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In-depth:
2016 Outlook: Sub-Saharan Africa Sovereigns

Fitch Ratings expects additional stress to fiscal and external positions in Sub-Saharan Africa (SSA) in 2016 owing to slow global growth, flagging demand for commodities, and tightening financing conditions, all of which have the potential to negatively impact SSA sovereigns. Nevertheless, Fitch forecasts SSA to remain one of the fastest growing regions of the world, with median GDP growth of 5% in 2016. This represents an improvement over 2015, albeit less than the average of 5.7% that the region saw in 2010-14.

South Africa, SSA's second largest and most globally integrated economy, enters 2016 against a backdrop of political and market instability, following the dismissal of Finance Minister, Nhlanhla Nene, in December and the replacement of his initial successor just four days later. On 4 December, Fitch downgraded South Africa to 'BBB-,' owing to deteriorating economic growth prospects, rising government debt, and a persistent current account deficit.

In other SSA countries, subdued commodity prices will weigh on GDP growth through lower external receipts, public spending and investment in commodities sectors. Fitch forecasts an average Brent price of USD55/barrel in 2016, with risks on the downside, which will challenge the region's oil producers, particularly Angola, Nigeria, and the Republic of the Congo, all of which earn greater than 60% of government revenues from oil exports. SSA countries that export agricultural commodities will experience less pressure as a major drought will push up prices for some agricultural products.

The outlook for the region's public finances is more strained. Both the 2016 median fiscal balance and median public debt level will remain approximately at their 2015 levels, 4.4% and 43% of GDP respectively. The booming commodities markets of recent years have allowed governments to increase spending both directly through increased revenues and indirectly by facilitating greater access to international capital markets. As global conditions lower commodity revenues, however, SSA governments that are unable to rationalise public expenditures and adopt expenditure frameworks that keep public debt metrics from deteriorating could see negative rating actions.

Looming Fed tightening and more volatile capital inflows to emerging markets will not necessarily limit SSA's access to capital markets, but will mean higher yields for new issuance. These same factors will also continue to put pressure on the regions' currencies, which will further stress governments' ability to service foreign currency-denominated debt.

SSA central banks will face a difficult balancing act as a mixed global growth outlook and flagging external receipts will depress domestic growth prospects, while further currency depreciation will increase inflationary pressures. Many SSA central banks have increased rates towards the end of 2015 in anticipation of Fed hiking. One exception was Nigeria, where the central bank has lowered its monetary policy rate by 200bps, citing growth concerns.

Nigeria is currently rated 'BB-' and its Negative Outlook is, in part, based on risks related to monetary policy. The appointment of a Finance Minister, after six months with no cabinet, and the announcement of a 2016 draft budget could support the ratings, provided the government can execute structural reforms while preserving the country's low debt-to-GDP ratio.

South Africa: Economic Overviews

POLITICAL STABILITY: The ruling African National Congress (ANC) will remain the dominant political force until the next election in 2019 and is likely to retain power after the ballot. Jacob Zuma's presidency will come to an end in 2019, at the conclusion of his second (and final) five-year term, although his tenure could be cut short if the corruption charges against him, dropped in controversial circumstances before the 2009 election, were to be reinstated.

The cabinet will continue to represent a balance of the ANC's diverse factions, and there will be no major shifts in policy, which will continue to feature a mixture of favourable and unfavourable elements. Mr Zuma will continue to back key moderates, including the deputy president, Cyril Ramaphosa--a former businessman and a pragmatist--who will continue to play a leading economic role (with responsibility for overhauling struggling parastatals and improving labour relations, for example). However, Mr Zuma's efforts to placate the left and hold together the ANC's "broad church" will continue to compromise the effectiveness of his presidency.

ELECTION WATCH: The next test of voter preferences will be the municipal elections in 2016. These will show whether the ANC is able to halt the steady erosion of its support base since 2004 or whether the decline will continue. The Democratic Alliance (DA, the official opposition) will hope to build on its increased 22.2% share of the vote in the 2014 general election and gain control of additional municipalities. Julius Malema's radical Economic Freedom Fighters (EFF), which took 6.4% of the vote in 2014, will contest the municipal polls for the first time. It seems likely that ANC support will dip below 60% in 2016, although the party's main concern is the possible loss of another major metropolitan area to the DA (which already controls Cape Town). Such an outcome would put further pressure on the ANC and Mr Zuma.

INTERNATIONAL RELATIONS: South Africa, with the most advanced economy in Africa, will continue to play an important role in regional and world affairs. The country will remain deeply engaged with Africa, particularly Southern Africa, and will continue to support peacekeeping operations in the continent's conflict zones. Alongside fellow members of the Southern African Development Community, South Africa will also seek to build closer "South-South"

ties, especially with China, India and Brazil, as well as with other African trade blocs. South Africa will also prioritise the maintenance of close relations with the EU and the US.

POLICY TRENDS: Policymakers face the difficult task of facilitating economic growth within a context of global uncertainty, while avoiding macroeconomic imbalances. The authorities will maintain a moderate fiscal stimulus, alongside targeted industrial incentives, but will need to keep spending in check to guard against the loss of South Africa's investment-grade credit rating. The main medium-term challenge is to overcome structural constraints such as inadequate infrastructure and skills shortages, which are preventing South Africa from growing more quickly. The long-term National Development Plan and a medium-term strategic framework (covering 2014-19) provide a platform for tackling structural problems, although opposition from trade unions and their left-leaning allies poses a threat to implementation. The expected completion of major infrastructure projects will boost business activity later in the forecast period, but costlier electricity tariffs will pose a challenge.

ECONOMIC GROWTH: The Economist Intelligence Unit expects real GDP growth to remain very sluggish in 2016 because most of the constraints that held back the economy in 2015--such as power shortages, drought, rising interest rates and a slowdown in
China--will persist to varying degrees. We forecast that, after growing by an estimated 1.4% in 2015 (revised down from 1.6%), real GDP will remain sluggish at 1.5% in 2016, and risks remain on the downside. Electricity supplies will remain constrained in 2016, as the commissioning of additional units at new base-load coal-fired power stations will not take place until 2017.

Load-shedding will become less frequent, barring major unplanned outages, but power shortages will continue, to the detriment of mining and manufacturing. Water shortages will intensify in 2016, and the impact may extend beyond agriculture, based on projections of a second consecutive season of low rainfall due to the impact of El Niño. Growth will also be held back by higher interest rates, a slowdown in China (a key market for mineral exports) and policy uncertainties. The risk of strikes will remain elevated and the high, 25% unemployment rate is likely to move upwards, thereby depressing aggregate demand. More positively, tourism may experience a modest rebound (after the government agreed to ease visa restrictions imposed in 2014-15), and higher real wages for those in work will help to support household consumption. Cheap oil will continue to facilitate growth in 2016, despite a modest rise in world prices.

INFLATION: We forecast that average annual inflation will remain within the 3-6% target range of the South African Reserve Bank (SARB, the central bank) during the forecast period--despite possible temporary breaches--helped by prudent monetary policy and a progressively slower pace of rand depreciation in 2016-20. Nonetheless, we expect inflation to rise to 5.8% in 2016 (from an estimated 4.7% in 2015) because of a drought-related impact on food prices and a slight upturn in world oil prices. Inflation will continue climbing in 2017-18 (to 5.9%)--because of higher oil prices and double-digit annual increments in electricity tariffs, which will both feed through into other price
categories--before easing slightly in 2019-20. Higher real wages, driven in part by labour militancy, may also be inflationary, although demand-side pressures will be fairly muted. The phased tightening of monetary policy, alongside efficiency gains arising from infrastructure investment and stricter competition policy, will help to keep annual average inflation within the 5-6% range in 2016-20, thereby meeting the SARB's target.

EXCHANGE RATES: The rand slid to a new monthly low of R14.13:US$1 in November (27.3% weaker year on year), following a small rebound in October, underlining the trend of depreciation alongside significant short-term volatility. Expectations that US interest rates will start rising in December partly explain the renewed pressure on the rand--and other emerging-market currencies (especially those based on minerals or hydrocarbons)--despite recent monetary tightening in South Africa. Other global factors contributing to rand weakness include slower growth in China and euro zone fragility.

Depreciation also has a domestic component linked to slow GDP growth, fiscal weakness and a sizeable current-account deficit, which requires inflows of volatile foreign portfolio investment to fill the gap. Negative assessments by ratings agencies in early December, combined with the recent replacement of the finance minister with a junior minister and the ongoing uncertainty surrounding the appointment, will also put additional pressure on the local currency (even though South Africa remains in the investment-grade category). As a result, we now estimate that the rand will have weakened to R12.73:US$1 in 2015 (revised from R12.63:US$1), to register annual depreciation of 17.3%. We also predict a steeper decline in 2016 (to R15.5:US$1) and 2017 (to US$16.5:US$1). The rate of annual depreciation will gradually ease for the remainder of the forecast period, barring exogenous shocks or unwelcome policy shifts.

EXTERNAL SECTOR: After falling to an estimated 3.7% of GDP in 2015, because of a smaller merchandise trade shortfall in the wake of lower oil prices, the current-account deficit will widen to 4.2% of GDP in 2016 and 4.5% of GDP in 2017. This reflects relatively subdued demand and prices for most minerals--which account for more than half of export earnings--coupled with increases in world oil prices (albeit from low levels). Global fragility and the slowdown in China help to explain the softer minerals market, although rand depreciation will bolster the competitiveness of non-mineral exports. Apart from costlier oil, capital equipment for infrastructure projects will also boost imports, although consequent improvements in logistics capacity and power supplies will facilitate exports in the medium term.

Nonetheless, the invisibles deficit (on services, income and current transfers) will remain far wider than the goods deficit, and will account for most of the rise in the current-account shortfall in 2016-17. *(Economist Intelligence Unit)*

Angola: Country Outlook

POLITICAL STABILITY: Broad stability is likely to be maintained. Angolans remain wary of the military and police reaction to protest, and a deep-seated stoicism, bred by decades of war, would also appear to militate against a popular uprising. Nonetheless, there is a danger of increasing protests given the country's continued fiscal difficulties in the current environment of low oil prices. The government is likely to continue to crack down strongly on anything that it perceives as a threat to stability or its hegemony. Indeed, if anything, its sensitivity to protest is increasing in the difficult economic environment, with the ruling Movimento Popular de Libertação de Angola (MPLA) and security services engaging in crackdowns, pre-emptive arrests and high-profile trials of their critics. However, this could backfire, as the growing catalogue of allegations of police cruelty--could potentially lead to 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, and with the MPLA's increasingly tired rhetoric that outside forces are trying to destabilise the country. 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. In December Isaías Samakuva was re-elected as UNITA leader with 82.8% of the vote. There have been allegations that his two fellow candidates in the leadership race were simply there to present the party as democratic, rather than to ensure that there was a genuine contest. The length of Mr Samakuva's tenure, now at 12 years, has likewise attracted criticism from within the party. Nonetheless, UNITA, having been pushed into the political margins in 2008 (when it took just 16 seats in the National Assembly), has been slowly recovering. In 2012 it doubled its seat tally to 32 and it hopes to improve on this substantially in 2017, having invested heavily in regional campaigning. It will, however, face competition from the Convergência Ampla de Salvação de Angola (CASA), formed by Abel Chivukuvuku, a former UNITA stalwart, which will hope to improve on its performance in the previous election, when it won 6% of the national vote, securing eight seats in the National
Assembly--an impressive performance given that the party was only set up six months before the 2012 legislative election. 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 continued 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. It will seek to foster the development of medium-sized enterprises that can generate employment and transfer skills to Angolans, and remains keen to boost local production, which has struggled to compete against lower-cost imports. It is questionable, however, whether domestic producers will be able to meet rising demand because of supply-side constraints.
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, predicting that the construction, mining and fishing sectors will grow by just 3.1%, 1% and 0.2% respectively. Agriculture is expected to expand by 4.6%, but more rapid 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, however, 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 barrels/day (b/d) and US$45/barrel respectively. The Economist Intelligence Unit is marginally more optimistic on both counts, forecasting production of 1.89m b/d (as technical constraints are gradually addressed) and average international prices of US$60/b. However, downside risks predominate, and we have therefore revised down our 2016 growth forecast to 3.5%. Growth will accelerate slightly thereafter, to 5.9% in 2018, driven by solid government and private consumption as oil prices recover. A renewed dip in oil prices and more moderate local output increases will see growth ease to an annual average of 5.5% in 2019-20.
INFLATION: Inflation remained at double-digit levels in October, with the year-on-year rate rising to 12.4% from 11.7% 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 interest-rate rises in March, June, July and August, we expect the central bank's monetary policy committee 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 2016-18, we expect the annual rate to average 9.8% in 2016--down from an estimated 10.1% in 2015--and 7.7% 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 a further official devaluation of the currency and a managed slide through 2016. We therefore expect the official rate of the kwanza to depreciate to Kz146.5:US$1 from an estimated average of Kz120.7:US$1 in 2015, and decline further to Kz154.8:US$1 in 2017. The rate of decline will moderate thereafter as oil prices recover to average just under US$80/b, taking the rate to Kz162.4: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 2016-18, before dipping slightly again in 2019 and rising in 2020, the rebound will not be as substantial as after the 2009 price crash, meaning that the current account will not return to surplus as rapidly. 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 20.8% 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 in 2019 and increased domestic oil usage in 2020. The services deficit will rise in 2016-18, averaging 17.1% of GDP, reflecting greater activity in the oil sector, before narrowing again in 2019 as oil prices moderate. The income deficit will average 7.4% of GDP a year in 2016-20, while the current transfers balance will trend downwards, reaching 1.1% of GDP in 2020. Overall, the current-account deficit should moderate from an estimated 6.4% of GDP in 2015 to 5% of GDP in 2018, because of rising oil prices and local oil production. The deficit as a percentage of GDP will rise again in 2019, to 6.6%, as oil prices dip, but will end the forecast period at 6.3%. *(Economist Intelligence Unit)*

SOVEREIGN RATINGS

North and South America - Asia

	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
21-12-2015	**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

Region - Africa/Middle East

21-12-2015	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".

Eurozone

21-12-2015	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

IMF, WORLD BANK & AFRICAN DEVELOPMENT BANK

AfDB finances its first Independent Power Producer Project in Sierra Leone

Sierra Leone will soon benefit from the construction and operation of a 50 MW power plant. The Board of Directors of the African Development Bank (AfDB), on 17 December, 2015 in Abidjan, approved a senior loan of up to USD 20 million to fund up the construction and operation of a 50MW Heavy Fuel Oil (HFO), interconnection facilities and a fuel pipeline in Kissy, four kilometers east of Freetown, Sierra Leone. This project provides a unique opportunity for Sierra Leone to address its energy deficit using an independent power producer (IPP) solution to allow for affordable prices. It will be implemented by both Tempus Constant Qualitas Power Limited (TCQ) and CEC Africa Investment Limited (CECA). In a country with over 50% supply deficit of electricity generation capacity and only 10% of the population currently having access to electricity supply, the new power plant is planned to add 60% generation capacity to the grid and create opportunities for private sector investment. This Project is essential in supporting the country's post Ebola economic recovery. The much needed power plant will allow Sierra Leone to meet the power demand of its households, commercial/industrial users as well as boost economic activities. It will also facilitate the delivery of social services such as health care, education, clean water supply thereby improving the living conditions of Sierra Leoneans. Upon completion, the plant will serve as the largest base load plant in Sierra Leone.

AfDB, Egypt ink US $500-million loan agreement to support the country's ongoing reforms

The African Development Bank (AfDB) and the Government of Egypt have signed on Thursday, December 17 a loan agreement of US $500 million aimed at supporting the Government's ongoing bold economic reform program and sustaining strong economic growth.

The loan agreement was signed in Cairo by the Egyptian Minister of International Cooperation, Sahar Nasr, and the AfDB Vice-President for Agriculture, Water, Human Development, Governance and Natural Resources, Aly Abou-Sabaa, in the presence of the Prime Minister of Egypt, Sherif Ismail.

"The AfDB Board of Directors approved the project two days ago and commended the Government of Egypt for the excellent progress it is making in implementing bold reforms that will put the economy on a strong and sustainable growth path while paying particular attention to the social mitigating measures. They also commended the Government for the success of the transition process with the recent completion of the parliamentary elections. We value our partnership with Egypt and look forward to continue our support for the benefit of the people of Egypt," Abou-Sabaa said. The Governance and Energy Support Project, in the amount of US $500 million, is the first in a programmatic series of three single-tranche budget support operations. Under this agreement, two similar loans whose amount will be determined later are envisaged to be extended to Egypt in 2016 and 2017. *"The approval of this programmatic project is a message of trust from the AfDB Board in the Egyptian economy,"* said Mrs. Sahar Nasr. This operation will contribute towards the attainment of inclusive, resilient and sustainable economic growth in Egypt. The past years have

taken a toll on confidence, economic activity, investment and tourism in Egypt. Fiscal revenue and foreign exchange earnings collapsed while expenditure rose sharply, causing persistent inflation, large budget deficits, sizable external imbalances, and reserve loss.
Egyptian authorities committed in 2014 to achieve inclusive growth and job creation by implementing and pursuing structural reforms, promoting investment, and protecting the poor. They are seeking to restore macroeconomic stability through fiscal adjustment, supported by a tight monetary policy to contain inflation.
The Governance and Energy Support Project will target the three most critical areas of reform which have been in the past difficult to deal with, but which the Government is now addressing in a bold and sustained way. These include: increasing Government revenues through higher revenue collection, reprioritization and rationalization of expenditure and implementing public finance management reforms and internal audit mechanism; ensuring sustainable energy supply through improved governance, efficiency and private-sector engagement in the energy sector; and improving the business environment through investment laws, industrial license requirements as well as enhancing competition. This operation brings the AfDB's active portfolio in Egypt to US $2.23 billion (32 operations) with a disbursement rate of 47%. Total AfDB approvals for Egypt in 2015 amount to US $692 million – three loans (US $685 million) and five grants (US $7 million). Since 1974, the Bank Group had financed in Egypt some 100 operations valued at approximately US $6.3 billion. Bank-funded projects have been primarily in the areas of infrastructure/energy and the social sector (mainly loans to small and medium-sized enterprises).

The African Development Fund Board injects USD 21 million to finance Mozambique's economic governance and inclusive growth program Phase II

The Board of Directors of the African Development Fund (ADF) on 15th December 2015 approved a grant worth USD 21 million to finance Mozambique's Economic Governance and Inclusive Growth Program Phase II (EGIGP). The program is part of a three year programmatic series, covering the fiscal years 2014, 2015 and 2016. It builds on the first phase of the operation, which was approved in 2014 and has since been disbursed.
The EGIGP is part of the Bank's continued support to the economic governance reforms being implemented by the Government of Mozambique. It builds on the successful implementation of the five previous general budget support operations and most notably, the Growth and Public Sector Efficiency Program (2011-2013) that was successfully implemented from 2011 to 2013.
The objective of the operation is to support the Government's effort in promoting inclusive and sustainable growth through (i) consolidating transparent and accountable public financial management and natural resource management frameworks; and (ii) improving the enabling environment for private sector development.
Consistent with this objective, the first phase of the program helped to consolidate and deepen reforms in the areas of (a) public investment management, (b) fiscal risk management, (c) procurement, (d) natural resource management, and (e) business enabling and regulatory reforms to foster private sector development, with emphasis on medium and small enterprises.
The reforms supported by this operation will contribute to inclusive growth and support Mozambique in improving the quality of life and well-being of its citizens. Reforms to simplify business regulations and start up procedures to obtain a license will lead to higher investment, increase productivity of the private sector and increase job creation, particularly for the youth and women. The development of the extractive industry also brings significant opportunities to the country. Most importantly, the program will create additional fiscal space, which is needed to finance infrastructure and service delivery to improve livelihoods and enhance productivity.
The country has been experiencing high rates of economic growth for over two decades, but this has not yielded the desired impact in terms of job creation and inclusiveness. In this regard, the African Development Bank, in collaboration with other development partners, will continue to support the Government's efforts to effectively implement the new five year program (2015-2019), whose major emphasis is on employment creation, poverty reduction and greater competitiveness through higher productivity. Implementation of the economic governance and inclusive growth program is hence a major step in that direction.

AfDB approves regional hydropower PPP to increase electricity supply and integration in Burundi, DRC, Rwanda

The African Development Bank Group approved today USD 138 million[1] of loans and grants toward a project which will help develop the energy sector in Burundi, the Democratic Republic of the Congo and Rwanda through the construction of the Ruzizi III Hydropower Plant and associated transmission line. The project is expected to increase electricity trading between the Economic Community of the Great Lakes Countries (ECGLC) through the supply of reliable and sustainable clean energy.
A reliance on fossil fuels for electricity generation have led to serious electricity supply problems within the ECGLC countries impeding economic activities already slowed due to decades of conflict. The USD 625 million Ruzizi III Hydropower Plant Project entails the construction of a run-of-river dam (on the Ruzizi River between DRC and Rwanda downstream of Lake Kivu and from the Ruzizi II hydropower dam), of a 147 MW power plant and an 8.3km 220kV transmission line to the Kamanyola power dispatch center.

Upon project completion, Burundi's current total capacity is expected to double, while Rwanda's is expected to increase by half. DRC's share is further expected to raise supply in the Eastern region currently not connected to the national grid network. The project will displace significant amount of fossil based power in the ECGLC region and increase the percentage of green energy. Additional benefits of the project include the creation of permanent and temporary jobs and a reduction in greenhouse gas emissions.
Alex Rugamba, AfDB Energy, Environment and Climate Change Department Director stated, "Sustainable regional infrastructure is a necessity element for strong regional integration and key to successfully tackling today's most challenging climate change-related problems. The Ruzizi III Hydropower Plant Project is central to AfDB's strategic vision for the development of the African energy sector through the promotion of universal access to low-carbon and inclusive modern energy."
This is the first regional project designed as a public-private partnership (PPP) aimed at optimizing the hydropower potential of the Ruzizi cascade while taking advantage of private sector management efficiencies. For its implementation, a private partner, acting in the capacity of investor/developer, will be recruited and awarded a concession. This partner will be required to develop the project, be a majority partner in the project company with the three countries concerned and secure the necessary commercial debt.
The Bank Group allocated USD 138 million to finance the Ruzizi III project. The financing comprises a USD 29.5 million grant from the African Development Fund (ADF) to Burundi, a USD 63.5 million grant and USD 21 million loan from the Transition Support Facility (formerly Fragile States Facility) that were granted to DRC and Rwanda will benefit from an ADF loan of USD 24 million. The project is also supported by the Agence française de développement (French development agency), European Investment Bank, World Bank, Kreditanstalt für Wiederaufbau (German development agency) and the European Union.

African Development Bank mobilizes US$20 million loan to boost water supply in Kigali
The Board of Directors of the African Development Bank (AfDB) through its private sector window approved a USD 20 million loan to the Kigali Bulk Water Supply Project in Rwanda. The project involves the design, building, operating and maintainance for 27 years a 40,000m³/day bulk water production facility comprising a water treatment plant, well field with existing and new wells, three storage reservoirs, three pumping stations and water pipelines (in total approx. 14km) located at Kanzenze, Kigali, Rwanda to be implemented on Public Private Partnership (PPP) basis.
The Project will extract groundwater at Kanzenze, close to the Nyabarongo River, treat water to required water quality standards and deliver water to service reservoirs for the distribution into the Kigali network of Water and Sanitation Corporation ("WASAC"). WASAC currently has to apply water rationing schemes as water production capacity is not sufficient to fulfil demand. Water demand in Kigali is currently estimated at approx.150, 000 to 200,000 m³/day, whilst WASAC produces only approx.110, 000m³/day. Furthermore, the population in Kigali is expected to double from its current 1 million to 2 million in 2020.
The project aligns with Rwanda's Economic Development and Poverty Reduction Strategy and the country's Vision 2020, which is articulated through the National Policy and Strategy for Water and Sanitation Services (2010); and the two operational priorities of the Bank's Ten Year Strategy through developing sustainable water infrastructure and enabling private sector development. It also aligns with the Bank's Private Sector Development strategy for supporting infrastructure development and thereby creating favorable environment for the private sector as well as the second pillar of the Bank's Country Strategy for Rwanda by benefiting enterprises and institutions through providing improved water supply.
The project is expected to have strong development outcomes by: 1) providing clean potable water to the population therefore contributing to improving public health, 2) addressing Rwanda's growing demand in industry sector for reliable water, 3) economic growth due to improved productivity particularly for women and redeployment of Government budgetary savings to the Health sector and other economic sectors. and 4) strong demonstration effect given this is the country's first Independent Water Producer ("IWP") project on a large scale in the continent therefore contributing to private sector development. This project stands as an innovative structure as it is one of the first largest water supply PPP projects in Sub Saharan Africa as well as the Bank's first private sector operation in the water sector. Furthermore, there is a clear rationale for the Project as it provides high quality, reliable and sustainable potable water to supplement existing water supply.

INVESTMENTS

CHINA DOUBLES AFRICA INVESTMENT
China announced $60bn worth of grants, loans, credit and preferential financing for 10 development projects in Africa. The aim is to address "three issues holding back Africa's development… inadequate infrastructure…professional and skilled personnel, and funding," President Xi Jinping (above) said at the Forum on China-Africa Cooperation in South Africa. Plans include cancelling overdue zero interest loans for leastdeveloped countries; improving agriculture through large-scale farming; training 200,000 African technicians; negotiating freetrade agreements; supporting

counterterrorism; and providing satellite-television for 10,000 African villages. This doubles the three-year, $30bn funding package that China announced in 2012. *(African Business)*

Madagascar reaches out for FDI Madagascar
Madagascar is introducing an “extraordinary volume” of reforms to improve regulation and increase the country’s attractiveness as an investment destination, according to Eric Andriamihaja, the head of the Economic Development Board of Madagascar (EDBM) at the UK-Madagascar Trade and Investment Forum in London
Legislation going before Parliament this year will cover, amongst other areas, mobile banking and electronic payments, company law, the petroleum and mining code, the facilitation of investment and public-private partnerships. A special investor visa will be created. Exploiting the country’s abundant renewable energy resources is another priority. *(African Business)*

Ivory Coast to get nearly $500 mln in U.S. funding -PM
Ivory Coast has become eligible for a 300 billion CFA franc ($500 million) grant from U.S. foreign aid agency the Millennium Challenge Corporation (MCC), Prime Minister Daniel Kablan Duncan said. He said the grant, to be released over five years for development projects, would help attract other investors to Ivory Coast, the world's largest producer of cocoa and the top economy in French-speaking West Africa. "The U.S. Secretary of State John Kerry has decided to make Ivory Coast eligible for the compact programme," Duncan told journalists, saying the decision was taken. There was no immediate comment from the U.S. embassy in Ivory Coast. "Compact" MCC grants run over five years and are awarded to countries based on performance in good governance, investing in people and economic freedom. The MCC was established by the U.S. Congress in 2004 to help fight poverty using the principles of competitive selection and implementation by the recipient country.
Ivory Coast emerged from a brief civil war in 2011 that capped a decade of political turmoil and has since seen rapid economic growth, becoming a darling for investors. President Alassane Ouattara was elected by a landslide in October to a second five-year term. ($1 = 605.2400 CFA francs) *(Reuters)*

World Bank approves $3 billion loan for Egypt: cooperation minister
The World Bank has approved a $3 billion loan for Egypt, to be disbursed over the next three years, International Cooperation Minister Sahar Nasr said in a statement. Nasr said the loan had a maturity of 35 years and carried an annual interest rate of 1.68 %. The minister said the loan would help the government secure economic growth. Egypt's economy has suffered from political turmoil since an uprising toppled autocrat Hosni Mubarak in 2011. Billions of dollars in financial support from Gulf Arab allies have helped keep the economy afloat. *(Reuters)*

Turkey's Limak Cement plans up to 1 bln euro African acquisition
Turkey's Limak Cement is in talks on the acquisition of cement operations in Africa which could be worth up to 1 billion euros ($1 billion), a senior executive told Reuters, though there was no certainty a deal would be agreed. Limak, which already has interests in Mozambique and Ivory Coast, has signed a confidentiality agreement regarding the purchase from an international cement company, the executive said, though the outcome of the talks would not be known for several months.
In an interview with Reuters, Limak Cement Group General Coordinator Gultekin Aksuyek did not say who it was looking to buy the assets from but said it had operations in more than one African country. "A global cement firm is considering selling its facilities in three African countries... We are seriously interested and have signed a confidentiality agreement," Aksuyek said. "I think we will know in five to six months." He added Turkish companies had ground to make up in the continent which had good growth opportunities. "As Turkish companies, we were very late in penetrating the African market," Aksuyek said, adding that an unnamed bank was positive about financing the acquisition.
Other overseas expansion plans were also in the works. "We are also studying a possible acquisition in one of Latin America countries," Aksuyek added. "We may make an acquisition there in the next five years." Limak has 10 cement factories in Turkey and is building cement grinding and packaging facilities in Mozambique and Ivory Coast, which are expected to come online in 2016 and 2017, part of broader expansion plans by the group. "As the cement arm of the holding, we decided to lead the group into Africa. Our energy arm is working on their plans for Mozambique and construction arm is considering Ivory Coast," Aksuyek said, noting he expected Limak Cement's sales volume to grow around 4 % in 2016 to 8.8 million tonnes. Among Africa's major cement makers, Dangote Cement has an annual production capacity of 45 million tonnes. Other major players in Africa include Lafargeholcim, Germany's Heidelberg and South African-based PPC. ($1 = 0.9208 euros) *(Reuters)*

Canada plans Africa trade expansion
The Export Development Canada (EDC), Canada’s export credit agency, has opened a permanent representative office in Johannesburg. The EDC hopes to expand trade between Canada and Africa to $10bn in less than five years.
EDC has helped facilitate more than $7.4bn in business between African and Canadian companies over the past five years – $964m of which has been with Ghana.

Key sectors of interest for EDC include commodities, infrastructure, ICT, clean technology, transportation and agriculture. Light manufacturing and healthcare/life sciences are emerging sectors for EDC in the mid-term.
EDC's financing is available to subSaharan corporations, project owners and banks that have, or are open to considering, business with Canadian companies or their affiliates in the region. It provides financial services for companies that buy from Canadian companies, or those that have Canadian supply and services in their corporate value chains. It can be used for capex and/or project finance requirements, either through bilateral or syndicated corporate facilities. *(African Business)*

BANKING
Banks

Barclays considers scaling back in Africa
Barclays is considering whether to break with almost 100 years of history by selling some or all of its African banking operations as part of a review led by Jes Staley, its new chief executive.
Mr Staley has raised questions about the strategic fit of the UK-based bank's large African business with the rest of the group, but no decision has been taken yet, according to people familiar with the matter. Barclays declined to comment. The Barclays review comes after investor confidence in South Africa was shaken by President Jacob Zuma's decision to change his finance minister twice in less than a week when the economy is under severe stress. Mr Staley took charge of Barclays at the start of December. The former JPMorgan Chase executive is examining the bank's overall strategy and is expected to present his plans to investors around the time of its annual results on March 1. He is also expected to announce several thousand job cuts in its investment bank, particularly in Asia.
Barclays has had operations in parts of Africa for almost a century. But the recent contribution of the African business to the overall group's profits has been hit by the devaluation of the South African rand against the British pound. The African unit's return on equity was 9.3 % last year — below the bank's target of 11 %. The rand crashed to all-time lows against leading currencies last week. While it partly recovered this week after Mr Zuma reversed his appointment of a relatively unknown MP as finance minister, it is still down 25 % against the pound over the past year. Mr Staley, who plans to visit Africa in his first trip outside the US and UK, is unlikely to pull out of the continent, people familiar with the matter said.
But Barclays could decide to sell its retail banking operations in much of Africa, including South Africa, Kenya, Mauritius, Botswana and Zambia, while keeping some corporate and investment banking activities in the region. The UK bank owns 62 % of Barclays Africa Group Limited, which is listed on the Johannesburg stock exchange and controls the group's main operations in the continent, including Absa, a South African bank it bought in 2005.
Investment bankers said that if Barclays did decide to retreat from Africa it could sell BAGL shares into the market or trigger domestic consolidation by selling the stake to a local rival, such as Standard Bank, Nedbank or FirstRand. Another option they said being considered was to spin off the Africa business by giving shares in BAGL to existing Barclays shareholders. One potentially interested party is Atlas Mara, the acquisition vehicle set up by former Barclays chief executive Bob Diamond to buy African lenders. But Barclays' stake in its African offshoot is worth about £3.3bn — potentially putting it beyond the reach of Atlas Mara, which has a market value below £400m.

Barclays had planned to rebrand the Absa branch network under its own colours after increasing its stake in the Johannesburg-listed entity from 55.5 to 62.3 % by merging its African activities three years ago. But the rebranding was recently shelved. Talks broke down recently over a deal for Barclays to sell its Egyptian and Zimbabwean operations to its South African-listed subsidiary, raising questions about the future of its operations in those two countries. The

economic outlook for Africa has deteriorated this year as oil and commodity prices have fallen sharply and China's economy has slowed. The International Monetary Fund forecasts 3.75 % growth for sub-Saharan Africa this year, the lowest level since 2009.
This month, Fitch downgraded South Africa's credit rating to one notch above subinvestment grade and Standard & Poor's cut its outlook to negative, increasing the risk that the country could fall to junk status. As a consequence, Fitch downgraded the country's four big banks, including Absa. *(Financial Times)*

Nigerian bank launches online shopping
Nigerian bank launches online shopping Nigeria's Skye Bank launched an online platform for the sale of made-inNigeria products and services. The new online store, YesMall, lets SME and retail customers buy and sell their products and services using phones, tablet, laptop, or desktop in a borderless market. Transactions can be made by using the ATM machines. Global e-commerce sales are estimated at $1.5 trillion in 2015. Group MD/CEO Timothy Oguntayo said e-commerce in Nigeria was worth an estimated $10bn a year. "The e-commerce sector in Nigeria boasts around 300,000 online orders daily," he said. *(African Business)*

Markets

South Sudan's central bank to sell $20 mln to banks next week - official
South Sudan's central bank will auction $20 million to commercial banks days after the finance minister said the country had abandoned its official fixed exchange rate and switched to a floating rate.
The central bank had stuck to a fixed official rate of 2.95 South Sudanese pounds per dollar even as the currency weakened steadily on the unofficial market after conflict erupted in the world's newest nation in December 2013.
"The bank of South Sudan will sell $20 million to eligible Commercial banks through an auction to be held on Monday 14 December," Moses Makur Deng, chairman of the central bank's Foreign Exchange Auction Supervisory Committee, said in a statement.
Deng did not give reasons for the auction, but traders and ordinary citizens have struggled to secure dollars to pay for even basic imports or other essential items as the conflict there has caused a cut in oil production at a time when crude prices have slumped. On Thursday17 December, the South Sudan pound was being quoted at 18.000/18.0250 to the dollar, according to Thomson Reuters data. *(Reuters)*

Nigeria's currency defence cripples SMEs
Faced with a lack of access to dollars, a ban on dozens of imports, and a deepening liquidity crunch, Nigeria's small and medium enterprises (SMEs) are among the hardest hit by policies intended to prop up the local currency, the naira. Far from supporting local manufacturing and industry - a stated government objective - the administration's recent policies are at risk of crippling small businesses instead.
The currency defence measures stem from pressure on foreign reserves in the wake of falling oil prices. Nigeria is Africa's largest economy and oil producer. It depends on oil for more than 90 % of its exports, and so has been particularly hard hit by plummeting prices over the past year. To offset the growing imbalance between demand and supply of foreign exchange, policymakers have attempted to protect Nigeria's reserves by stifling demand - namely, by limiting access to foreign currency and restricting the import of dozens of goods and services. These measures have kept the value of the naira artificially high.
However they come at a cost."The outlook is negative. [and] is likely to remain bleak for quite some time," says Gaimin Nonyane, senior macroeconomist at Ecobank. Ms Nonyane expects to see some business closures and a rise in non-performing loans and credit risk in the short term.
Due to foreign exchange restrictions, importers are now not able to import as much as they used to. As a result of these shortages, "the prices of those goods and services go up, which is why inflation is stubbornly high," she says. Inflation rate rose to a two year high of 9.4 % in September and remained at 9.3 % in October. Both numbers are above the Central Bank's target band of 6 to 9 %. The broader fallout could be significant partly due to the sheer number of smaller businesses active in the economy. While SMEs contribute less than 10 % to GDP, they comprise 96 % of the country's businesses and 90 % of the manufacturing and industrial sectors. With limited access to foreign exchange and imports, these companies are not just inconvenienced. Their business models are put at risk.
Long-term issues
The current liquidity crunch environment is magnifying longer-term weaknesses in the Nigerian economy, according to John Foster, Africa editor for Debtwire. Nigerian SMEs have faced financing headwinds that have impeded growth for years. "Lending into the private sector from the local banks has been sporadic at best, and there was always a lack of capital going around from the local banking sector," he points out.
Foreign currency issues aside, lending to Nigeria's SMEs has dropped precipitously in the past decades. One study found that loans to SMEs by commercial banks dropped from 49 % of the total portfolio in 1992 to less than 1 % in 2010 in the wake of consolidation in the banking sector. These trends are troubling given evidence that financing is a significant factor in the success of SMEs (one researcher estimated the contribution at 25 %), who in turn act as employers. "There has always been a starvation of credit, and it is only going to get worse," Mr Foster says.

In an attempt to bridge the gap and assuage the effects of currency and import restrictions, the government has announced plans to expand financing to SMEs. Nigeria's vice president Yemi Osinbajo, speaking at a Nigerian-American Chamber of Commerce event, says that the administration will expand concessionary lending initiatives and partnerships with cooperatives and other trade groups in addition to supporting existing programs targeting SME financing. But while local currency financing would indeed be a help, it will not solve the problem - especially in light of Nigeria's persistent dependence on imports.

The current crisis comes down to the assumptions that underpin the government's economic policy direction. "The government is trying to promote import substitution, but it does not really work," argues Ms Nonaye of Ecobank. She points out that import substitution policies were key components of IMF structural adjustment packages implemented by many African countries during the 1960s and 1970s. "Structural constraints and external shocks, including oil price shocks in the 1970s, caused the policy to fail and [African countries] amassed huge debts," she says.

This eventually led to a debt crisis across Africa. While it is unclear whether President Muhammadu Buhari intends to borrow to finance his government's initiatives, it might be required. The proposed budget for 2016 is 15 % larger than last year's and includes new investments in capital and infrastructure.

These funds are supposed to be raised from non-oil revenue through improvements to collections from government agencies. It is unclear how quickly these reforms can plug wholes in revenues. If borrowing becomes necessary, it could introduce additional complications. Investor interest in African Eurobond issuances has waned in recent months, and a debt issue by a cash-strapped oil exporter - even if it is Africa's largest economy - may not be met with enthusiasm. The decision for the US Federal Reserve to raise interest rates, albeit slowly, on 16 December will make dollar denominated debt hurt more.

Still, while President Buhari is making an effort, none of these measures address the significant strains imposed by currency and import restrictions on SMEs in the short term. Naira denominated financing will not provide access to key inputs and dollars, which remain a fundamental component of the SME business landscape. SMEs may not be a significant proportion of GDP now, but if they are to grow and to act as key employers, these businesses cannot be ignored by policymakers. *(This is Africa)*

Benin to issue 5-year $166 mln bond with 6.25 pct coupon

Benin will issue a 100 billion CFA franc ($166.78 million) 5-year bond with a 6.25 % coupon on Dec. 17, a statement from the West Africa debt planning office UMOA-Titres said. The bond will be sold in units of 10,000 CFA franc to investors across the region's CFA franc currency zone via an auction organized by the regional bank BCEAO. ($1 = 599.6000 CFA francs) *(Reuters)*

Bank of Africa Mali offers shares as part of bourse listing

Bank of Africa Mali, a subsidiary of the Bank of Africa group, is making a public offering of 400,000 shares as a first step in a listing on West Africa's regional BRVM bourse, a statement said. A statement released in Ivorian daily newspaper Fraternite Matin said the shares would be sold from Dec. 17 to Jan. 15 for 19,000 CFA francs ($31.95) to employees of Bank of Africa Mali and Bank of Africa units and 22,500 CFA francs ($37.84) to outside investors. *(Reuters)*

Ugandan shilling firms on interbank selling, NGO dollar flows

The Ugandan shilling clawed back some of its recent losses, helped by interbank selling of dollars and inflows of greenbacks from commodity exporters and non-governmental organisations (NGOs). "The shilling has made a reversal (strengthened)...From what we're seeing it's a combination of customer flows and interbank selling," said Benon Okwenje, trader at Stanbic Bank Uganda. Between the shilling weakened sharply and Okwenje said the market was still volatile and the spread between bid and ask rates had gone as high as 30 shillings. In normal trade, the spread is usually 10 Ugandan shillings. Another trader from a leading commercial bank said most of the flows were from non-governmental organisations and agricultural commodity exporters. The trader said the shilling's gains were likely to prove fleeting if the U.S. Federal Reserve hikes its interest rates for the first time in nearly a decade at its meeting this week. So far this year the shilling is 18.6 % weaker against the greenback. The central Bank of Uganda (BoU) is also due to announce its key rate decision and market players were keen to see if policymakers would further tighten its monetary policy stance, potentially offering some support for the shilling. *(Reuters)*

Ghana Cocobod to Save $75 Million With Syndicated Loan

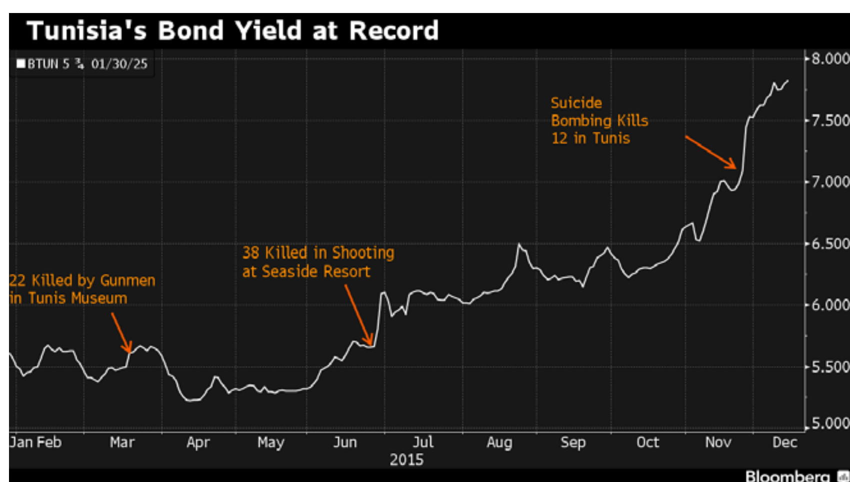
Ghana's cocoa regulator will save $75 million after Parliament approved a second syndicated loan to help pay down the cost of ballooning local debt.

Parliament approved the Cocoa Board's $300 million credit facility with seven foreign banks. The interest margin is 350 basis points more than the London Interbank Overnight Rate, known as Libor, according to documents submitted to Parliament. The loan has a three-year repayment period and a grace period of one year. Cocobod has sold more than $500 million of local bills this year to finance its operations, which include purchasing the bean from farmers in the world's second-largest producer of the crop. The regulator has been selling more of the securities than expected since at least the 2012-2013 season to cover shortfalls.

Investors have reacted by demanding higher interest rates to compensate for the risk as the government's finances have deteriorated during the same period. Ghana has the continent's highest borrowing costs and has borrowed nearly $1 billion from the International Monetary Fund as part of a three-year program to rights its economy. The cocoa bills have an average maturity of about 29 %.
The rollover of the cocoa bills "is now adversely affecting Cocobod's finances," according to documents submitted to Parliament. "Refinancing the bills with proceeds from the medium-term facility will improve the cash flows, liquidity and the viability of Cocobod and reduce high interest payment on bills."
Cocobod sold the 182-day cocoa bills to buy fertilizer and chemicals for farmers and finance daily operations. Cocoa rose 0.2 % to 2,267 pounds per metric ton in London, extending the year's gain to 14 % this year. The gains may potentially aid Ghana, whose crop was the smallest in five years last season. Lenders participating in the facility include Bank of Tokyo-Mitsubishi UFJ Ltd., Standard Bank Group Ltd., Societe Generale SA, Credit Agricole SA, DZ Bank AG, Natixis SA and Nedbank Capital. *(Bloomberg)*

South Sudan Devalues Currency by 84% as Dollar Peg Abandoned
South Sudan devalued its currency by 84 % as the government abandoned efforts to fix the exchange rate and allowed the pound to trade freely, surrendering to prices charged in the black market. The central bank adopted the parallel market rate of 18.50 per dollar as of midnight from a previous fixed rate of 2.96, Governor Kornelio Koriom Mayik told reporters in Juba, the capital. The regulator will supply the market with occasional dollar sales, he said.
Oil output in the world's newest nation has been curbed by a civil war that erupted two years ago, reducing production by about a third in a country that has sub-Saharan Africa's third-biggest reserves. The decline in crude revenue and oil prices that have plunged to below $40 a barrel have resulted in dollar shortages that weighed on the local currency and caused the value of the greenback to soar in the black market. "We are being driven by the supply and demand of commodities on the market," Mayik said. "The money was already devalued. People were no longer receiving money at the official rate and nobody could control it."
Economic Boost
The government plans to fire state workers to free up cash for investment in non-oil industries, while improving collection of revenue in other sectors, President Salva Kiir said last month. Conflict in the country has left thousands of people dead and forced about 2 million to flee their homes. An August peace agreement signed by Kiir and rebel leader Riek Machar seeks to establish a transitional administration that will govern the country.
The peg wasn't sustainable and dropping it "was just a matter of time," Bloomberg Intelligence analyst Mark Bohlund said by phone from London. "This adjustment means that hopefully more dollars will come to the market and economic activity should fare better, there should be fewer hold ups in economic activity as you often have if there is too much of a discrepancy between the official exchange rate and what's required from a supply and demand perspective."
The central bank appealed to the international community to help the country make the switch as it doesn't have the reserves to back a move to the free-floating currency, the governor said. It also made the move because rich people would buy the currency at the official rate and then sell it to the poor at inflated levels, Mayik said.
While a free-floating currency will encourage foreign direct investment, contribute to the development of financial markets and allow the country to join the East African Community, there is a risk the devaluation will fan inflation, he said. The Ministry of Finance and Economic Planning will work on a package of measures to improve fiscal prudence to better cope with economic and external shocks, David Deng Athorbei, the department's minister, said in a statement.
The devaluation follows similar steps by other oil-producing nations with Brent crude hovering around $36 a barrel, down almost 70 % since a June 2014 high. Angola, Africa's second-biggest producer, has devalued its currency at least twice this year, and Kazakhstan let the tenge float freely, while exporters from Russia to Colombia have let their currencies slide. "South Sudan is highly dependent on oil and their decision to let the pound float is the latest example of the pressures that falling oil prices are bringing to bear on oil-producing countries," Per Hammarlund, chief emerging-markets strategist at SEB AB in Stockholm, said. The latest fall in oil was probably the "last nail in the coffin." *(Bloomberg)*

Aberdeen's Tunisian Bargain Most Traders Want Nothing to Do With
Investors unnerved by a string of deadly terrorist attacks in Tunisia have sent the nation's debt tumbling to an all-time low. That hasn't deterred Aberdeen Asset Management Plc from buying the bonds. Aberdeen last bought Tunisian debt in the middle of the year and is seeking to go back for more on bets the attacks won't hinder the nation's ability to honor its liabilities. The yield on the nation's 10-year dollar bonds jumped to a record high following a bus bombing that killed 12 people last month, about five months after a gunman murdered 38 tourists on the beach. At least 20 people died in March when militants stormed a museum in the capital.



"The country's capacity and willingness to pay is still there," Patty Cao, a research analyst at Aberdeen, which manages about $500 billion, said by phone from London. "Despite the knee-jerk reaction, we feel comfortable with the underlying situation. Tunisia enjoys really good relations with the U.S. and the European Union." Tunisia will probably benefit from more military and financial aid from Western allies in its fight against terrorism, according to Aberdeen. The only country to keep a democratic transition on track since the Arab Spring is constructing a barrier along the Libyan border to seal off the flow of jihadists and black market trading. The International Monetary Fund is in discussions with Tunisia for further assistance after having loaned the nation about $1.7 billion over two years. The government's resolve to boost growth and tackle corruption bolstered the fund house's view the country's debt is oversold. The yield on Tunisia's $1 billion bonds rose 33 basis points in December to 7.9 %, headed for a fifth straight month of advances. The bond was little changed as of 1:08 p.m. in London.

'Better Than Headlines'

The terrorist attacks this year have taken a toll on tourism, which accounts for about 7 % of Tunisia's economic output and employs 15 % of the nation's workforce, according to the IMF. "The problem for Tunisia is that security risk hits the backbone of its economy, the tourism sector and as you can see with Egypt's case once you have severe security concerns, tourists will mostly prefer other destinations," Sergey Dergachev, who helps oversee $13 billion at Union Investment in Frankfurt, said by e-mail. Union Investment has no holdings in Tunisian debt and prefers Morocco's more liquid bonds. The central bank cut the benchmark interest rate in October for the first time in four years. Gross domestic product may slow to 0.5 % this year before expanding 2.5 % in 2016, the central bank said. "The reality isn't rosy but it's better than the headlines," Slim Feriani, chairman of Gulf Central Agency Asset Management Ltd., said by phone from London. "From the investor's point of view, that's a good thing and you can exploit this gap." *(Bloomberg)*

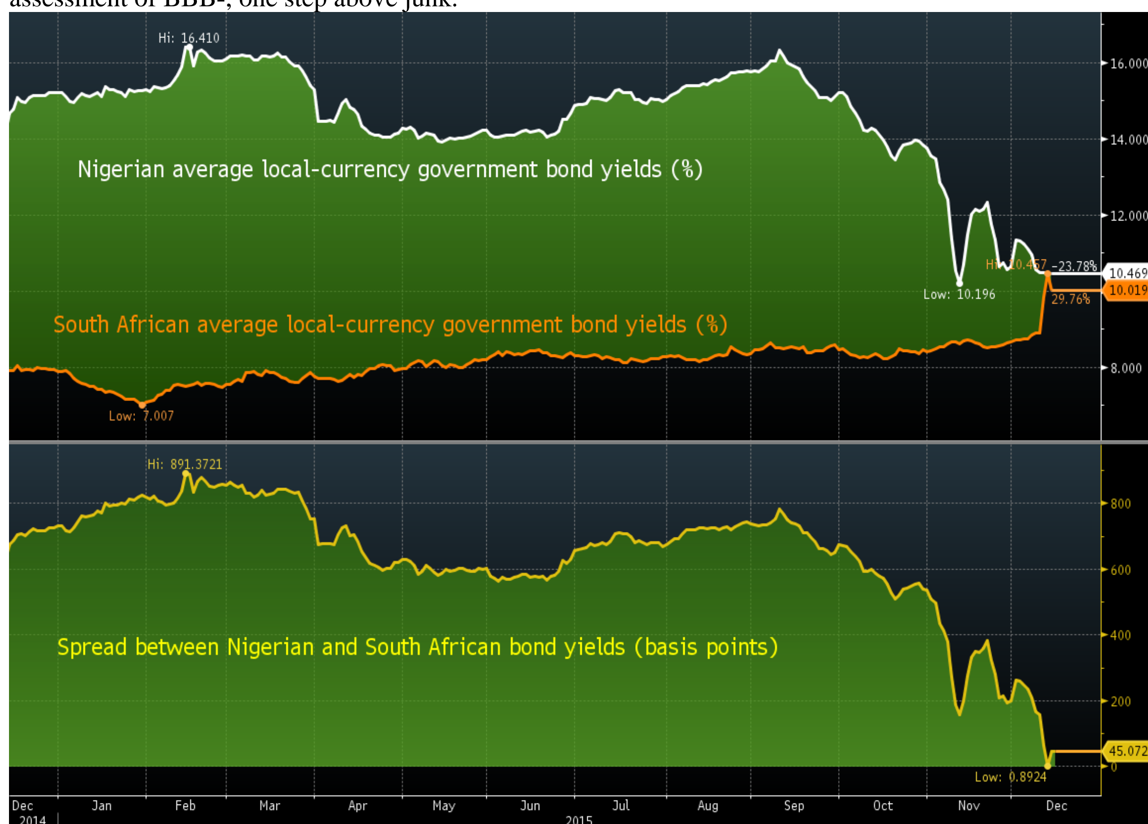
Nigeria Sterling Bank says open to merger to build scale

Nigeria's Sterling Bank is open to merger or acquisition talks to build scale to counter weak market conditions caused by slow economic growth this year which could continue into 2016, its chief executive said. Africa's biggest economy relies on oil exports for about 58 % of government revenue and faces its worst economic crisis in years because of the fall in crude prices, which tumbled to their lowest in more than six years last week. CEO Yemi Adeola said the slowdown in the economy couple with currency weakness provided opportunities for a market consolidation to build scale and cut costs, adding that one or two foreign banks were having discussions about possible acquisitions in Nigeria. "You could see ... one or two international banks taking over one or two Nigerian banks ... in 2016 from the look of things," he said, declining to name the lenders. "As for us at Sterling, we are always open, anything that will give us scale, we will pursue." Sterling Bank, which itself is the product of a merger of six local banks, was the target of a takeover in 2011 by South Africa's No.2 banking group FirstRand. Acquisition talks collapsed after the two sides failed to agree on terms. Shares in the bank, which have fallen 25.9 % this year, are trading at less than 1 times its book value, analysts say. The stock shed 4.79 % to 1.79 naira, giving it a market value of 51.5 billion naira ($259 million). Adeola expects investment flows to reverse after the U.S. Federal Reserve raised interest rates this week for the first time in almost a decade, a move that could also hurt borrowers exposed to the dollar. The naira, which is pegged to the dollar, has been hitting new lows among retail bureaux de change operators since last week with the central bank trying to curb demand to conserve its reserves, hurting commercial banks' trade business. Sterling Bank said it would raise 35 billion naira ($177 million) in Tier II debt early next year to expand its loan book and saw no need to tap equity markets. ($1 = 198.97 naira) *(Reuters)*

Zuma Scared Markets So Much, South Africa Yields Matched Nigeria

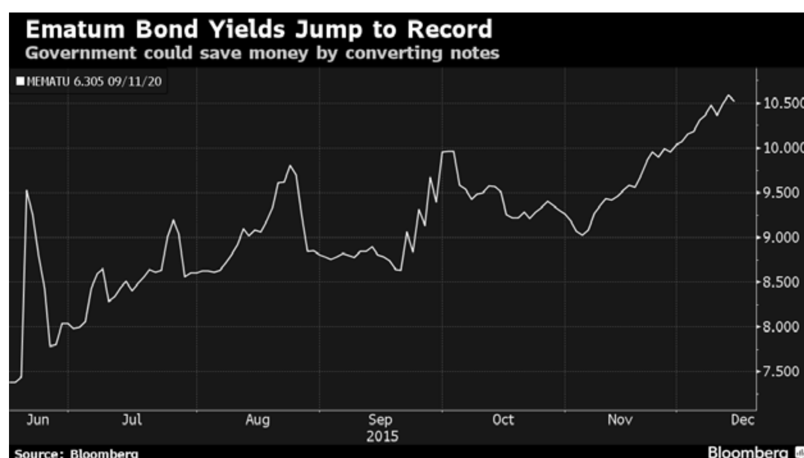
For a moment last week, bond traders judged South Africa almost as risky as Nigeria. As South African assets plunged in the wake of President Jacob Zuma's shock decision to fire his finance minister on Dec. 9, the nation's bond yields only just avoided rising above those of the West African country, which has a credit rating four levels lower and a reputation for corruption and political upheaval. The chart below shows how average yields on rand-denominated government bonds soared to a record 10.46 % on Dec. 11, less than one basis point from being above those of Nigeria's local-currency government bonds for the first time ever, according to data compiled by Bloomberg. Zuma roiled

markets when he dismissed Nhlanhla Nene from the finance portfolio and replaced him with little-known lawmaker David van Rooyen, before changing his mind four days later.
The chart shows that the yield gap between Africa's two biggest economies had never been smaller. It was as much as 891 basis points, or almost 9 percentage points, in February, when Nigeria's yields soared after its government postponed a presidential election following an upsurge in attacks by Boko Haram militants. Nigeria is ranked 136 out of 175 nations in Transparency International's 2014 Corruption Perceptions Index, with South Africa at 67, and the West African nation's debt is rated B+, or four levels below investment grade, by Standard & Poor's, versus South Africa's assessment of BBB-, one step above junk.



Some normality was restored when the spread widened to 45 basis points, the day after Zumasuccumbed to pressure from markets and bankers and replaced Van Rooyen with Pravin Gordhan, who had served as finance minister between 2009 and 2014. South Africa's bonds rose again. Yields on securities due in December 2026 fell 41 basis points to 9.51 % at 4:11 p.m. in Johannesburg. *(Bloomberg)*

Just Back From Maputo, Danske Sees Mozambique Tuna-Bond Solution
For all the skepticism about Mozambique's claim that it can't meet commitments on $850 million of debt issued by a state-owned fishing company, the biggest bondholder says there is one solution that might be acceptable to investors. The southern African nation could convert the amortizing notes due in September 2020 for Empresa Mocambicana de Atum SA, or Ematum, into an interest-only sovereign bond with a longer maturity, according to Danske Bank A/S. That would buy the government time and relieve it from making semi-annual payments on the capital amount plus interest until it starts earning billions of dollars from sales of liquefied natural gas, says the Copenhagen-based lender, which holds 5.2 % of Ematum's debt, according to data compiled by Bloomberg. Mozambique, one of the world's poorest nations, is facing a cash crunch amid a slump in exports of coal, sugar and cotton. The central bank has burned through reserves to protect the metical, which has plunged 36 % against the dollar this year, the fourth-worst performance globally. The government hopes that one of the



world's biggest gas discoveries in a generation will transform the country, with Standard Bank Group Ltd. estimating that the size of the economy may swell nine-fold by 2035. The depreciating metical, which has stoked inflation to three-year highs, also forced Mozambique's central bank to raise its benchmark interest rate by 150 basis points to 9.75 % this week.

Bullet Bond

"If they made it into, say, a 10-year bullet bond, by that time they would have the gas on stream and they could afford to pay it back," said Sorin Pirau, an analyst at Danske who visited Maputo, the capital, about two months ago and spoke to multilateral donors and businesses about the debt. "By then, Mozambique will be a different country. My base case is that we'll see their first move early next year. If I was them, I'd try to do it before the next coupon payment in March 2016." The government, which guaranteed Ematum's bond, has appointed a local investment bank to look at options for restructuring the debt. The International Monetary Fund agreed to give the country $286 million of emergency aid in October, while last month the central bank restricted how much Mozambicans could spend abroad on credit cards in a further bid to bolster the currency. If Mozambique goes with Danske's suggestion, the main sticking point may be the new interest rate it offers bondholders. Ematum's notes, issued in September 2013, have a 6.31 % coupon. Their yield rose to a record 10.79 %, more than 320 basis points higher than in mid-June, when Finance and Economy Minister Adriano Maleiane told parliament he wanted to lengthen the tenor and reduce the payment costs.

Default Risk

Ematum bondholders including Danske, Zurich-based Bank Vontobel AG and Allianz Global Investors Europe GmbH, a unit of Europe's biggest insurer, said they wouldn't accept a reduction in interest payments. Standard & Poor's, which rates Mozambique B-, six levels below investment grade, said any attempt to change the maturity or coupon without investor consent would be regarded as a default and may result in a downgrade. "They have good reason to want to lengthen the bond, but they will have to pay for it," said Luc D'Hooge, head of emerging-market bonds at Vontobel, which owns about 2.4 % of Ematum's debt and bought more as yields rose after Maleiane's announcement. "They have the capacity to pay. They would suffer massively if they got into legal problems with bondholders. They don't have much room for negotiation."

Military Equipment

The bond has already proved controversial. Originally a loan from Credit Suisse Group AG and VTB Capital Plc for the purchase of tuna-fishing boats, it was packaged into so-called loan participation notes and sold to global bond investors. Some of the funds were used to buy defense vessels from a single supplier without a public tender taking place, the IMF said in August. Ematum has yet to make a profit since being set up a few months before the debt was issued. "The lack of transparency surrounding the project raised serious governance concerns," the IMF said. Mozambique has been at peace since 1992, when it ended a 17-year civil war that destroyed its infrastructure. Its per capita gross domestic product of $630 is barely half of Kenya's and one-tenth of neighboring South Africa's. The country's fortunes may be transformed once its offshore gas fields, the region's biggest, are developed, probably early next decade. Eni SpA and Anadarko Petroleum Corp. are close to making final decisions about spending the billions of dollars required to tap the fields that Mozambique estimates holds enough reserves to meet global demand for more than two years.

'Materially Negative'

While the government's debt is high by sub-Saharan African standards at 60 % of GDP, servicing costs are relatively low because most of that borrowing is on concessional terms from donors, according to Mark Bohlund, a Bloomberg Intelligence analyst. It's for this reason that Ematum's investors won't accept losses on their holdings, even if they do agree to swap into a longer-dated sovereign bond. "This cannot be but a voluntary exchange if it is not to be considered a sovereign default," said Greg Saichin, chief investment officer for Allianz Global Investors' $2 billion of emerging market debt. A distressed exchange could hinder Mozambique's chances of tapping global bond markets again and "would be materially negative for its growth prospects," he said. *(Bloomberg)*

Standard Bank brings second Namibian bond to market

Namibia has weathered the emerging markets storm to issue only the second-ever government bond, a deal that Standard Bank helped to arrange after acting as joint-bookrunner on the country's inaugural bond. Edward Russell-Walling reports. In a choppy season for emerging market sovereigns, Namibia was able to issue only its second ever international bond with relative ease. South Africa's Standard Bank was a joint bookrunner on the deal, doing more than just adding a touch of local colour. Namibia is a rare issuer in more than one sense, being part of sub-Saharan Africa's highly select group of investment-grade sovereigns. There are only three others – Botswana, Mauritius and Namibia's next-door neighbour, South Africa, with which its economy is closely intertwined. The former German colony, then administered by South Africa, became independent in 1990. It has subsequently proved to be one of Africa's most stable democracies, and former president Hifikepunye Pohamba won 2014's respected Ibrahim Prize for Achievement in African Leadership. The prize, which recognises good governance, is only awarded in years when a worthy candidate can be found.

Africa's star

Today, Namibia is one of the best-performing economies on the continent. "One of its distinguishing features is its strong growth rate," says Megan McDonald, Standard Bank's London-based head of debt primary markets (DPM). "Its

economy grew by 6.4% in 2014, while South Africa's grew by less than 2%." Having nearly shuddered to a halt in 2009, along with the rest of the world economy, Namibia's annual gross domestic product (GDP) growth has been above 5% every year since then. Although best known for mining, notably for diamonds and uranium, the country's economy is well diversified, driven by services, and mining actually contributes less than 12% of GDP. Namibia's debt-to-GDP ratio is a lowly 22.9%. "That will increase as a result of the latest issue," Ms McDonald acknowledges. "But there is a self-imposed cap – the government has promised that debt will never exceed 35% of GDP." That would keep Namibian debt levels at similar levels to Indonesia, Mexico and Turkey – and, indeed, Australia and Switzerland. The sovereign used its credentials to issue an inaugural Eurobond in 2011. The $500m 10-year bond was a 144A/Reg S issue with a 5.5% coupon, priced to yield 5.75%. It was oversubscribed, and the joint bookrunners were Standard Bank and Barclays.

Strong relationship

Unsurprisingly, as one of South Africa's two biggest banks with its own Namibian retail network, Standard Bank has a close relationship with Namibia's Ministry of Finance and central bank, the Bank of Namibia. "We speak regularly about [the country's] fund-raising requirements," says Ms McDonald. "The Namibian dollar is pegged one to one with the South African rand and, from 2011 until now, [Namibia has] been able to fund all those requirements in the local [Namibian and South African] capital markets." However, the government has been pursuing a contra-cyclical fiscal policy, increasing its spending in areas such as infrastructure, education and health. This has fed into fiscal and current account deficits and caused a drain on foreign reserves. "Namibia's import bill has been increasing, because of larger capital-intensive investment – including two new mines which import a lot of equipment," says Ed Cerullo, a member of Standard Bank's DPM team. "That has been driving the current account deficit." Before the new issue, foreign exchange import cover was down to only 2.5 months-worth, so reserves needed topping up, according to DPM team member Tariq Rajwani. "There was also a need to diversify funding sources," he adds. Investors who had bought into the 2011 issue let it be known that they would be interested in further supply. "We had said continually since 2013 that market conditions were very favourable for a second bond," says Ms McDonald. "But they didn't require that much, and you can't do only $200m – it must be a sizeable issue." In 2015's budget, however, Namibia's funding needs were large enough to support an issue of at least $500m, so the discussion moved to a higher plane of where such an issue might price. Namibia decided to go ahead and issued mandates to Barclays, JPMorgan and Standard Bank at the end of August.

On the road

This was now a less propitious time, however. Conditions for emerging market and African issuers had been hostile through the middle of the year and there had been no African issuance since June. However, while the bankers were duly cautious, they knew that Namibia was an attractive proposition. "There will always be a price for Namibia, and there was never a question of not having access," says Carl Piccolo, Standard Bank's head of fixed-income syndicate. "So it was decided to get on the road, see the investors and then determine what to do." Two roadshow teams went out in mid-October. One, led by the minister of finance, headed for the US, calling on Los Angeles, New York and Boston. The other, including the finance ministry's permanent secretary and the central bank governor, visited London and Germany.

The investors were largely dedicated emerging market funds, with some investment-grade bond funds and, in Europe, many private banks. They were keen to hear more about what was driving the fiscal and current account deficits, which had grown since 2011, and what plans there were to keep these under control. There were also questions about the Namibian dollar's peg to the rand and whether, with the depreciation of the latter against the US dollar, it was still helpful. "The answer is that Namibia imports 70% of its requirements from South Africa, so the peg provides a natural hedge against inflation," says Ms McDonald. "And while some of the depreciation is South Africa-driven, more of it is emerging market-driven so, unpegged, the currency might have slid even further." Other concerns included the impact of falling commodity prices on the mining industry. "There is still a steady market for diamonds in India, China and the US," says Mr Rajwani. "And uranium is supported by China's moving away from dependence on coal and towards cleaner energy."

Where to start?

The feedback from the roadshow was encouraging and, as soon as it had concluded, the decision was taken to launch a 10-year US dollar transaction. There were two different starting points for travelling towards a price. One was to look at it as a spread to the yield of a comparable South African bond, and the other was as a spread to Namibia's own 2011 bond. "Both methodologies gave us our initial price thoughts," says Mr Piccolo. "We arrived at 100 basis points [bps] back of South Africa in the secondary market, or 65bps back of the 2011 – i.e. 5.75% area." The deal was helped by the fact that the market was starting to come back on track, according to Mr Piccolo, and investors were beginning to look at deals again. Their positive response allowed the leads to tighten the pricing to 5.5% plus or minus 0.125%. At that level, the book retained more than $3bn in orders, and the $750m transaction, with its 5.25% coupon, was finally priced to yield 5.375%. "That degree of tightening is unheard of in this market," says Mr Piccolo, adding that the new issue premium was effectively zero. This was the first US dollar deal from a central and eastern Europe, Middle East and Africa sovereign for three months. Geographical distribution was 49% to the US, 29% to the UK, 19% to the rest of Europe and 3% elsewhere. Funds took 76%, pension and insurance investors 10%, and banks and private banks 6%,

leaving 8% for other investor types. "It reaffirmed our view that Namibia is highly regarded by the international investment community," says Ms McDonald. Standard Bank owed its mandate to more than just courtesy to the local lender. Namibia wanted an African bank on the deal, and one with local knowledge. But it also wanted the kind of capital markets know-how and skills transfer that Standard Bank can provide through its daily contact with the country's central bank."We were not the minnow on the trade," says Mr Piccolo. "Because we are Africa-focused, we know where to put the paper. All the accounts that counted, Standard Bank had covered."*(The Banker)*

Funds

Rwanda launches $100m ICT fund

A $100m government innovation fund to be launched by June will target small and emerging ICT related enterprise, mostly run by the youth. The government will contribute up to 30%, with the rest mobilized from private sector partners who will have shares in the fund. This is expected to drive up the ICT sector contribution to GDP from 3% to 5%, and to create about 100,000 new jobs by 2020. Objectives are to achieve targets in the Smart Rwanda Master plan and reduce unemployment, particularly by job creation for young people. A published survey indicated that about 13% of university graduates are still unemployed one or two years after completing their studies. *(African Business)*

INFRASTRUCTURE

AfDB invests in transformative regional railway and port infrastructure in Mozambique and Malawi

The Board of Directors of the African Development Bank (AfDB), through its private sector window, has approved a Senior Loan equivalent to USD 300 million to support the construction of a 912 Km of railway (of which 230 Km are greenfield) and associated port infrastructure from Tete Province in Mozambique to the Mozambican port of Nacala e-Velha running through landlocked Malawi (“the Project”), along the Nacala Corridor. The Project sponsors are Vale SA of Brazil and Mitsui of Japan.

The Nacala Rail and Port Project will enable the efficient and environmentally-friendly transport of mineral resources, general freight and passengers through two of Africa’s fastest-growing economies. In doing so, the Project stands to facilitate trade and development across the southern Africa region. Railway extension lines into neighboring countries are currently under feasibility discussion.

The Project will bring about global competitiveness to Mozambique’s mineral exports, including the country’s important coal reserves. While the rail infrastructure is anchored on the viability brought about by mineral exports in Mozambique, the Project will also build competitiveness around the region’s agricultural and manufacturing trade, thus supporting Africa’s industrialization agenda.

The Bank’s support of the Nacala Corridor is long-standing, having financed regional road infrastructure from Lusaka in Zambia to Nacala in Mozambique, also integrating Malawi. The Project is thus complementary to previous Bank’s investments. The Bank is proud to partner with Vale and Mitsui, along with the group of co-financiers, to enable the financing of this USD 4.5 billion project finance investment, one of the largest single foreign direct investments into Africa in recent years. *(AFDB)*

Public Transport in Morocco to Receive US$200 Million Boost

Washington DC, December 9th, 2015 – Morocco is overhauling its urban public transport to meet the demand of its growing urban population. To support this, the World Bank has announced a US$200 million program to improve urban mobility in Morocco, and in particular the quality and management of public transport. With 60% of 34 million Moroccans living in cities, public transport has a vital role to play. Local municipalities have struggled to provide good roads, and with the limited resources and capacity they have to manage public transport. This has affected its quality and reliability.

The transport program will focus on cities of over 100,000 inhabitants in nine regions, aiming to strengthen the capacity of local authorities to plan and monitor public transport, centrally and locally. A central goal is to improve the quality of urban transport services, with a large reduction in travel time. This program, a Program for Results (PforR), will disburse funds only when milestones agreed upon in advance are completed.

"An efficient urban transport system is essential for urban mobility, which will underpin the development of Moroccan cities", said Marie Françoise Marie-Nelly, World Bank Maghreb Country Director. "Improved public transport systems will mean increased productivity and better access to economic opportunities and key services such as health and education, particularly for the most disadvantaged citizens."

Morocco estimates the financing for its urban transport sector will reach US$3 billion over a decade. The goal of its national plan is two-fold: to improve the sector’s management and make it financially sustainable; and to build a web of urban transport corridors within larger cities. The Bank will support the government’s plan with expertise and global knowledge. "This is a timely program to support the Moroccan government’s public transport agenda. Beyond strengthening institutions and decentralized management more broadly, the project will support the establishment of public transport corridors and improve the efficiency of traffic management with dedicated infrastructure," says Vickram Cuttaree, Senior Infrastructure Economist and Task Team Leader.

The World Bank has stepped up its engagement in the urban transport sector in Morocco over the past few years. A US$136.7 million-Development Policy Loan (DPL) was launched in 2011 to improve the sector's governance and increase urban transport and infrastructure. This was coupled with regular technical assistance for the Moroccan government's transport strategy, along with research to deepen its knowledge of the sector with studies such as the Casablanca Gender and Transport report released in 2011. *(World Bank)*

First Metrorail test train arrives in S Africa

Some 18 months after the financial close of a passenger train supply contract between the Passenger Rail Agency of South Africa (Prasa) and Alstom subsidiary Gibela, the State-owned firm has welcomed the arrival of the first test train aimed at replacing the old Metrorail train fleet over the next 20 years The train, which was this week delivered to Prasa's Wolmerton depot, in Gauteng, was the first of a planned 600 trains that would be configured as six-car sets able to transport 1 346 passengers. As part of the implementation programme, the first 20 train sets would be built at Alstom's facility in Brazil, while the remainder would be built at a new facility in Ekurhuleni, in line with government's industrialisation plan. The local manufacturing plant would, according to Gibela, achieve an average of 67% local content over the delivery period, increasing to 75% local content by year ten. The deal formed part of Prasa's broad modernisation programme, which included investment in key infrastructure programmes such as signalling, depots, perway and station modernisation.Prasa kicked off its R172-billion investment in the acquisition of modern passenger trains and the support infrastructure in the 2013/14 financial year with a view to replacing the existing Metrorail rolling stock over a ten-year period. "This government is committed to the transformation of passenger rail infrastructure and in ensuring that rail becomes the backbone of public transport and a mode of choice for the multitudes of our people who depend on affordable, reliable and safe public transportation. "This train is the realisation of government's investment on the rolling stock fleet renewal programme. Our government is serious about implementing infrastructure and rail transport programmes as spelled out in the National Development Plan (NDP). Transport is one of the key pillars of the NDP," Transport Minister Dipuo Peters said in a statement. Prasa chairperson Dr Popo Molefe added that the arrival of the first test train signalled the start of the modernisation of passenger rail infrastructure and services. "We are in the process of building modem rolling stock that will form the backbone of a world-class metro service that is safe, reliable, and affordable. "This investment by the government demonstrates its commitment towards developing a high quality transport system. Prasa is serious about delivering on its mandate. We aware of the enormous responsibility entrusted upon us and we intend to meet and exceed our customer and stakeholder expectation," he commented. The first train had been specifically designed to act as a test train and would undergo "key testing". As a result, it did not feature commuter train fittings, such as chairs, but would have exposed electronic panels exposed, while basic structural fittings would be marked for ease of reference during testing .All data gathered from the seven-month testing programme, which would start in the new year, which would be used to validate the train's safety, design and performance parameters . A second test train had been planned for delivery within the first quarter of next year. Each of the two test trains would arrive with updated fittings, in line with the various stages of testing by Prasa and Gibela engineers. These tests would also facilitate the accurate manufacturing of the initial trains made in Brazil and create a proven methodology for the balance of the trains, which would be manufactured in South Africa."Gibela is quite pleased with the delivery of the test train, which was a collaborative effort between ourselves and Prasa.. "The final journey to the Wolmerton depot will mark the start of a series of tests on the train, transferring skills and the training of new train drivers, as we continue to manufacture the new Metrorail trains" said Gibela CEO Marc Granger. The new metrorail trains would offer a 31% energy-saving compared with the current trains and a design life of 40 years. *(Engineering News)*

Benguela Railroad in Angola increases freight and passengers

The Benguela Railroad (Caminhos-de-Ferro de Benguela – CFB) this year transported 27,000 tons of various goods and 461,000 passengers, said in Lobito the company's president, José Carlos Gomes. The president of CFB said freight transport represented an increase of 42.4 % compared to the amount carried in 2014, while the number of passengers represented an annual increase of 29.7 %. Despite these increases, Gomes acknowledged that the company's financial situation is weak and it remains dependant on the state budget to pay salaries and allowances. Gomes also said the speed currently achieved by the trains was not ideal and the company was working on increasing it to 80-90 kilometres per hour. CFB links the port of Lobito on the Atlantic Ocean coast, to the border town of Luau in the eastern part of the country, crossing the provinces of Benguela, Huambo, Bié and Moxico. The line was completely rebuilt by the China Railway Construction Corporation (CRCC), under a public work project of Chinese design. The project involved construction of the line and 67 stations and supplying rolling stock, at an estimated cost of US$1.83 billion. The Benguela Railroad company was established in August 1899 but work to build the railway itself began on 1 March, 1903 and was completed on 2 February, 1929. Due to the civil war that devastated Angola, circulation in the railroad was interrupted for a period of 30 years, and resumed in August 2012. *(Macauhub)*

Nacala Airport, Mozambique, receives international certification

The Nacala International Airport, in northern Mozambique, has been granted certification for international operations, a year after it opened, announced the president of the Civil Aviation Institute of Mozambique (IACM). Captain João

Abreu told Mozambican daily newspaper Notícias the certificate showed that the airport meets the conditions required to receive domestic and international air traffic safely.
The next step is, according to the chairman of the IACM, to publish the certification through the Aeronautical Information Publication (AIP), which serves as proof of quality allowing the airport to conduct international air operations and provide airport services in accordance with the aerodrome manual approved by IACM.
Designed and built by Odebrecht Infra-estrutura – África, Emirados Árabes e Portugal, of Brazilian construction group Odebrecht, in partnership with AdM, Nacala International Airport opened in December 2014 and has modern architecture and equipment and capacity to serve 500,000 passengers and receive 5,000 tons of cargo per year.
Airport facilities occupy an area of 30,000 square metres, including a passenger terminal area of 15,000 square metres, a control tower and a 3,100-metre runway, dimensions that allow large aircraft, such as the Boeing 747, to use the facility. The airport started operating with commercial flights by Mozambican airline LAM and is managed by AdM, which is responsible for the management of all airport infrastructure in Mozambique. *(Macauhub)*

Continental initiatives drive Africa's infrastructure growth
Continental initiatives are driving the new growth in infrastructure demand in Africa. This was the message conveyed to donor partners at the 23rd Oversight Committee (OC or Board) Meeting of the NEPAD Infrastructure Project Preparation Facility (NEPAD-IPPF), a multi-donor Special Fund hosted by the African Development Bank (AfDB).
Presenting the new NEPAD-IPPF Strategic Business Plan (SBP) for the five-year period 2016-2020 to members of the OC, who included representatives from Canada, Germany, the United Kingdom as well as the African Development Bank (AfDB), Shem Simuyemba, the new Manager for NEPAD-IPPF, informed the Forum that there were at least four continental initiatives driving the growth of infrastructure in Africa.
The first was clear continental priorities through the approval of the Programme for Infrastructure Development in Africa (PIDA) by African Heads of State and Government in January 2012 as a strategic framework and blueprint for integrating and interconnecting Africa through regional infrastructure projects which had set clear priorities for the continent. PIDA has an investment portfolio of US $68 billion to be realized by 2020. This is in addition to the demand for project preparation arising from Regional Infrastructure Masterplans driven by the regional economic communities (RECs) and power pools as energy was currently one of Africa's highest infrastructure priorities.
The second was deepening and maturing regional integration arrangements and the emergence of larger economic blocks such as the 26 country Grand Free Trade Area (G-FTA) involving three regional economic communities (RECs): the Southern African Development Community (SADC), the Common Market for Eastern and Southern Africa (COMESA) and the East African Community (EAC) and, ultimately, the Africa-wide Continental Free Trade Area (CFTA), which translate into increased trade and investment requiring matching infrastructure capacities and efficiencies to support emerging regional and global value chains.
The third was the new High 5 Agenda championed by the AfDB's new President, Akinwumi Adesina comprising, five pillars – "Light up Africa"; "Feed Africa"; "Industrialize Africa"; "Integrate Africa"; and "Improve the quality of life of Africans" – as aligned to the Sustainable Development Goals (SDGs). Translating the ambitious High 5 Agenda into implementation will require enhanced capacities to identify, prepare and develop bankable projects, which can attract financing leading to implementation to achieve the desired development outcomes.
The fourth was growing appetite by the private sector to finance infrastructure in Africa requiring well-prepared projects which meet the financing criteria of both global and African financiers through public-private partnerships (PPPs) or direct financing by private sector investors and equity funds.
Simuyemba informed the Oversight Committee meeting that the "missing bridge" between these continental initiatives on the one hand and available financing on the other, was the lack of well-prepared bankable projects which are investment-ready and can attract financing. This is the gap that project preparation facilities such as NEPAD-IPPF were meant to fill to ensure availability of a pipeline of viable infrastructure projects as a means of increasing the stock of Africa's infrastructure to respond to the demands of an integrated and prosperous Africa as envisaged by the African Union's Agenda 2063. *(AFDB)*

ENERGY

AfDB Supports ESKOM to construct and maintain transmission lines and power stations in South Africa
The Board of Directors of the African Development Bank (AfDB), through its private sector window, approved a senior corporate loan equivalent to USD 375 million in ZAR-equivalent and a corresponding A/B syndicated loan for up to USD 750 million to support the Capacity Expansion Program (CEP) of Eskom Holdings SOC Ltd of South Africa. Eskom is South Africa's state-owned power utility and the country's primary electricity supplier with over 90 years of operational experience.
The program will be rolled out over a 5-year rolling period (2015/16 – 2019/20), and will contribute to a comprehensive expansion of South Africa's generation capacity and transmission network. Through the CEP, Eskom will maintain and rehabilitate nearly 8,000 MW of installed capacity, while adding 10,986 MW base load capacity, including a 1,332 MW renewable energy peaking station. The CEP will also expand Eskom's transmission network by 9,756 km, thereby

connecting Eskom's new generation as well as the nearly 90 independent power producers under the Government of South Africa's Renewable Energy Independent Power Producer (RE IPP) Program. Eskom's expansion plan will not only address the country's power shortages but also restore South Africa's role as electricity exporter. The CEP aims to catalyze economic growth and job creation in South Africa and the wider region.
This corporate loan complements previous ones approved by the African Development Bank in support of developing Southern Africa's energy sector. In 2008, a first corporate loan of USD 500 million was approved through the Bank's private sector window. In 2009, through the public window, the Bank approved a second loan of EUR 1,860 million to finance the 4,800 MW Medupi Power Project. In 2011, a third and fourth loans were accordingly approved for USD 265 million, through the Bank's public window, and for USD 100 million through the Bank's Clean Technology Fund.
The newly approved loan is being financed through the Bank's private sector window. Through this operation, the African Development Bank is also crowding in cross-border financing into the continent through a syndicated A/B loan with commercial banks.

AfDB approves EUR 24 million to boost Cameroon's energy production
The Board of Directors of the African Development Bank Group (AfDB), on December 17, 2015 in Abidjan, approved EUR 24 million to fund the expansion of Kribi Power Plant, an existing natural gas plant in Cameroon, operating since May 2013. The expansion of Kribi (Kribi II) consists of the development, design, construction, operation and maintenance of a 125 MW gas-fired power plant extension. Upon completion, Kribi Power Plant's aggregate capacity will be 340 MW.
Approved under the scope of AfDB's New Deal on Energy for Africa, which envisages universal energy access for Africa by 2030. The project is expected to address the compelling need for additional generation capacity in Cameroon, hereby resulting in strong development impact. Indeed, the current generation deficit has been assessed at approximately 100MW during the dry season with a projected increase in demand of 8% per year until 2035. The project is also complementing an earlier intervention from the Bank and reinforces the use of Cameroon's own resources for power generation.
The Project will provide incremental generation capacity of 125 MW and increase reliability of electricity supply. It will also diversify Cameroon's energy production sources and energy mix through gas generation expansion while displacing inefficient thermal power plants thereby reducing environmental impact, including carbon emissions. The project is also projected to ease up the country's current energy crisis and improve the population's access to power. The loan will complement an earlier Kribi Project approved by the Bank in 2011 for EUR 30 million.

France invests €2bn in green
Africa France will invest €2bn in renewable energy projects in Africa between 2016 and 2020, to increase the continent's access to electricity, a 50% increase in comparison with the previous five years. Programmes will encourage the use of solar energy, wind power, hydroelectricity or geothermal energy, depending on the potential of each country.
(African Business)

China powers up Zim China's Export-Import Bank will provide a $1.2bn loan to upgrade t**wo generators at Zimbabwe Power Co's Hwange thermal power plant**, the country's biggest. Hwange generates between 380-400 MW of electricity against its installed capacity of 920 MW. The next largest generation facility, the Kariba hydropower plant, is operating at half of its 750 MW capability because water levels have fallen. ZESA's Zimbabwe Electricity Transmission Distribution Co has borrowed $150m from the Afrexim Bank. *(African Business)*

Africa-led $10bn renewable energy boost Canada, France, Britain, Germany, Italy, Japan, the US, Sweden, Netherlands and the European Union (EU) will jointly provide $10bn between 2015 and 2020 to boost access to energy in Africa, it was announced when the Africa Renewable Energy Initiative was launched at COP21. The Africa-led project plans to add 10GW of additional renewable energy to the continent by 202 and 300 GW more by 2030. If successful, it would make Africa the country with the largest percentage of renewable energy usage. Germany is contributing $3.3bn and the other partners the remaining $6.7bn. *(African Business)*

MINING

Angola sees record diamond production in 2015
Diamond production in Angola this year may reach a record of 9 million carats, an annual increase of 5.6 %, said Angola's Minister of Geology and Mines, Francisco Queiroz in Beijing.
The minister noted, however, that although the amount would be a record, in terms of value there would be a drop compared to 2014 due to a fall in the price of diamonds on international markets. "In 2014, with 8.5 million carats we earned US$1.3 billion, but this year we should only get US$1.13 billion," Queiroz projected.
Queiroz said he hoped that the new Luaxe diamond mine, located in northern Angola, could more than double national production and increase the sub-sector's contribution to gross domestic product (GDP) from the current 1 % to 5 % by

2020. Angola’s Minister for Geology and Mines travelled China at the invitation of China’s Minister for Land and Resources, Jiang Daming. *(Macauhub)*

Technicians trained in China return to Angola
The first 30 Angolan technicians who received their professional training certificates from the Geophysical and Geochemical Institute of China are due to return to Angola Friday, Angolan news agency Angop reported. The training received by these 30 technicians, who will start work in geological laboratories across Angola, focused on geochemical analysis and classes were given at the UNESCO International Geochemistry Centre in Langfang, Hebei province about 50 kilometres from Beijing.
The training was organised by Chinese group CITIC, whose subsidiary CITIC Construction is involved in Angola’s National Geology Plan (Plangeo) as well as construction of laboratories, which will be staffed by the 30 technicians trained in China.
By 2017 Plangeo aims to register all mineral resources in Angola, through aerial surveys, collection and analysis of samples. The Angolan government considers the geological plan to be essential to the strategy to diversify the economy.
At the ceremony to present the vocational training certificates, the President of the Geophysical and Geochemical Institute of China, Peng Xuanming, said the UNESCO International Geochemistry Centre was a pioneering institution in the world and was now waiting for more Angolan trainees. The course’s closing ceremony was attended by the minister of Geology and Mining of Angola, Francisco Queiroz, who this week paid a working visit to China, at the invitation of China’s Minister for Land and Resources, Jiang Daming. *(Macauhub)*

Another diamond mine heads for closure
Following the closure earlier this month of De Beers Snap Lake diamond mine in Canada, Debswana’s Damtshaa mine in Botswana, co-owned by De Beers and the government of Botswana, is heading the same way from January 1. De Beers said in a statement to Creamer Media’s Mining Weekly Online that Damtshaa would be placed on care and maintenance and the Orapa Mine Plant 1 would be operated at a reduced level of production.
As a result of the diamond industry’s abnormally high pipeline inventories of polished diamonds and resulting lower demand for rough diamonds, Debswana had revised down its production for 2016 to 20-million carats to match expected levels of demand for rough. That would be achieved by producing more from Botswana’s high-value, low-cost Jwaneng mine and less from Botswana’s grouping of Orapa, Letlhakane and Damtshaa Mines (OLDM).
Jwaneng Mine would produce around 12-million carats while the OLDM grouping would produce around eight-million carats. To achieve the OLDM reduction, Damtshaa would be closed and Orapa Mine Plant 1’s output lowered to one million carats while maintaining upswing readiness. A Debswana spokesperson said the company produced 24-million carats in 2014, with no final production figure available yet for total 2015 production. Botswana’s Southern Times newspaper reported that Damtshaa’s closure and Orapa Plant 1’s reduced production level was expected to continue for the next three years. Four small diamond pipes in an area 20 km east of the Orapa kimberlite pipe make up the Damtshaa mine, where 303 319 carats were recovered in 2014, while the conventional openpit Orapa, situated 240 km west of Francistown, is currently mining at a depth of 250 m, according to the Debswana website. The Southern Times reported that sluggish market sentiment had seen sales for both of Debswana’s clients – De Beers and the State-run Okavango Diamond Company – fall by more than 20% in the first half of 2015. Debswana said that an employee redeployment and job matching plan would be done in consultation with the Botswana Mine Workers Union, with no more than 250 jobs likely to be impacted. Earlier this month in Canada, De Beers laid off 434 employees at its wholly-owned Snap Lake mine. De Beers Canada’s 51%-owned Gahcho Kué diamond-mine-in-the-making absorbed about 100 former Snap Lake employees, who have been redeployed to the 80%-complete and on-budget opencast project that is expected to be profitable with the help of weak local Canadian currency, low diesel prices and a general fall in operating cost items. *(Engineering News)*

AfDB approves $300m loan for Vale's E Africa rail plan
The African Development Bank (AfDB) has approved a plan to provide as much as $300-million to help Brazilian mining company Vale SA finance the expansion of the Nacala logistics corridor in East Africa, Vale said in a statement. The Nacala corridor links areas in Zambia, Malawi and Mozambique with the port of Nacala on Mozambique's Indian Ocean coast and will help Vale move coal from its Moatize coal mine in Mozambique to markets around the world. Japanese trading group Mitsui Co also owns a 15% stake in the Nacala corridor project. *(Engineering News)*

Randgold Rejects Deal to Redevelop AngloGold's Ghanaian Mine
Randgold Resources Ltd. rejected a proposal to redevelop a Ghanaian gold mine with current owner AngloGold Ashanti Ltd., saying it doesn’t meet the company’s investment criteria. The two producers agreed in September to explore a joint venture to rebuild AngloGold’s aging Obuasi mine, which needs investment to turn it into a fully mechanized operation. “Following the work undertaken on the revised development plan, Randgold has determined that the development plan will not satisfy Randgold’s internal investment requirements,” the Jersey, Channel Islands-based company said in a statement. AngloGold cut workers and placed Obuasi on limited operations last year as costs spiraled

to more than $1,500 an ounce. The mine needs investment to access its 5.29 million ounces of gold situated in high-grade ore yielding 6.7 grams a ton. Randgold would only go ahead with the redevelopment if it would cost less than $1 billion, Chief Executive Officer Mark Bristow told reporters Sept. 16. *(Bloomberg)*

Randgold ditches Ghana joint venture with AngloGold

Africa-focused gold producer Rangold Resources said it was pulling out of a joint venture with AngloGold Ashanti to redevelop AngloGold's ageing Obuasi mine in Ghana less than four months after the deal was announced. Randgold said in September the joint venture would not spend more than $1 billion on the redevelopment of Obuasi, which holds about 5 million ounces of gold reserves but which has not made a profit in a decade. AngloGold stopped production at Obuasi in November and cut jobs. Randgold said that after due diligence it had decided the proposed project did not meet its investment criteria. The price of spot gold has fallen almost 20 % from its 2014 peaks to just above $1,000 an ounce, forcing companies to sell mines, cut spending and shed jobs. Shares in AngloGold Ashanti were up 1.1 % at 104.99 rand 0752 GMT. Randgold shares traded in London were down 0.9 %. *(Reuters)*

Botswana Diamonds raises £458 655 through share placement

Diamond explorer Botswana Diamonds has undertaken a private placing to conditionally raise cash £458 655 through the placing of 53.95-million new ordinary shares at a placing price of 0.85p. The funds raised would be used to fund exploration activities in Botswana, which remained ongoing, and to provide additional working capital.

Each Placing Share had one warrant attached with the right to subscribe for one new ordinary share at the placing price for a period of three years from December 24.. Additionally, the Aim-listed company had settled a further £86 661 of existing liabilities with certain directors of the company through the conditional issue of 10.19-million placing shares. These liabilities had accrued as a result of unpaid directors' fees. "In aggregate, the company has conditionally issued a total of 64.15-million placing shares with warrants attached to raise £545 316," the group said in a statement. *(Engineering News)*

OIL & GAS

Angola's Sonangol to supply oil to Chinese group Sinochem

Angolan state oil company Sonangol will supply oil to China's Sinochem Corp group, under a 10-year agreement signed in Beijing, said the Chinese group in a statement on its website. The agreement was signed by the presidents of Sonangol and the Chinese group, Cai Xi, and the ceremony was attended by Angola's Minister of Finance, Armando Manuel and the President of the China Development Bank, Zheng Zhijie.

The statement issued by the Chinese group did not give financial or quantitative details but sources cited by the Reuters news agency reported that Sinochem Corp would receive five shipments of Angolan oil per month. Sonangol already has a contract with the China International United Petroleum & Chemicals Co.,Ltd. (UNIPEC), under which provides an average of 15 shipments per month. The new deal is the first one signed between Sonangol and Sinochem Corp. *(Macauhub)*

Angola's oil production overtakes Nigeria's

Angola overtook Nigeria in November with regard to oil production, according to data provided directly to the Organization of Petroleum Exporting Countries (OPEC).

The OPEC monthly report for December said that in November Angola produced 1.722 million barrels of oil per day, a monthly drop of 40,000 barrels per day, while Nigeria lowered output by 205,000 barrels per day to 1.607 million barrels per day.

The monthly downturn (November compared to October) registered in daily production in Nigeria was the highest among the OPEC member countries, followed by Saudi Arabia, the largest producer in the cartel, with 90,000 fewer barrels.

However, if production is based on secondary sources, the same report also said that in November while Angola produced 1.722 million barrels per day, a monthly increase of 24,400 barrels, Nigeria produced 1.925 million barrels per day, 25,000 fewer barrels than in October. Angola, like other oil-producing countries, has been affected by the fall in world oil prices, the main varieties of which, Brent and West Texas Intermediate, are currently priced at less than US$40 a barrel, the lowest price since 2009. *(Macauhub)*

Mozambique doubles natural gas exports in 2015

Mozambique's natural gas exports doubled this year to approximately 115.4 million gigajoules, announced the Mozambican minister of Mining Resources and Energy, Pedro Couto. Opening the I Coordinating Council of the Ministry of Mineral Resources and Energy, the minister also said that natural gas production increased by 8% but added that the fall in prices on world markets may come to commit exploration activities in the country. Couto, cited by Mozambican news agency AIM said that negotiations were underway to start the development of natural gas reserves discovered in the Rovuma basin and production is expected to start between 2020 and 2021.

The Minister was informing the members of the Coordinating Council carrying out exploration and research in the various concession blocks as well as monitoring oil activities. The chairman of Mozambican state oil and gas company ENH, Omar Mitha said recently that oil companies operating in Mozambique would invest US$31 billion in the coming years to begin exploration of the natural gas reserves discovered in the north of the country. *(Macauhub)*

TELECOM

MTN takes fight over Nigerian fine to court

MTN said it was taking the Nigerian Communications Commission (NCC) to court over a $3.9bn fine imposed on the group for the alleged breach of rules on SIM-card registrations. Its shares soared 6.31% to close at R138.20 on the JSE. MTN was initially fined $5.2bn for not disconnecting 5.1-million unregistered subscribers as requested by the NCC. The fine has since been reduced and was due to be paid at the end of this month. The initial fine was more than MTN’s total sales in Nigeria last year and the equivalent of about 37% of the group’s total revenue. Nigeria is MTN’s biggest market by revenue and subscribers.

But MTN said it had "thoroughly and carefully" considered all factors, including a review of the circumstances of the fine and subsequent letters from the NCC. It said the manner of the imposition of the fine and the quantum was not in accordance with the NCC’s powers under the Nigerian Communications Act and therefore "there are valid grounds upon which to challenge the fine".

However, the group said it would continue to engage with the Nigerian authorities to "try ensure an amicable resolution". Fallout from the fine forced MTN to overhaul its top team and operational structure. The crisis forced Sifiso Dabengwa to resign as CEO and earlier this month MTN Nigeria CEO Michael Ikpoki and Akinwale Goodluck, the head of regulatory and corporate affairs, quit with immediate effect.

At the group level MTN reinstated the post of chief operating officer, previously held by Mr Dabengwa, and a search for a CEO is on. MTN Nigeria’s chief financial officer, Ferdi Moolman, takes over as CEO of the Lagos-based unit. MTN said it would revert to a structure used under the previous CEO, Phuthuma Nhleko, who has returned as executive chairman to handle the crisis.

The uncertainty over the fine has forced ratings agencies to review MTN’s credit ratings. Moody’s Investors Service lowered MTN’s credit rating to Baa3 from Baa2. The outlook is negative, signalling further rate cuts are possible. Fitch Ratings cut MTN’s rating one level to BBB-last week because of risks in Nigeria and SA, its two biggest markets. The outlook remains stable at Fitch. Africa’s largest phone company has a BBB-rating at Standard & Poor’s. "The outlook could be stabilised if matters surrounding the Nigerian fine are clarified and resolved with limited or manageable implications to MTN’s Nigerian and group operations, as well as to their credit and liquidity profiles," said Ivan Palacios, an analyst at Moody’s in Madrid. MTN operates in 22 countries across Africa and the Middle East.

It announced that its Ghana operation, Scancom, had secured a 15-year fourth-generation (4G) or long-term evolution (LTE) licence in the 800Mhz spectrum. The spectrum was auctioned for $67.5m. LTE technologies provide superfast internet connections. The licence would enable MTN Ghana to launch 4G/LTE services to support the increasing demand for data services and improve customers’ data usage experience, said MTN.

MTN Ghana surpassed 15-million subscribers at the end of the third quarter this year. Data revenue increased 78.6% year on year for the nine months to September and contributed 28.7% to total revenue. Over the same period the operation had about 3-million smartphones on its network.

MTN said the licence and the spectrum would be awarded once the licence fee had been paid. Many of MTN’s markets, including SA, are still at the early stages of rolling out the superfast LTE network. In SA, MTN provides 4G only in selected areas because of spectrum shortage. Technology research and advisory group Ovum said in a report that the number of mobile broadband connections in Africa would reach 1-billion in 2020, up from 147-million at the end of 2014. The rapid growth of mobile broadband in Africa over the next few years will be driven by factors such as the roll-out of 3G and 4G/LTE networks and the increasing affordability of smartphones and other data devices. *(BDLive)*

South Africa's MTN pays $124 mln to extend Ivory Coast licence

South Africa's MTN Group this week paid 75 billion CFA francs ($124 million) to extend its operating licence in Ivory Coast, it said. The money is 75 % of the total cost of renewing the licence, which expires in April 2016. ($1 = 604.2900 CFA francs) *(Reuters)*

AGRIBUSINESS

Ghana Cocobod to Save $75 Million With Syndicated Loan

Ghana’s cocoa regulator will save $75 million after Parliament approved a second syndicated loan to help pay down the cost of ballooning local debt. Parliament approved the Cocoa Board’s $300 million credit facility with seven foreign banks. The interest margin is 350 basis points more than the London Interbank Overnight Rate, known as Libor, according to documents submitted to Parliament. The loan has a three-year repayment period and a grace period of one year.

Cocobod has sold more than $500 million of local bills this year to finance its operations, which include purchasing the bean from farmers in the world's second-largest producer of the crop. The regulator has been selling more of the securities than expected since at least the 2012-2013 season to cover shortfalls.
Investors have reacted by demanding higher interest rates to compensate for the risk as the government's finances have deteriorated during the same period. Ghana has the continent's highest borrowing costs and has borrowed nearly $1 billion from the International Monetary Fund as part of a three-year program to rights its economy. The cocoa bills have an average maturity of about 29 %. The rollover of the cocoa bills "is now adversely affecting Cocobod's finances," according to documents submitted to Parliament. "Refinancing the bills with proceeds from the medium-term facility will improve the cash flows, liquidity and the viability of Cocobod and reduce high interest payment on bills." Cocobod sold the 182-day cocoa bills to buy fertilizer and chemicals for farmers and finance daily operations. Cocoa rose 0.2 % to 2,267 pounds per metric ton in London, extending the year's gain to 14 % this year. The gains may potentially aid Ghana, whose crop was the smallest in five years last season. Lenders participating in the facility include Bank of Tokyo-Mitsubishi UFJ Ltd., Standard Bank Group Ltd., Societe Generale SA, Credit Agricole SA, DZ Bank AG, Natixis SA and Nedbank Capital. *(Bloomberg)*

Ghana Cocoa Board Seeks $300 Million Syndicated Loan
Ghana Cocoa Board has asked Parliament to approve a request for a $300 million syndicated loan to refinance short-term securities. The government regulator for the cocoa industry has discussed the loan with banks including Bank of Tokyo-Mitsubishi UFJ, Standard Bank Group Ltd., Societe Generale SA, Credit Agricole SA, DZ Bank AG, Natixis SA and Nedbank Capital, according to documents presented to Parliament. Ghana is the world's second-largest producer of the ingredient used to make chocolate. Ivory Coast is the biggest.
The loan would add to a $1.8 billion syndicated credit signed by the board in September, the month before the 2015-2016 season began. It used the money to buy beans from farmers. The government began selling cocoa bills more than 10 years ago to help close the gap in financing needed to fund purchases of cocoa.
Ghana harvested the smallest crop of the bean in five years during the last season because of dry weather and less-than-expected rain. The shortfall has helped support the price of cocoa in London, where it has risen 16 % this year. Cocoa dropped 0.3 % to 2,280 pounds per metric ton at 9:48 a.m. in London. So far this year through September, Ghana sold about 2.1 billion cedis ($550 million) of 182-day cocoa bills. *(Bloomberg)*

South Africa white maize at record high, drought concerns mount
Mounting jitters about a searing drought pushed South African white maize prices to record highs and traders said the ceiling had not been reached as farmers fail to plant in the Free State province.
The rand's plunge to record lows has also spurred the rally, which has serious implications for the inflation outlook in Africa's most advanced economy as white maize is the main source of calories for lower-income households. South Africa's central bank, which is in a tightening cycle, has repeatedly voiced concern about the drought and food prices.
The December white maize contract, which expires next week, was 0.6 % higher at 4,140 rand a tonne after scaling a peak of 4,160 rand, according to Thomson Reuters data. "Some relief rain fell yesterday and last night but it is still too little in the Free State and there are still farmers there who have not planted yet," said Piet Faure, a trader at CJS Securities. The weather forecast for the next two weeks in maize-growing areas of the Free State is also not good, traders said. Farmers who have not yet planted will soon run out of time to do so. An El Nino weather pattern has exacerbated the drought and follows a bad last harvest when dry conditions shriveled the crop by a third to 9.94 million tonnes, the lowest since 2007. *(Reuters)*

Fall in oil prices presents opportunity for African agriculture, says PwC
Food security has become a global concern. In most developed markets farming yields have been maximised and there is no great untapped agricultural areas left. On the other hand, some industrialising economies are losing the ability to feed themselves. For example, China is now losing its self-sufficiency in maize.
However, despite a large agricultural deficit, Africa holds the majority of the world's uncultivated, arable land. In a recent PwC report, titled Food security in Africa – water on oil, the continent's opportunity to take the lead in agricultural production was compared to Brazil's a few decades ago, with key advantages including fertile land, abundant water and cheap labour. "African agriculture is likely to witness a transformation over the next two decades. We believe Africa will see a change similar to that of Brazil over the past forty years. Urbanisation, the rise of superfarms, and the need for food security are key drivers. New investment models tailored for Africa will become increasingly prevalent," continued the report. "Advantages in the demand side are rising food requirements, both locally and globally."
Furthermore, the report argues that the recent decline in oil prices could be seen as an opportunity to develop agricultural production capabilities on the continent.
Much of Africa's growth story over the past decade was underpinned by strong demand for its commodities. But with the decline in oil prices since the second half of 2014, a number of oil and gas producing economies – such as Nigeria, Ghana and Angola – have experienced a collapse of their currencies. For example, the Nigerian naira has since

depreciated by close to 25%, resulting in a number of fiscal and monetary changes that has slowed GDP growth. According to the report, the Central Bank of Nigeria predicts GDP growth in 2015 to total 2.6%, compared to 6.3% in 2014.

However, the depreciation of currencies in these economies also presents an opportunity for the agricultural sector. It could counteract some of the effects of the 'Dutch Disease' and 'resource curse' many of these economies have been experiencing.

The Dutch Disease describes the negative economic impact of a country's reliance on one booming export sector – such as oil and gas – which causes an inflow of foreign currency, resulting in the value of the local currency to strengthen against foreign currencies. This makes the country's other products less price competitive for export, while imports become cheaper.

The Dutch Disease, alongside government mismanagement, is also one of the causes of the resource curse, a paradox seen when countries with an abundance of natural resources end up having poor development outcomes. This has been witnessed in a number of resource-rich African countries. "Any Nigerian over a certain age will tell you how advanced the country's agriculture sector was in the 1960s during the early flushes of independence. However, the discovery of oil in the Niger Delta – along with other political and economic factors – helped to weaken established industries such as palm oil, cocoa and rice production," continued the report. "Malaysian and Indonesian groups now dominate the palm oil industry; Nigeria has a 7% market share of global cocoa production versus a combined 65% for Côte d'Ivoire and Ghana. Meanwhile, Nigeria imports over 3m tonnes of rice per annum, almost 50% of consumption." Today Africa has a US$35bn agricultural deficit, and PwC estimates that Nigeria may account for around 15% of this deficit.

However, while a weaker local currency pushes up the cost of food for consumers domestically, it can also incentivise local production by offering greater returns for domestic producers and exporters. This has been seen in the past with the 1999 and 2001 exchange rate devaluations in Brazil and Argentina, which drove agricultural exports in both countries. "The collapse in oil prices has forced food security and agricultural development to the top of the political and economic agenda across Africa," summarised the research. But "to thrive economically and socially, Africa needs first to deal with its own $35bn structural food deficit before it can play a role in alleviating long-term strategic supply impediments across the world". *(How we made it in Africa)*

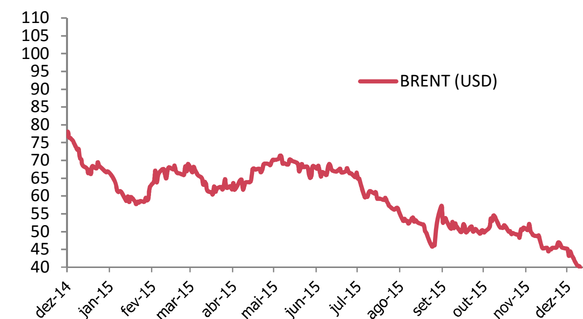
MARKET INDICATORS
21-12-2015

STOCK EXCHANGES		
Index Name (Country)	**21-12-2015**	**YTD % Change**
Botswana Gaborone Domestic Index (Botswana)	10.601,81	11,58%
Bourse Régionale des Valeurs Mobilières (Ivory Coast)	295,26	14,41%
Case 30 Index (Egypt)	6.762,26	-24,25%
FTSE NSE Kenya 15 Index (Kenya)	185,09	-14,11%
Morocco Casablanca Stock Exchange CFG 25 (Morocco)	19.381,53	-4,22%
Nigerian Stock Exchange All Share Index (Nigeria)	26.728,64	-4,81%
FTSE/JSE Africa All Shares Index (South Africa)	49.189,99	-1,17%
Tunindex (Tunisia)	4.955,05	-2,65%

Source: Bloomberg and Eaglestone Securities

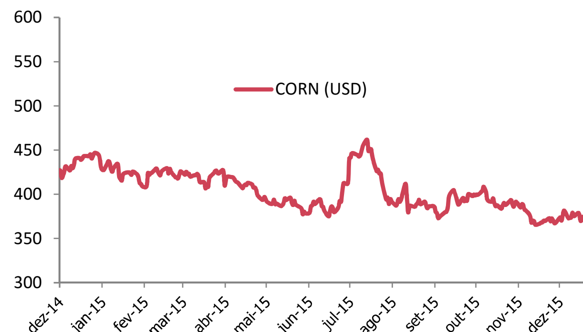
METALS		
	Spot	**YTD % Change**
Gold	1.079	-8,95%
Silver	14	-9,00%
Platinum	878	-27,30%
Copper $/mt	4.685	-25,63%

Source: Bloomberg and Eaglestone Securities



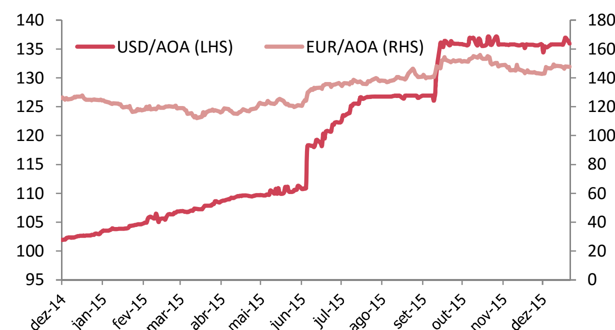
ENERGY		
	Spot	**YTD % Change**
NYMEX WTI Crude (USD/barril)	34,4	-36,56%
ICE Brent (USD/barril)	36,5	-38,27%
ICE Gasoil (USD/cents per tonne)	333,3	-37,09%

Source: Bloomberg and Eaglestone Securities



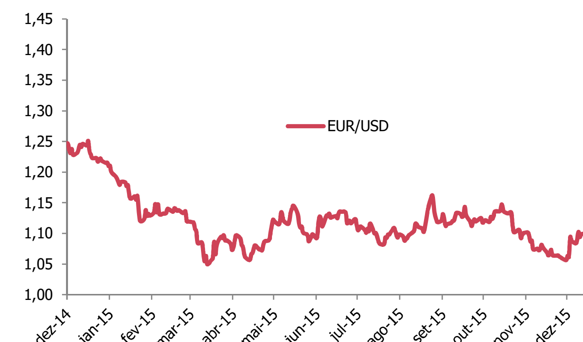
AGRICULTURE		
	Spot	**YTD % Change**
Corn cents/bu.	375,0	-6,43%
Wheat cents/bu.	489,8	-17,62%
Coffee (KC) c/lb	117,7	-30,48%
Sugar#11 c/lb	14,9	-0,34%
Cocoa $/mt	3230,0	11,69%
Cotton cents/lb	64,0	4,77%
Soybeans c/bsh	894,3	-13,22%

Source: Bloomberg and Eaglestone Securities



CURRENCIES	
	Spot
KWANZAS	
USD	135,465
EUR	147,762
GBP	201,918
ZAR	9,004
BRL	33,614
NEW MOZAMBIQUE METICAL	
USD	49,560
EUR	54,060
GBP	73,871
ZAR	3,294
SOUTH AFRICAN RAND SPOT	
USD	15,045
EUR	16,411
GBP	22,426
BRL	3,729
EUROZONE	
USD	1,09
GBP	0,73
CHF	1,08
JPY	132,23
GBP / USD	1,49

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
http://www.miningindaba.com/ehome/index.php?eventid=119660&

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/

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