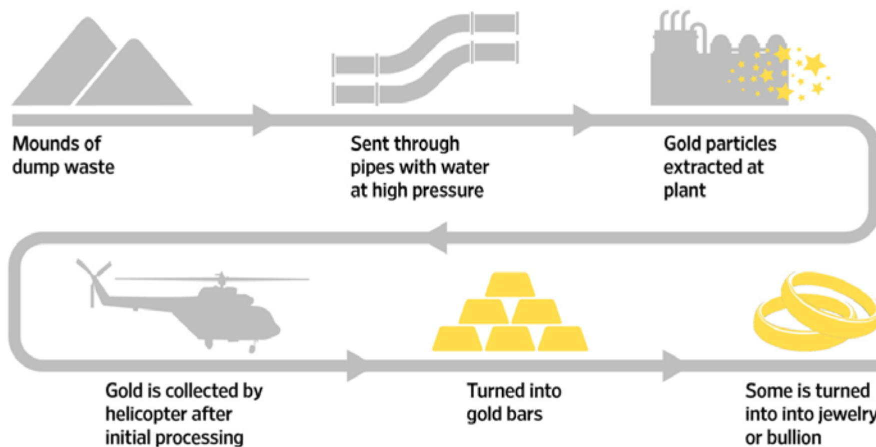
For each ton of reprocessed ore, an average of just 0.2 grams of gold is extracted. DRDGold goes through two million metric tons of ore a month. In its 2015 fiscal year that ended June 30, the company produced 150,145 troy ounces of gold, up 13% from the previous year.

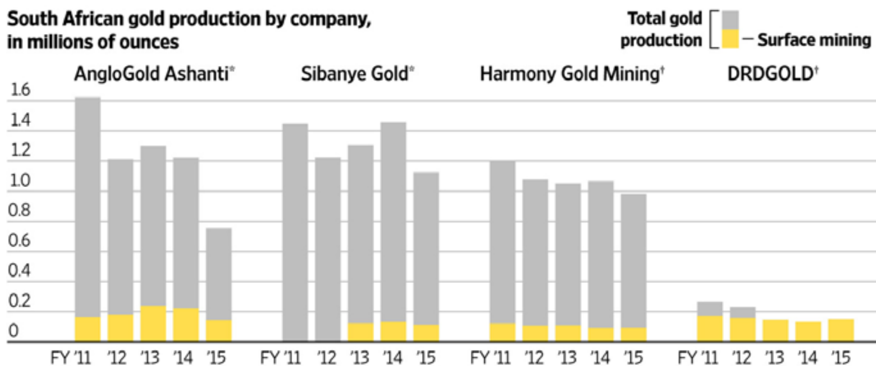
The scavenging comes as conventional mining declines. South African gold miners are battling rising labor and electricity costs as they dig ever deeper for dwindling reserves. Output has halved in the past decade, pushing South Africa from first to sixth on the list of global gold producers. Gold prices have fallen more than 40% since their peak above $1,900 an ounce five years ago. At today's prices—about $1,100 an ounce—about a quarter of the waste still lying around the city is profitable to reprocess, said Jaco Schoeman, operations director at DRDGold subsidiary Ergo Mining Ltd. "We just need the technology to improve ever so slightly" to make the rest profitable, he said. *(Wall Street Journal)*

Picked Over

As conventional gold production sags, companies are scavenging old mining waste for tiny gold deposits that are now economical to produce.

How the gold extraction process works





Note: Surface mining includes mining waste and unprocessed low-grade ore
*2015 figures through 3Q, Fiscal years end Dec. 30 †Fiscal years end June 30
Source: the companies

THE WALL STREET JOURNAL.

Diamond producers, such as Angola, launch advertising campaign and reduce supply

The world's diamond producing countries will next May launch an advertising campaign and are reducing the amount of diamonds available on the market in order to increase demand and prices, the chairman of Angolan diamond company Endiama said in Luanda.

Carlos Sumbula, who was speaking at a celebration of the 35th anniversary of the Angolan diamond company, said the ad

campaign had been commissioned from a firm in Las Vegas, and would run alongside an intentional reduction in supply, which would lead to a price rise starting this year.
Quoted by Angolan news agency Angop, Sumbula said that Endiama would intensify the search for new deposits in partnership with Russian group Alrosa and other partners, given that known kimberlites account for only about 10 % of the deposits thought to exist in Angola.
Endiama has the alluvial projects of Cangandala, Milando and Chinguvo in the prospecting phase, while dozens of other projects are in promotion and the kimberlites of Luangue, Tchiafua, Vulege, Gambo, Gango, Quitubia and Tchegi are also undergoing prospecting. *(Macauhub)*

Portugal delivers geological collection from diamond prospecting to Angola
Portugal will deliver to Angola a geological collection that is over 100 years old elated to diamond prospecting in the African country, under an extrajudicial settlement between Sociedade Portuguesa de Empreendimentos (SPE) and Angolan state diamond company Endiama. The information was announced in Luanda by the president of Endiama on the sidelines of the celebrations of the company's 35th anniversary. He added that through this agreement and the end of its diamond prospecting activities in Angola, Portuguese state company SPE would receive US$130 million.
"Receiving in exchange the 49 % that SPE owns in Sociedade Mineira do Lucapa, the 24 % it has of Calonga, plus the 4.9 % that it has in Camutué [mining areas in the North of Angola], plus any prospecting documentation that Diamang [company from the Portuguese colonial era] conducted over almost 100 years, we have come out as winners," said Carlos Sumbula, cited by the Portuguese press.
The issue was focused on the exclusion of the Portuguese public diamond mining company from a mine in eastern Angola, through Sociedade Mineira do Lucapa (SML), a process that has dragged on since 2011, including in the courts, and that led the Angolan State in 2014 to give up on the arbitration process, exacerbating the misunderstanding with Portugal in this case. *(Macauhub)*

OIL & GAS

Mozambique: IMF forecasts a 24% growth per year from 2021 to 2025 due to investment in natural gas
Mozambique's economy should record an average growth of 24% a year between 2021 and 2025 due to the massive investments injected in its large natural gas deposits over the recent years, a report published by IMF on January 15 reveals. "The exploitation of the large natural gas deposits discovered in the Rovuma basin, off the North-western shores of the country, should attract $100 billion worth of investments," the Washington-based institution said. "Once production of liquefied natural gas reaches its highest in 2028 with the commissioning of the last liquefaction plant, growth for Mozambique's real GDP will slump to 3 or 4%", IMF adds. It has been estimated that the reserves discovered in the Rovuma basin contain 180 billion cubic feet of natural gas, the equivalent of what all of Nigeria's natural gas reserves combined hold. With this, Mozambique could soar to the third place in terms of export of liquefied natural gas worldwide, behind Qatar and Australia, once production reaches its highest. The government of Mozambique plans to use these natural gas reserves to transform their economy and get rid of their status as one of the poorest countries in the world. South African bank Standard bank in fact, expects the economy of this country to grow 9 fold by 2035. *(Ecofin)*

ENI group starts operating new oil well in Angola
Italian group ENI has started oil extraction n the Mpungi field in deepwater block 15/06 in Angola, 350 kilometres northwest of Luanda and 130 kilometres west of Soyo, according to a statement issued. The beginning of oil extraction in the "West Hub" project will allow the group to increase production to about 100,000 barrels of oil equivalent (BOE) per day in the first quarter of 2016. The development project includes the Sango, Cinguvu, Mpungi, Mpungi North, Ochigufu and Vandumbu fields at a depth of between 1,000 and 1,500 metres, which are organised in clusters and connected to the N'Goma floating storage production and offloading ship (FPSO). The Italian group also said it would continue to carry out exploration activities in block 15/06, and any new discoveries would be linked to existing production facility. The group is the block's operator with a 36.84 % stake, and the remaining partners are Sonangol Pesquisa e Produção (36.84 %) and SSI Fifteen Limited (26.32 %). *(Macauhub)*

TELECOM

Kenya proposes law for phone companies to share networks: minister
Kenya's government is preparing a bill which would make mobile operators share their infrastructure to boost competition, the country's minister for information and communication said. Minister Joseph Mucheru, who until his appointment last month was a senior executive at Google Africa, told Reuters he wanted the law on sharing infrastructure to be in place within six months. "I have no control over parliament but if it were my choice I would have them ready today," he said in an interview.
Safaricom, 40 % owned by Britain's Vodafone, is the biggest phone company in the country with about 67 % of subscribers. Rivals such as the Kenyan subsidiary of India's Bharti Airtel say Safaricom's huge slice of overall revenues

is driving out competitors. Safaricom has rejected claims it is a dominant player and says any measures designed to reduce its position would discourage investment in the industry. Mucheru said the government was also preparing bills on access to information and data protection in a bid to attract more investors. "Without them (such laws), then people can't invest. If someone wants to put up a data centre in this country, how can they without data protection laws?" he said. Parliament is dominated by President Uhuru Kenyatta's ruling coalition, so bills proposed by the government are likely to be passed. Mucheru dismissed concerns about the size of Safaricom in the market, noting it was Kenya's largest listed firm by market capitalisation and delivered the biggest profits, but was still not in Africa's top 10 telecom companies. "We are trying to grow our economy and if we are going to do that, we cannot be saying a $6 billion company is too big," Mucheru said. Safaricom, which pioneered the popular mobile money transfer service M-PESA, has already opened up its distribution network to rivals to even the field, the minister said. He said the proposed law details how telecom companies will share infrastructure such as base stations, adding: "Shared infrastructure will help competition."
Africa-focused private equity firm Helios is expected to conclude its purchase of Orange's stake in Telkom Kenya, the former state-owned telecom monopoly, this year. Orange is leaving the Kenyan market after losing money on its 70 % stake in Telkom, which it bought in 2007 for $390 million. Equity Bank launched a new service called Equitel last year to take on Safaricom in the lucrative mobile financial services business. Officials want the information communication technology sector to contribute 8 % of the country's economic output by next year, up from 1.2 % now, Mucheru said. *(Reuters)*

MTN Nigeria acquires Visafone to boost broadband capacity
Telecommunications giant MTN’s Nigerian unit has successfully acquired Code-division multiple access firm Visafone Communications to bolster broadband quality in the bustling West African powerhouse. MTN Nigeria planned to leverage the voice, high-speed data, Internet and other value-added services capacity of Visafone to enhance its own services and product offerings in line with the country’s National Broadband Plan. “As we work to maximise our data capabilities towards achieving broadband of international quality, our objective is to ensure that Nigerians experience a boost in the quality of broadband Internet services translating to the much-needed enhanced data speeds and value to enhance personal and business productivity,” explained MTN executive Amina Oyagbola in a statement. The value of the deal was not disclosed. *(Engineering News)*

Tullow optimistic of weathering oil price storm
Tullow Oil says it is optimistic of weathering a collapse in oil prices and expects the start-up of its TEN Project in the middle of this year to help shore up its coffers. The Africa-focused oil company entered 2016 with US$1.9billion in undrawn bank facilities, giving it the option to tap more money if needed -- and it was able to shave another US$200million off its US$1.1billion capital investment budget. Aidan Heavey, Chief Executive, said in an advance statement expected to be released on February 10, which summarises recent operational activities and to provide trading guidance in respect of the financial year to 31 December 2015, that: “In 2015, Tullow not only reset its business to deal with very difficult market conditions but also deliver on its key operational goals”. Despite current low oil prices, Tullow expects to maintain sufficient liquidity throughout 2016. The Group starts the year with a financial headroom of US$1.9billion, is benefitting from a significant hedge position, will see West Africa oil production increase with TEN’s first oil and will continue to focus on reducing costs and capex across its portfolio. The primary focus of the Group in 2016 remains to de-leverage the balance sheet. Strong West African oil production supported by a significant hedge programme delivered pre-tax operating cash flow of US$1billion. “We also made excellent progress on development of the TEN Project, which is on track to begin production in the middle of 2016, and we expect the Group to be producing around 100,000 bopd in West Africa in 2017. “In East Africa, steady progress has been made toward a potential development sanction in 2017. Our appraisal programme in Kenya has proved up commercial resources with further significant upside identified. We continue to focus on driving down our costs and capital expenditure and, at the beginning of 2016, Tullow has a mark-to-market hedge value of over US$600million and financial headroom of US$1.9billion. Accordingly, we have a diversified balance sheet that supports our planned activities for the year ahead.”
In 2015, West Africa working interest oil production was within guidance averaging 66,600 bopd. In 2016, West Africa average working interest oil production guidance is expected to be in the range of 73,000 to 80,000 bopd. This includes production from the TEN development, which remains on track for first oil between July and August 2016. In Europe, working interest gas production in 2015 was within guidance averaging 6,800 boepd. In 2016, Europe average working interest gas production guidance is expected to be in the range of 5,000 to 7,000 bopd. Jubilee production performance for 2015 exceeded the 100,000 bopd target, averaging 102,600 bopd gross (net: 36,400 bopd). Good performance from the onshore gas processing facility has allowed significant gas export from the Jubilee Field with an average rate of gas export of around 85 mmscfd in the last quarter of 2015. Tullow is forecasting Jubilee 2016 average production to be around 101,000 bopd gross (net: 36,000 bopd). This reflects the impact of a planned two-week FPSO maintenance shutdown in the first quarter 2016 and a period of reduced water injection capacity, which is currently being addressed. The Greater Jubilee Full Field Development Plan (GJFFD), which includes the Mahogany and Teak fields, was submitted to the Government of Ghana in December 2015, and approval is targetted for the first half of 2016. This project -- to extend field production and increase commercial reserves -- has been redesigned, given the current

environment, to reduce the overall capital requirement and allow flexibility in the timing of capital investment. The TEN Project continues to make excellent progress, is over 80% complete, and remains within budget and on schedule for first oil between July and August 2016. To date, all the key milestones of the project have been met, with the next important event being departure of the TEN FPSO from Singapore to Ghana. The vessel is expected to depart late January 2016 and arrive in Ghana early March when the vessel will begin to be connected to the risers and subsea infrastructure. A gradual ramp-up in production toward plateau is anticipated during the second-half of 2016 as the facilities go through the final commissioning stage and wells are tied into the FPSO. Tullow estimates that TEN average working interest production in 2016 will be around 23,000 bopd gross (net: 11,000 bopd). *(Ghana Web)*

AGRIBUSINESS

SA could import 5-million tonnes of maize this year

SA may need to import as much as 5-million tonnes of maize this year, roughly half of its requirements, because of the worst drought in three decades, SA's largest producer group said.

The drought in the continent's biggest maize producer has been exacerbated by an El Niño weather pattern and follows dry spells last year that reduced the crop by a third to 9.94-million tonnes, the lowest since 2007. "We can now, with a lot of confidence, say we are in a disaster in the maize belt," Grain SA CEO Jannie de Villiers said. "We will be lucky if we produce 5-million tonnes this year and then we will need to import 5-million tonnes. This is the sort of scenario that we are looking at." That would raise practical problems about who could supply the required commodity and whether SA would be able to handle such a large volume of imports. The South African Reserve Bank, which has been raising interest rates, has expressed concern about the effect of the drought and food price pressures on inflation in SA.

Industry estimates at this stage remain fairly rough and previous predictions were for import needs ranging from 700,000 tonnes to 4-million tonnes. But the predictions have increased the longer the drought has gone on. The hardest-hit areas are in the northern Free State — the western part of the maize belt and a key growing area. Mr De Villiers said many farmers had not planted there yet, missing the last real opportunity. "The insurance companies will not pay out if the crop has not been planted and germinated by the first of January," he said. Maize in SA is generally planted in about November.

The situation in eastern part of the maize belt in Mpumalanga, which has had some rain, is not as bad, but Mr De Villiers said yields there would likely fall below average. "How are we going to import 5-million tonnes? Because our port facilities cannot do that," Mr De Villiers said. Such facilities would include grain elevators to move imports and storage sites, which risk being overwhelmed. Transnet's CEO said in December that the groundwork was being prepared to import as much as 4-million tonnes of maize. Mr De Villiers said the other problem was sourcing white maize, the staple crop that provides much of the caloric intake for SA's lower-income households.

Outside of Africa, the only other significant producers of the white variety are Mexico and the US. Yellow maize in SA is mostly used for animal feed. According to the South African Grain Information Service, in the 2014-15 marketing season SA imported just 65,000 tonnes of yellow maize. So far this season, which runs to the end of April, the country has imported 670,000 tonnes of yellow maize and 68,000 tonnes of white maize, the latter from Mexico and Zambia. South African white maize prices doubled last year and the March white maize contract hit a record close of R4,901 a tonne, on drought worries. It briefly hit a historic high of R4,952 a tonne on Mr De Villiers's comments before falling 0.5% at R4,875 a tonne. *(BDLive)*

Karuturi Challenges Ethiopia Decision to Cancel Farm Project

Karuturi Global Ltd., one of the largest investors in Ethiopia's farm industry, is challenging the termination of its project, claiming the government broke the terms of its agreement with the company. The Agriculture Ministry's cancellation last month of the company's 2010 lease is invalid as it didn't follow procedure, contravened an investment agreement between India and Ethiopia, and wrongly accused the company of inadequate progress, Managing Director Sai Ramakrishna Karuturi said in an interview Jan. 5 in the capital, Addis Ababa. "I don't recognize this cancellation," he said. The termination amounts to expropriation, which the bilateral investment treaty says must be accompanied by market-value compensation, Karuturi said The government made the "painful decision" to cancel the contract because of a lack of progress, said Ethiopian Communications Minister Getachew Reda. "If you cancel a project, what's the point of negotiating?" he said in Addis Ababa on Jan. 8. "If he thinks he has a legal option, let him try it, but the government has been giving Karuturi extensions for a long time."

Insufficient Development

Karuturi, based in Bengaluru, India, was one of the first foreign investors to lease land in Ethiopia after the government offered incentives and identified 3.3 million hectares (8.2 million acres) as suitable for commercial farming. None of the farms have reported any success in exporting crops and advocacy groups including New York-based Human Rights Watch say the program impoverished residents by displacing them. The Agriculture Ministry's land investment agency notified Karuturi on Dec. 28 that the lease was canceled because "development" occurred on only 1,200 hectares. The rest will return to a "land bank" for investment, it said. The agreement stipulated that all 100,000 hectares of the area allotted should have been developed within two years, according to a copy of the accord given to Bloomberg by

Karuturi. The government didn't provide a final map of the concession, effectively blocked $180-million of financing by enacting a cereal-export ban, and prevented diesel from reaching the Gambella region near the border of war-torn South Sudan in 2014 on national security grounds, Karuturi's Ethiopia unit said in a Jan. 1 letter in response to the cancellation that it sent to Prime Minister Hailemariam Desalegn.

International Arbitration

Hassad Food, a subsidiary of the Doha-based Qatar Investment Authority, rejected an offer to make an equity investment in the project in April 2013, two months after it had formally expressed interest, according to letters provided by Karuturi. No one answered the phone when Bloomberg made calls to a spokesman for Hassad Food and the investment authority seeking comment. The clearing of 65,000 hectares and building of 100 kilometers (62 miles) of dykes to manage floodwaters constituted development, Karuturi said. An investment of $100 million is evidence of implementation efforts and annual floods and government action prevented further progress, he said. The ministry officially warned Karuturi about insufficient progress in April 2012 and in June, according to the letter. Karuturi, which says it's one of the world's biggest producers of cut roses, planned to grow and process crops including corn, sugar cane and palm oil on the plantation. The company was unable to do so partly because the Trade Ministry's 2012 refusal to allow cereal exports precluded the company from earning the foreign currency needed to pay back the promised $180 million of loans from Indian banks, Karuturi said. Karuturi has obtained a court order protecting the lease and is prepared to seek international arbitration on the matter, he said. *(Bloomberg)*

Mozambican shrimp production in 2016 expected to be close to last year's level

Production of shrimp, one of Mozambique's main exports, this year should be around 3,000 tons, which is similar to the amount planned for 2015, said a source from the Ministry of Fisheries. The source also told Mozambican daily newspaper Notícias, it would be unwise to increase the shrimp catch from the Sofala bank, which is the richest shrimp fishing area in the country, and therefore the fishing quotas had been kept the same as last year. Thus, shrimp caught at sea is expected to remain at 276.5 tons of which 238 tons for the artisanal fisheries and 36.5 tonnes for industrial and semi-industrial fishing. The difference of 3,000 tons is "roughly" guaranteed by the aquaculture industry which will contribute a minimum of 400 tons and the individual small-scale sector with at least 1,500 tons. Overall, the fisheries sector this year will register an estimated production increased of 4.8 %, derived from the investments made in the construction of six small-scale fish farms and 548 fish tanks. *(Macauhub)*

Old Mutual to invest millions in dairy project in Swaziland

Old Mutual has revealed that it was investing millions of rand on a dairy farm project in a joint venture with the Swaziland government's agencies. The Times of Swaziland reported that Old Mutual's local division was partnering with the Swaziland National Provident Fund and Public Service Pensions Fund to invest R90 million towards production of dairy products. Old Mutual CEO Muzi Bell said the diary project was expected to begin in March with 600 milking cows, and was expected to produce at least 30% of locally consumed dairy products per annum. Bell said 2 500 cattle would be kept at the farm when operating at full-scale, with the project to be phased in over a three-year period. Asked about the risks of investing in the agriculture sector based on the harsh conditions currently being experienced in much of Southern Africa, Bell said Old Mutual had been investing in agriculture for a while and thus quantified its risks accordingly. He added that he still had to report the investment to the company's structures, but was confident that it would get the green light. "We intend setting up another dairy processing plant to make sure we don't rely on one processing plant. We also have to protect and improve local dairy farmers," Bell said. Old Mutual was also finalising investing in a hydro-power station and constructing a dam that could supply water for up to two years in cases of shortages or drought. *(Engineering News)*

West Africa: Experts foresee excellent results for cashew production in 2016

The African cashew sector remains on the rise. Experts say production for the crop in the region in 2016 could surge to 1.8 million tons thus recording a 20% growth. The *N'kalo* bulletin indicates that farmers will get FCFA450 per Kg as global demand for this crop ceases not increasing, especially in the US and India where it recorded a 10% increase. This would be due to the current drought striking California, main cashew production basin in America. However, everybody will not benefit from this trend and West Africa's processing industry is likely to suffer from these promising results in production. Indeed, local industrials will have difficulties handling the high prices that presently strain them and as a result of this, operating their facilities will be extremely challenging. Nevertheless, it could be possible for them to overcome these challenges as highlights *N'Kalo* saying: "*the biggest challenge this year will be the ability to export huge quantities of cashew as ports are rapidly going to be saturated*". *(Ecofin)*

Cote d'Ivoire: Bad weather sees lower cocoa crop size forecast

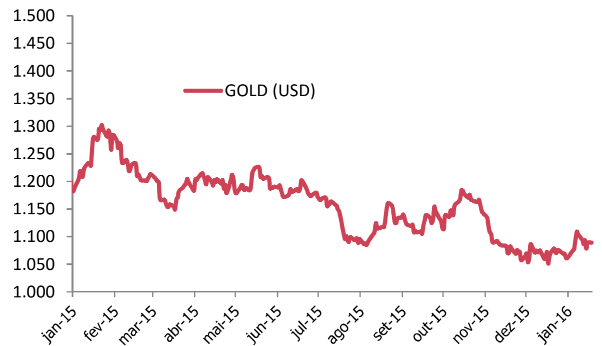
The Harmattan dry winds have stopped blowing intensely in many of Cote d'Ivoire's cocoa growing regions but the hot, dry weather last week caused worries about the size and quality of the crop, farmers said. While much of the main harvest has already been collected, beans are expected for the mid-crop, which runs from April to September. In the western region of Soubre, at the heart of the cocoa belt, farmers reported no rainfall and mild Harmattan winds. "There

are places with numerous flowers on the trees," said Salame Kone, who farms in the outskirts of Soubre. "But we wonder if they will survive because there is not much water and the weather is dry." In the southern region of Divo, farmers said the dry weather was damaging the crop. Amadou Diallo, who farms in Divo's outskirts, said many cocoa trees were losing leaves because of the oppressive heat and lack of water. "Many cocoa trees are dying," said Diallo. "There will be less cocoa this year during the main crop compared to last season." In the centre-western region Daloa, which produces a fourth of Cote d'Ivoire's national output, farmers said the Harmattan's intensity had diminished but worried about water. "It needs to rain," said Gervais Kobenan, who farms in the outskirts of Daloa. "The cocoa trees need rain or the mid-crop will begin late." In the eastern region of Abengourou, known for the good quality of its beans, farmer Lambert Aka predicted that few farmers would have beans to sell after January. "If there is no rain in January, I fear there will not be a mid-crop here because everything is drying up on the plantations," said Aka. "We don't know what will happen this year." The Harmattan is a dusty wind that typically sweeps in from the Sahara from December to March. When strong it can ruin small cocoa pods and sap moisture from soil, reducing beans' size. *(The Africa Report)*

MARKET INDICATORS
18-01-2016

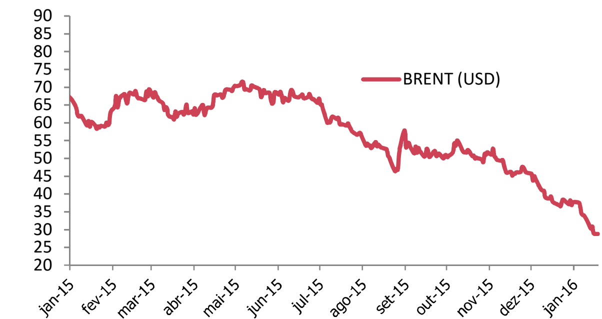
STOCK EXCHANGES		
Index Name (Country)	**18-01-2016**	**YTD % Change**
Botswana Gaborone Domestic Index (Botswana)	10.597,68	-0,04%
Bourse Régionale des Valeurs Mobilières (Ivory Coast)	293,74	-3,35%
Case 30 Index (Egypt)	5.941,19	-15,20%
FTSE NSE Kenya 15 Index (Kenya)	177,68	-4,80%
Morocco Casablanca Stock Exchange CFG 25 (Morocco)	18.961,10	-0,21%
Nigerian Stock Exchange All Share Index (Nigeria)	22.550,83	-21,27%
FTSE/JSE Africa All Shares Index (South Africa)	46.876,62	-7,53%
Tunindex (Tunisia)	5.272,13	4,56%

Source: Bloomberg and Eaglestone Securities



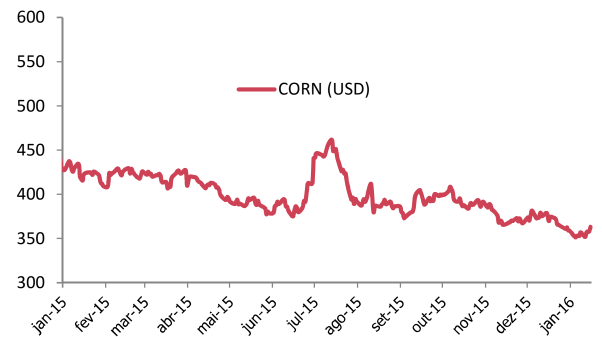
METALS		
	Spot	**YTD % Change**
Gold	1.089	2,61%
Silver	14	0,54%
Platinum	820	-8,18%
Copper $/mt	4.331	-7,95%

Source: Bloomberg and Eaglestone Securities



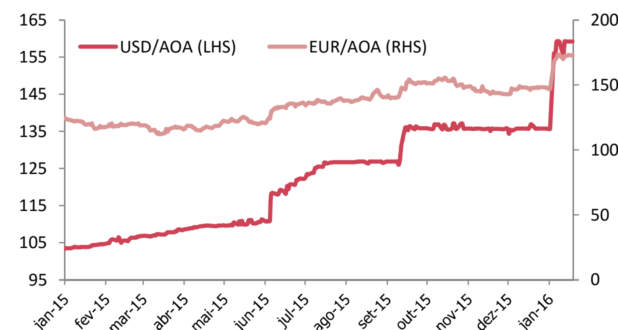
ENERGY		
	Spot	**YTD % Change**
NYMEX WTI Crude (USD/barril)	29,1	-21,57%
ICE Brent (USD/barril)	28,8	-22,77%
ICE Gasoil (USD/cents per tonne)	272,5	-18,47%

Source: Bloomberg and Eaglestone Securities



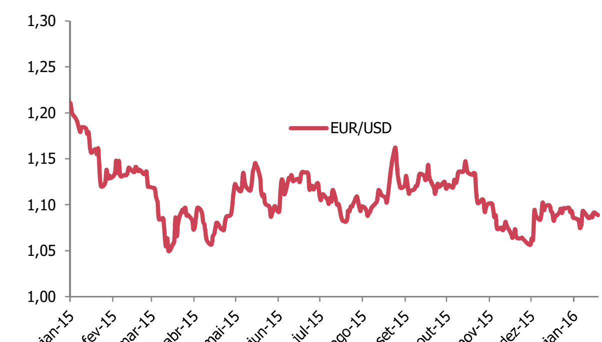
AGRICULTURE		
	Spot	**YTD % Change**
Corn cents/bu.	363,3	1,25%
Wheat cents/bu.	473,8	0,80%
Coffee (KC) c/lb	114,9	-9,31%
Sugar#11 c/lb	14,9	-2,10%
Cocoa $/mt	2905,0	-9,53%
Cotton cents/lb	61,4	-2,96%
Soybeans c/bsh	879,0	1,71%

Source: Bloomberg and Eaglestone Securities



CURRENCIES	
	Spot
KWANZAS	
USD	158,738
EUR	172,813
GBP	226,757
ZAR	9,466
BRL	39,396
NEW MOZAMBIQUE METICAL	
USD	46,500
EUR	48,405
GBP	63,504
ZAR	2,773
SOUTH AFRICAN RAND SPOT	
USD	16,765
EUR	18,253
GBP	23,944
BRL	4,158
EUROZONE	
USD	1,09
GBP	0,76
CHF	1,09
JPY	127,77
GBP / USD	1,43

Source: Bloomberg and Eaglestone Securities



UPCOMING EVENTS

World Economic Forum Annual Meeting 2016 - Davos-Klosters, Switzerland 20 - 23 January 2016
http://www.weforum.org/events/world-economic-forum-annual-meeting-2016

Powering Africa: Summit, 27-29 January 2015 - Marriott Marquis hotel in Washington, D.C
www.poweringafrica-summit.com

Mining Indaba 2016 Cape Town, South Africa -08 to 11 February 2016
Investing in African Mining Indaba™ is an annual professional conference dedicated to the capitalisation and development of mining interests in Africa. It is currently the world's largest mining investment event and Africa's largest mining event. *info@miningindaba.com*
www.miningindaba.com

Africa Healthcare summit 2016, 17-18 Feb 2016- Olympia Conference Centre **London**
www.africahealthcaresummit.com

Africa 2016 – Business for Africa, Egypt and the World, 20-21 February 2016 – Sharm el Sheikh, Egypt
organized by the Ministry of Investment, Ministry of Foreign Affairs, Ministry of Industry and Foreign Trade, and Ministry of International Cooperation, in partnership with the Egyptian Agency of Partnership for Development and COMESA Regional Investment Agency, and under the umbrella of the African Union Commission.

Système de santé le nouveau pari africain, 25th -26th Feb Marrakech, Morocco
http://www.i-conferences.org/forum-afrisante/

The Nigeria Summit 7-8 March 2016 InterContinental Lagos - Lagos, Nigeria
Over the years, The Economist Events' Nigeria Summit has charted a country in the process of great transition. *emeaevents@economist.com* ; *www.nigeriasummit.economist.com*

Tanzania International Forum for Investments 9-11 March 2016, Julius Nyerere International Convention Centre, Dar Es Salaam, United Republic of Tanzania. *registration@tziforum.com*
www.tziforum.com

Bonds & Loans Africa 14-15 March 2016 Westin Cape Town
Bonds, Loans & Sukuk Africa is the continent's only Pan-Africa debt event, bringing together African issuers and borrowers looking to raise capital with nanciers and investors. *registrations@GFCconferences.com*
www.bondsloansafrica.com

The Africa CEO Forum: 21–22 March 2016, Abidjan – Côte d'Ivoire (Ivory Coast) Hotel Sofitel Ivoire
www.theafricaceoforum.com

World Economic Forum on Africa 2016 Kigali, Rwanda 11 - 13 May 2016
http://www.weforum.org/events/world-economic-forum-africa-2016

18th annual Africa Energy Forum (AEF) 21-24 June 2016 2016 - The Intercontinental 02 London
http://africa-energy-forum.com/

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

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

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