INSIDE AFRICA

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EAGLESTONE SECURITIES

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In-depth:
Is Africa's growth sustainable?

Not long ago, some called Africa's growth performance the worst economic disaster of the 20th century. Indeed, by any measure, African countries' economic record since around the time of the 1973 oil shock was dismal. The secular malaise of Africa's economy started to abate around the mid-1990s, becoming a new trend of growth revival by the early years of the present century.

By some indicators, the consequences of this shift are quite impressive. Since 2000, Africa's annual GDP per capita growth has averaged almost 2.5%, with sub-Saharan Africa averaging an even higher 3% and extreme poverty rates fell to 48.5% in 2010. Economic growth has fuelled meaningful progress in tackling a number of the continent's other key social challenges. Since 2000, under-five and maternal mortality rates have dropped, life expectancy has improved, near universal primary school enrolment has been achieved, and literacy rates have risen faster than in the past. So what triggered and further fuelled the shift in Africa's performance? And — more importantly — is it sustainable or, alternatively, what is needed for Africa's development to take off?

Reasons for Africa's growth revival

The answer to the first question is clear – improved macroeconomic management, pro-private sector growth policies, population growth and urbanisation, opening up to foreign trade and investment, booming markets for natural resources, strengthened governance and rule of law, and a drastic reduction in conflict and political instability.

Some give special weight to political or geopolitical factors such as the end of the Cold War in explaining Africa's awakening. At that time, Africa's authoritarian regimes, feeling the pressure of liberalisation in Eastern Europe, started to ease their grip. More open and competitive political participation led to the emergence of more competent leaders and better policies that boosted macroeconomic management and took into account marginalised groups. Another cause was the rise of a new civil society applying pressure for better governance.

Two important features of Africa's structural transformation and growth are more orderly rural-to-urban migration and improved agricultural productivity. Because of these trends, Africa's ongoing transformation is more socially and economically inclusive than in the past.

External factors certainly played a favourable role in Africa's good economic performance, the most important being the spike in commodity prices that also led to rises in foreign direct investment. Rising commodity prices were bound to relax growth constraints on resource-rich African countries, attracting international investment. The commodity boom that benefitted many African economies cannot be explained without Chinese demand, spurred by that country's own economic boom.

How sustainable is the upturn in performance?

As reduced demand and lower commodity prices are followed, in all likelihood, by slower African growth, then most African nations will have only two options – either sink back into mediocre economic performance or embark upon more profound reforms to create other engines of economic growth.

Even with the rapid growth of the last 15 years, vast numbers remain unemployed in Africa. This will only get worse as growth slows considering millions of young people will enter the labour market each year. The continent also still confronts extremely high poverty rates. Sub-Saharan Africa is the only region where the number of poor people continues to rise despite GDP growth, and where inequality is still rising. Persisting structural weaknesses will restrict capacity to grow and some of those weaknesses have become more acute over the recent period of fast growth. The clearest and most worrisome structural weakness is the dualistic nature of most African economies with informal sectors outside the fiscal system.

In low-income African countries, the informal sector generates half of national output, 80% of total employment, and 90% of new jobs. This is a problem for countries' economic growth potential, productivity, quality of employment, income distribution, and fiscal revenues.

Those in the informal sector are either self-employed or working in business units with very few people. When marginalisation from the legal system is combined with small size, the results are lack of legal identity, little or no capital, isolation from formal sources of credit and technology, and very limited markets, all resulting in very low productivity. In addition, there is evidence that, until 2005 at least, labour in African countries shifted from high- to low-productivity activities. When job creation is mostly in the informal sector, the impact on GDP growth is much lower than it could be. It also means lower incomes and if these workers make up the majority of the labour force, this becomes a driver for worsening income inequality.

The fiscal implications are significant because the formal sector shoulders a disproportionate tax burden. It is not uncommon for Africa's large formal enterprises to provide more than 95% of tax revenue, while the informal sector contributes less than 3%. Increasing taxes and fees on a dwindling formal sector lead some firms to either close or become informal, creating a vicious cycle.

Since formal enterprises are the only source of fiscal revenues in many African countries, they carry a burden that makes them uncompetitive internationally with relatively high wages and unit labour costs despite Africa's low per capita income. After controlling for firm characteristics and country effects, African firms pay a wage premium of 50%.

In many African countries, trade policy exacerbates the problem. Large disparities in import tariffs and other trade restrictions give rise to massive smuggling, which relies on informal businesses and crowds out formal ones.

Other factors that may explain the duality include overvalued exchange rates raising the cost of wages, poor infrastructure causing high transport prices and an insufficient supply of electricity, barriers to competition that discourage the creation of new formal businesses, and insufficient and inefficient investment in human capital.

Governance

Africa has other structural weaknesses, but the one posing the greatest challenge may be the political one. Despite amazing strides towards democracy achieved across the continent since the 1990s, it is still somewhat fragile in many African countries. Powerful forces are at play that seek to reverse the political reforms that led to improved government policies and the recent economic boom. In many countries where term limits were adopted 20 or 25 years ago, those limits have been removed, or at least there is pressure to extend limits or abolish them completely, and political and civil liberties have weakened.

Overemphasis on the power of the ballot, without mechanisms to effectively distribute power to the people, is at the root of Africa's recent political volatility. The value of multiparty democracy declines if it encourages corruption, inequality, and societal fragmentation without delivering clean and accountable governments. This concern about the fragility of Africa's polity and governance should be taken seriously. Also pertinent are analyses showing improved democracy reduces the probability of growth reversals and cushions economies from reversals during economic instability.

Preserving and strengthening governance continues to be crucial for Africa, particularly regarding corruption. Any discussion of African development must include corruption, which continues to impede the rule of law, good governance, and state building. Any democratic reversal that reduces political alternation makes the pursuit of development more difficult.

Another aspect of governance that is crucial for the development of more than a few African countries is natural resource governance. Most resource-rich countries have substantial deficits in governance that result in poor resource management, causing not only their deviation from development purposes but also making the poor to be excluded from the benefits of that wealth. On present trends, the proportion of poor people living in resource-rich countries will increase to 50% by 2030 from 20% in 1990. Corruption is at the root of this trend, but corruption is itself the symptom of a broader institutional weakness and governance failure. This must be tackled and a good place to do so is in natural resource management.

It is worrying that a significant proportion of natural resources are misused in Africa, but this can be an opportunity for Africa's future development as revenues from natural resources properly managed could reach $400 billion a year, by some estimates eight times development aid receipts. Better governance and management of those resources can lead to new economic activities, including downstream industries, resulting in higher GDP growth and generating better quality jobs on top of the fiscal revenues.

Agriculture

Africa is also home to 60% of the world's uncultivated arable land, so agriculture has a huge potential role in sustaining Africa's good overall performance of the last 15 years. Agriculture is also crucial considering around 70% of the poor are still rural. Most African countries need to raise agricultural productivity significantly to achieve widely distributed economic gains. It will not be enough to increase yields per hectare, but rather, a multiplicity of other policy interventions are needed, including lowering transport costs, expanding credit in rural areas, and making reliable energy available to agricultural producers. The goal must be to have sustainable and substantial productivity gains to have high economic growth rates, become more economically inclusive, create jobs for youth, and reduce poverty. The right strategy must focus on smallholder farmers, key geographies, staple crops and livestock, the adoption of key technologies and practices, and developing comprehensive regional food systems. The entire agri-food system is important, not just supply of production. A holistic approach requires actions comprising natural resources, social networks, and diversity in genetic resources and farming techniques in addition to effective governance.

There are pitfalls in following rigidly general prescriptions when pursuing higher yields and productivity in the African agricultural sector. Successful interventions must take into account heterogeneity on the ground and should be tested before being widely applied. Large-scale programmes introduced from above and purely state-led are likely to fail.

Participating in global supply chains

While agriculture is crucial to keep African economies moving forward, a dynamic manufacturing sector is also a must.

Workers leaving the rural sector traditionally have moved into the informal sector, not the formal manufacturing sector. There are estimates that Africa's working age population will increase by 70% over the next 15 years – therefore, it is crucial to advocate active policies to foster African industrialisation. While Latin America's import-substitution model and Asia's export-oriented one may no longer be options for Africa, this is not an insurmountable obstacle given the changes that have taken place in global production, trade, and division of labour.

It is important to note the view best articulated by Richard Baldwin (2013) on the development implications of an essential feature of contemporary globalisation – the economic feasibility of unbundling complex production processes. As computing and telecommunication capabilities became cheaper, production dispersion in internationalised supply chains has become cost effective and, in many cases, the only way to be competitive. By assimilating off-shored links of the supply chain, developing countries can industrialise more rapidly without waiting to build the deep industrial base formerly required. Nations can industrialise by joining a supply chain rather than building an entire industry, which

gives Africa a real opportunity to industrialise despite being a latecomer. The new industrial model, by virtue of decomposing production into a multitude of tasks, offers Africa the potential also to develop a formal service economy linked to modern manufacturing.
For this opportunity to materialise, much more must first be done to improve Africa's human capital. Despite the sizable resources spent on health and education, results are disappointing. There is a valid concern of whether human capital deficiencies are a chief obstacle for further development.
There is also the challenge of insufficient infrastructure. It is hard to see how African economies can move up the value chain without better infrastructure. African exporters pay some of the highest transport prices in the world. However, this will not be fixed just by building new infrastructure, but will require dismantling entry and other competition barriers and regulations. For African firms to have a serious chance, governments must also lower trade barriers and strive for African economic integration.

Conclusion

There are reasons to be both optimistic and troubled about Africa's development prospects.
African economies have come a long way and although nobody dismisses the role of favourable external conditions, much credit is also due to domestic conditions and decisions of Africans themselves.
However, recent setbacks illustrate how uncertain the African take-off still is. Now with headwinds from a more difficult external environment, like declining commodity prices and slower growth in key trading partners, most countries will need to reinforce or even redesign a number of their strategies and policies to foster employment and productivity while reducing their economic duality. The challenge is not just to restore the basic macroeconomic fundamentals, but also to embark on a structural transformation that goes well beyond the efforts applied over the last 20 years.
The most significant transformation needed consists of strengthening, and in some cases building, practically from scratch, the institutions required for lasting development. On this, foreign aid could be used actively to promote such institution building. Among all the necessary institutional reforms, the most urgent and important are those pertaining to the rule of law. To make African growth inclusive, the playing field must be levelled and this requires a system that provides justice and security for all Africans. This ambitious but necessary step would lead to more accountable and responsible governments and would help further unleash Africa's immense development potential. *(World Economic Forum)*

How can Africa unlock its trade potential?

Africa's rise challenges the imagination. During the last decade, Sub-Saharan Africa was home to six of the world's ten fastest-growing economies. During the next five years, the region's GDP is expected to grow 30% faster than that of the rest of the world. And, during the next 35 years, the continent will account for more than half of the world's population growth, according to the United Nations.
These trends will give African countries a more prominent role on the world stage, and provide new opportunities for people to better their lives. As African countries assume their new role, they want meaningful economic partnerships that deliver the sustainable, inclusive growth they seek. As US President Barack Obama said during his visit to Ethiopia last month, "Real economic partnerships have to be a good deal for Africa. They have to create jobs and capacity for Africans."
By those criteria, the African Growth and Opportunity Act (AGOA) has been tremendously effective since its enactment in 2000. By removing tariffs on exports to the United States from 39 Sub-Saharan countries, it has stimulated growth, encouraged economic integration, and created opportunity where it otherwise might not have existed. Earlier this summer, the US Congress, recognizing these gains and underscoring the strength of America's commitment to Africa, overwhelmingly approved legislation to reauthorize AGOA for another ten years.
To make the most of this extension – the longest in the program's history – the US and its African partners need to start working toward a more comprehensive partnership. That journey begins by acknowledging that tariffs are no longer the biggest constraint on trade in Africa. Today, the chief impediments are supply-side constraints, which require well-designed strategies and capacity-building efforts so that AGOA's members can take full advantage of the program's benefits.
Making the most of AGOA will also require improvement in the infrastructure – physical and institutional – necessary for promoting investment and facilitating trade. The issues that need to be addressed include the lack of reliable, affordable electricity, high transportation costs, and weak and inefficient trade-related facilities.
Consider the challenges faced by Brazzaville, in Congo, and Kinshasa, in the neighboring Democratic Republic of Congo. These two cities, separated by the Congo River, are expected to grow to a combined total of nearly 20 million residents by 2025. But, because of poor infrastructure and inefficient customs procedures, only 1.1% of Congo's imports come from its neighbor.
According to the World Bank, getting a container across the Congo River costs almost $4,500, and the total can top $10,000 once the cost of inland transportation is added. By contrast, moving an identical container with the same cargo from Malaysia to Singapore costs less than $1,000. Africa needs to build its capacity to trade competitively in today's global economy. That is why the Office of the US Trade Representative, the Millennium Challenge Corporation

(MCC), USAID, and other US government agencies are advancing programs like Trade Africa, Power Africa, and Feed the Future to help the continent develop sustainable infrastructure and increase regional integration.
Consider MCC's work in Benin. As one of the US agencies leading efforts to build trade capacity in Africa, MCC committed more than $180 million to upgrade the Port of Cotonou, which serves as a gateway for trade not only to Benin, but also to the landlocked countries of Burkina Faso, Mali, and Niger. MCC's investment, which leveraged public and private funds, aimed to alleviate chronic freight bottlenecks in the port by doubling its capacity to import and export cargo.
During President Obama's visit to Africa, MCC made a further commitment of $52 million to support a series of similar public-private partnerships that are expected to generate $750 million in investments in Africa. MCC could do even more to increase trade capacity and cross-border engagement if it had the authority to pursue regional investments. By investing in cross-border roads or power transmission, for example, MCC could help increase economic activity and promote regional integration. Such efforts would help African and American exporters alike, including the 120,000 Americans whose jobs are supported by US exports to sub-Saharan Africa. That is why leaders in Congress from both parties are working to give MCC this much-needed authority.
Even as we consider how to make the most of AGOA's historic renewal, we need to look beyond 2025 and imagine what a deeper, more mature economic partnership might entail. Of course, we will need to account for emerging economic realities both within and outside of Africa. Already, many African countries are forging more permanent, reciprocal relationships with other developed-country trading partners.
At the same time, the US is moving forward with next-generation trade agreements – the Trans-Pacific Partnership and the Transatlantic Trade and Investment Partnership – that will raise standards across both the Asia-Pacific region and the Atlantic and will have positive spillover effects in Africa. For example, the TPP will help combat illegal wildlife trafficking, including illegal trade in ivory from Africa. In other areas, including labor rights, these agreements could help make higher standards the global norm.
As President Obama made clear at the US-Africa Leaders Summit in Washington, DC, a year ago, the US is not new to Africa. We have been engaged in Africa for decades, not as a colonial power, but as a partner. And that partnership is based not on extracting resources from the region, but on unlocking growth for all. As representatives from across Africa gather in Libreville, Gabon, this week for this year's AGOA Forum, we have an opportunity and an obligation to take that partnership to the next level. *(World Economic Forum)*

7 reasons for Africa's currency slide

This year has seen a sustained currency plunge in several African countries, with central banks across the continent scrambling to defend their currencies. The Nigerian naira has lost more than 20% of its value in the past 12 months; Standard & Poor's said last month another naira devaluation is "inevitable"—possibly by more than 15%.
The South African rand has retreated 11% this year, and touched 13 to the dollar for the first time in 14 years. The Ugandan shilling, Kenyan shilling and Tanzanian shilling have all lost at least 12% of their value in the past 12 months; the Zambian kwacha, Angolan kwanza and Egyptian pound are similarly under pressure.
What's going on?

Africa's Currency Slide Explained

1. China slowdown

China's economy has slowed down considerably this year; the country is Africa's largest trade partner. Reduced demand from China negatively affects Africa because the Chinese market is a major source of foreign exchange for Africa.

2. Commodity markets slump

Reduced demand in China has also depressed the prices of global commodities. China is the world's largest consumer of commodities, including 72% of the world's met (coking) coal, and 40-50% of thermal coal, aluminium, nickel, zinc, copper and iron ore. It hits Africa hard because commodities make up a large chunk of Africa's export revenue.

3. Expected rise in US interest rates

The US Federal Reserve Bank is expected to raise interest rates later this year, for the first time since 2006. Higher interest rates dampen the attractiveness of commodities such as gold, which don't pay interest or give returns like bonds and equities do. That prompts investors to pull their money from commodities, metals and riskier emerging-market assets, meaning less hard currency for Africa.

4. Troubles in Europe

Europe has been in turmoil this year; the Greek crisis sent jitters in the international markets, and reduced investor confidence and demand in Europe. This also affects Africa as Europe is a major market for African exports, and a source of foreign direct investment.

5. Crude price slide

The price of crude oil has spiralled downward in the past year, posting the longest run in losses since 1986. This is particularly bad news for African oil exporters such as Nigeria and Angola, which have had to revise their budget estimates downwards and dip into their forex reserves to support their currencies.

6. Depreciation of the yuan
On Aug. 11, 2015, China took the rare move to depreciate the yuan in order to make its exports cheaper, and so protect its domestic industries. That triggered another wave of currency depreciations in emerging markets as countries try to stay competitive. Analysts see the Egyptian pound, Nigerian naira, Zambian kwacha and Ghanaian cedi at risk of going even lower, following the yuan.
7. Poor fiscal management
There has been a material deterioration in fiscal policy across a number of countries. Debt is rising faster than the economies are growing; in the past few years, there has been a flurry of Eurobonds offered by African countries including Côte d'Ivoire, Ethiopia, Ghana, Kenya and Senegal. But low oil and commodity price environment is reducing export revenues – the very revenues that countries need to service debt. *(World Economic Forum)*

IMF, WORLD BANK & AFRICAN DEVELOPMENT BANK

Bringing Electricity to Kenya's Slums: Hard Lessons Lead to Great Gains

- *After years of struggle, Kenya's national utility has found a way to bring electricity to the country's poorest neighborhoods.*
- *Using a community-based approach, Kenya Power has gone from 5,000 households connected under its informal settlements program, to over 150,000, in just one year.*
- *The program has received multi-faceted support from the World Bank, which has made new connections affordable to slum dwellers and helped Kenya Power learn from the experience of other countries.*

"It's like when you light a fire: it starts small and then suddenly it gets big. We would get 20 people to sign up, then it went to 40, and so on. And that's how we started." Mary Njiraini, Kenya Power Marketing Officer for Nairobi North, is describing the new approach that the national utility took to one of its toughest challenges: electrifying the country's slums. Kenya has some of the largest urban poor areas on earth. In Nairobi alone, a city of 3.4 million, an estimated two million people live in informal settlements. One area, Kibera, is routinely referred to as Africa's most populous slum.
Until recently, many areas of these settlements had to rely on poor-quality and unsafe electricity. People had to buy illegal connections from local cartels. Services and business activity were highly constrained, insecurity was rife, and electric fires and electrocutions were common.
This picture is now changing – rapidly.
Kenya Power and Lighting Corporation, the national utility, with support coming from a multi-faceted partnership with the World Bank, is now overseeing a major scale up of electricity connections in urban poor settlements – a 30-fold increase in just one year. This success, however, has only come after long struggles, the eventual adoption of a community-centric approach that targeted specific settlements, and a firm commitment by the top management of the national utility. "Our program started in Kibera, but for a long time we were stuck," said Dr. Ben Chumo, Managing Director and CEO of Kenya Power. "We would go into Kibera, and we would sense resistance. Eventually we established the reason for this resistance: lack of involvement by the community there." From 2011 through 2013, Kenya Power focused on taking down the illegal power connections, only to find them up again just a few days later. Many of their 'legal' customers were in fact selling the power to others. "For two years, we struggled," said Harun Mwangi, a former senior Kenya Power official and the leader of the program at the time. "We realized we needed to find another way." As of May 2014, the team had still only established 5,000 new legal connections. One year later, in May 2015, that number was at 150,000, and counting.
What accounted for this astonishing turn-around?
Team members point to a few key factors.
First of all, Kenya Power changed the way it was doing business, adopting a community-based approach in slum communities. This meant no longer taking down illegal connections. Instead, it focused on listening to community members and leaders, and marketing the benefits of the legal connections – safety, reliability, and affordability.
The utility also stepped up collaboration with the Kenya Informal Settlements Improvement Project (KISIP), a World Bank-supported government program with widespread networks and a strong reputation in the slums. This collaboration helped Kenya Power 'segment' the country's slum areas and target areas where the new approach was most likely to take hold.
Meanwhile, the World Bank and the Global Partnership on Output-Based Aid, or GPOBA, was providing funding to Kenya Power for each new legal connection, supplemented by Kenya Power's own resources. This "last mile" approach, taken from rural electrification programs, provided an assurance that electricity was actually reaching individual households. It also allowed Kenya Power to offer new connections under the program at a much lower rate than before. Under this scheme, legal power was now less expensive than what people had been paying middlemen for the illegal lines.
At the same time, the World Bank's Energy Sector Management Assistance Program(ESMAP) organized a South-South Knowledge Exchange for Kenya Power staff with experts from utilities in Brazil, Colombia and South Africa. A week-long event in May 2014 that focused on the experience of these utilities led Kenya Power to recognize the strength of the community-based approach.

The support through GPOBA and ESMAP was coordinated as part of a larger, $330 million World Bank project to help Kenya Power expand and modernize the country's electricity sector.
Most importantly, the new approach got buy-in from the top management of the utility, which committed Kenya Power's considerable resources to the slum electrification program. "Our top management bought in to the [community-based] approach around December 2014. From that point, we had a dramatic change," says Mr. Mwangi.
Now, entering urban poor communities like Kibera, Mathare, or Kayole, one can see Kenya Power's new lines, meters, and breaker boxes everywhere. Meters are read from the top of the line, which helps prevent theft, and consumers can see – and pay for – their electricity consumption on digital keypads in their homes. "Compared to the illegal power, it has better and brighter light," said Bentha Anyango, a resident in Mathare settlement. "It just as cheap as the illegal power, but it's safe, so we embrace it."
Most consumers use as pay-as-you-go scheme, buying pre-paid chits, available at any corner store, and paying for electricity in small increments. In fact, many of the former vendors of illegal electricity are now in the (legal) business of selling Kenya Power chits.
Under the slum electrification program, customers pay 1,165 Kenyan Shillings, or $12, for a new connection, as compared to $150 for regular customers. The difference is made up by the GPOBA subsidy, a World Bank IDA grant, and Kenya Power's own resources. Consumers under the program can even pay this connection charge in installments – another lesson of the South-South knowledge exchange.
The availability of safe, reliable and affordable power has meant that the demand for Kenya Power's legal connections has spread, as Mary Njiraini put it, like fire. "People now come to us, asking us to light their communities," said Dr. Chumo. "This is no longer a Kenya Power project. It's their project." *(World Bank)*

IMF Staff Completes 2015 Article IV Mission to Angola
Press Release No. 15/388, August 25, 2015
An International Monetary Fund (IMF) mission led by Ricardo Velloso, visited Luanda from August 12-25, 2015, to conduct discussions for the 2015 Article IV consultation.
The mission met with Vice-President Manuel Vicente, Finance Minister Armando Manuel, Planning and Territorial Development Minister Job Graça, Economy Minister Abrahão Gourgel, Construction Minister Waldemar Pires Alexandre, Petroleum Minister Botelho Vasconcelos, Public Administration, Labor, and Social Security Minister Pitra Neto, Commerce Minister Rosa Pacavira, Banco Nacional de Angola (BNA) Governor José Pedro de Morais Júnior, as well as other senior officials of the executive branch. The mission also met with members of the Economic and Finance Commission of the National Assembly, and representatives from the financial sector, the non-financial private sector, and the state-owned oil company Sonangol, religious and non-governmental organizations, and the diplomatic community. At the conclusion of the mission, Mr. Velloso issued the following statement:
"The Angolan economy has been severely affected by the sharp decline in oil prices in the last year. A comfortable level of international reserves has allowed the economy to weather better the consequences of the fall in oil prices than in 2008-09. However, with oil accounting for over 95 % of exports and about 75 % of fiscal revenue, recent developments underscore the importance of promoting the diversification of the economy by preserving macroeconomic stability and moving forward an ambitious structural reform agenda.
"Economic activity is projected to slowdown as the industrial, construction and services sectors adjust to cuts in private consumption and public investment amid a reduced availability of foreign exchange. In 2015-16, output growth is projected to average 3½ % a year. Inflation is accelerating, reflecting the depreciation of the kwanza and, in the first half of the year, loose monetary conditions, and is expected to peak by end-2015, before declining gradually over time. The external accounts are weakening as a result of the sharp decline in oil exports and the limited room for import substitution in the near term. The outlook is for a recovery starting in 2017 but there are downside risks, including a further decline in oil prices.
"The government's timely reaction to the decline in oil prices by revising the 2015 budget will allow the central government deficit to fall to 3½ % of GDP, compared to 6½ % last year. Public debt, however, is projected to increase significantly to around 57 % of GDP, of which 14 % of GDP corresponds to Sonangol, by end-2015. The 2016 budget should be predicated on a conservative oil price assumption and be aimed at protecting expenditures on social assistance and critical infrastructure while preserving fiscal discipline given that a recovery in oil prices in the near term is unlikely. It will be critical to bring the public sector wage bill, as a share of GDP, more in line with the new revenue reality of the budget.
"Over the medium term, fiscal policy should aim at restoring fiscal buffers by setting public debt on a declining path and achieving fiscal consolidation through structural fiscal reforms. Increasing the non-oil revenue base by rationalizing tax incentives and strengthening the newly created tax administration agency (AGT) is a priority. With a view to do more and better in the context of lower revenues, the quality of capital spending can be improved by strengthening the processes to evaluate, select, and monitor projects in the public investment program.
"Monetary and exchange rate policies need to be focused on containing inflation while preserving an adequate level of international reserves. The BNA has adequately tightened liquidity conditions by increasing its policy rate and banks' mandatory reserve requirements. Interventions in the foreign exchange market have allowed for an orderly depreciation

of the kwanza. However, the wide and volatile spread between the parallel and primary market exchange rates as well as the backlog of foreign exchange buying orders in commercial banks are indications that an imbalance still exists in the market. Addressing it is essential to maintain the official exchange rate as the basis for price formation and inflation expectations, and to prevent a misallocation of resources in the economy.

"Preserving the health of the banking sector is essential to allow the economy to recover from the current slowdown. The BNA's rightly focused efforts to strengthen bank supervision are welcome. Efforts should not be spared in ensuring that all banks meet regulatory requirements, especially regarding capitalization and liquidity.

"Accelerating the structural reform agenda is more important than ever to boost potential growth and reduce poverty. The National Development Plan aims appropriately at creating the conditions for the diversification of the economy by increasing investment, productivity, and competitiveness. In order to achieve these goals, special attention needs to be paid to improving the business environment, physical infrastructure, and human capital development. The recent approval of new labor and private investment laws are important steps in the right direction. "We thank the authorities for the candid and constructive dialogue." The IMF Executive Board is expected to discuss the 2015 Article IV consultation in October, 2015.

IMF sees risks to Zimbabwe's growth forecast as drought bites

The International Monetary Fund (IMF) said the performance of mining, agriculture and manufacturing posed risks to Zimbabwe's growth forecast as the nation grapples with a drought and economic slowdown.

Zimbabwe has been struggling for five years to recover from a catastrophic recession that was marked by billion percent hyperinflation and widespread food shortages, and some analysts say Zimbabwe could tip back into a downturn this year. President Robert Mugabe - the 91-year-old, who has presided over economic collapse and diplomatic isolation since he came to power in 1980 - predicted a major economic take-off with China's help. He also reiterated Zimbabwe's 2015 growth target of 1.5 %, a forecast halved last month based on the effects of the drought and weak commodity prices.

Manufacturing is suffering as lower-priced South African goods flood the market, and electricity shortages as well as the high cost of capital are forcing companies to close, with the consequent loss of jobs. "These are all factors, depending on how it continues, that may pose risks to that (growth) outlook," IMF resident representative, Christian Beddies, told reporters.

The IMF's own projection of 2.8 % growth was "impossible" to achieve and was likely to be lowered when an IMF team visits between Aug 31. and Sept. 11 to review Zimbabwe's progress under a staff monitoring programme, he said.

Zimbabwe, with foreign debt of $9 billion, owes the Fund $111 million and makes token monthly payments of $150,000.

The drought's impact is looking particularly serious for Zimbabwe, which has a history of food shortages that, independent analysts say, are partly due to Mugabe's seizures of farmland from white farmers in 2000. A government and multi-donor report seen by Reuters showed that 1.5 million Zimbabweans, 16 % of the population, will require food aid by next January. The figure is three times the number of people who needed help last year, due to a poor harvest of the food staple, maize. "This assessment estimates the total requirements for all households deemed to have inadequate resources to feed themselves to be equivalent to 112,007 metric tonnes of maize," the report said. Zimbabwe plans to import 700,000 tonnes of maize this year.

European Investment Bank to open Mozambique office in 2016

The European Investment Bank (EIB) plans to open an office in Mozambique's capital in 2016 and before the end of this year in Yaoundé (Cameroon), Abidjan (Côte d'Ivoire), and Lusaka (Zambia), said the institution's vice-president, Pim van Ballekom.

The EIB annually expends about 2.5 billion euros in Africa, a figure that could increase if the European Union member states so decide, as they are the shareholders of the bank created to support EU development policies in Africa and elsewhere. "We could reach 10 billion euros, but we depend on the shareholders' will," van Ballekom said in comments to Bloomberg financial agency.

The EIB has applied more than 18 billion euros in the last 50 years in more than 1,300 projects in 92 countries and regional groups in Africa, the Caribbean and Pacific (ACP), most of them in countries on the African continent. The new offices will join existing ones in South Africa, Egypt, Kenya, Morocco, Tunisia and Senegal. *(Macauhub)*

INVESTMENTS

Investments in Angola will be faster with new law

Implementation of private investment in Angola will be faster following approval of the new Private Investment Law (Law 14/15), adopted on 11 August by parliament, said in Luanda the Minister of Economy.

Minister Abraão Gourgel, who spoke about the new law at a seminar on private investment, said the role previously played by the National Private Investment Agency will be passed on to the ministries, "which will make private investment speedier because it will be the ministerial departments that deal directly with investors."

Cited by Angolan news agency Angop, Gourgel also said that the previous Private Investment Law allowed Angola to attract a large number of investments, but said there had been difficulties with regard to "attracting quality investments."
The new law, with 67 articles that include benefits and investment incentives, rights, obligations, guarantees and sanctions, gives priority to private partnerships and presents a new definition of an Angolan company, as having at least 51 % Angolan ownership. The seminar, coordinated by the Civil House of the President, the Ministry of Economy and the Office of the Council of Ministers, addressed topics such as "Framework of the national policy on private investment" and "Draft regulation of the Private Investment Law." Law 14/15 – Private Investment Act of 11 August, 2015, revoked Law 20/11, of 20 May. *(Macauhub)*

Angolan government approves private investment regulation
The Angolan government approved the Regulation on Procedures for Private Investment, an instrument that should now be subject to presidential decree, indicates an official statement. The regulation is an instrument that establishes the powers and operating mode of the state administrative bodies that play a role in facilitating and promoting private investment, explains the statement released after the Wednesday Council of Ministers meeting.
Also in this regard, a presidential decree was approved which closes the National Private Investment Agency (ANIP) and creates the Angolan Agency for Promotion of Investment and Exports (Apiex-Angola), approving the respective organic statutes. The statement specifies that the new agency's mission will be to promote and publicise the potentials, legal framework, environment and opportunities for business in the country. *(Macauhub)*

Foreign investment in Angola no longer has minimum value
The minimum value for a private investment in Angola is now set at 50 million kwanzas for domestic investments and at any amount for foreign investments, according to the New Private Investment Law, approved on 11 August (Law 14/15). This rule is one of the innovations introduced by the New Private Investment Law, which defines "domestic investment as the implementation of projects using capital secured by residents, and beyond monetary means these may also take the form of technology and knowledge, goods or be from financing, even if contracted abroad." Foreign investment is defined as the implementation of projects through the use of capital secured by non-residents, and as well as monetary means these also take the form of technology, knowledge, and equipment.
During a seminar held in Luanda to inform government officials about the new vision guiding the process of private investment in Angola, officials also presented the innovation of setting objective criteria for granting incentives and benefits to allow a gradual reduction of taxes on industry, real estate transfer and the application of capital.
The new private investment law also introduces limits on the use of supplies as the embodiment of capital, as well as prevention of indirect investments that are worth more than direct investments that are made, according to Angolan news agency Angop.
Reducing three development zones to just two and offering incentives in proportion to the value of Angolan shareholdings, as well as setting a minimum limit of 35 % Angolan stake for investments is also part of the new rules laid down by the Private Investment Law.
The document also provides for a substantial change in creating departments at the ministries in charge of private investment, which will be responsible for capturing and promoting private investment initiatives directed towards sectors that best meet the objectives set by the National Development Programme for 2013-2017. *(Macauhub)*

South Africa's Sanlam in talks about acquisition in Angola
Sanlam has started talks about a potential acquisition in Angola, the company's senior official told Reuters this week, as South Africa's largest insurer look for new streams of income to offset slowing growth at home. "At this very moment, we are in discussions in Angola," said Heinie Werth, head of Sanlam's emerging markets unit. "Angola was always on our radar." Sanlam, which has businesses in several other countries such Ghana and Nigeria, has been bulking up its presence elsewhere in Africa, where rapid economic growth has increased the number of people with money to spend on insurance to protect their wealth. Werth said his company would also look at deploying its excess cash by entering Ethiopia, Africa's second most populous country after Nigeria, before it starts "exploratory work" in French-speaking African countries. "Our group generates excess capital, we sit with extra capital and we deploy over time as and when we find opportunities," Werth said, adding that Sanlam's preferred regions are Africa and Southeast Asia. Sanlam, which aims to generate 20 % of annual sales outside South Africa over the next five years, has 3.3 billion rand set aside for expansion during its 2015 financial year, which ends in March next year. *(Reuters)*

Jovago booking platform expands business to Mozambique
Jovago has expanded its activity to Mozambique adding around 100 hotel units to those already included in its electronic booking platform (**http://www.jovago.com/**), the company said in a statement. The chief executive of the company, Paul Midy, said expansion to Mozambique would be successful, given that "Mozambique has some of the continent's most beautiful beaches and also has other quality attractions such as the Gorongosa National Park and the Cahora Bassa dam."

In a statement, the management of Jovago said that expansion to Mozambique comes at a time when the country has experienced major expansion in the number of tourists and the amount of investment, with more than 1.28 million tourists in the 2013/14 season, an annual increase of 14.9 %. The statement also pointed out that the Mozambican capital, Maputo already has hotel facilities of international quality, including units of the chains Serena Hotels, Pestana and Radisson Blu, among others. *(Macauhub)*

Mozambique wants to sell or liquidate 70 public companies

Mozambique's state stake-holding company Igepe plans to sell off or liquidate 70 of 113 public companies for lack of sustainability, the president of the institution said in Maputo. Apolinário Panguene, who spoke at the meeting of the Igepe Advisory Board, held in Maputo, said the process of selling or liquidating 70 of a total 113 state-owned companies was underway, "as only 47 are sustainable or have seen improvements in their performance." The President of Igepe, which manages the state's business interests, said that several state-owned companies had entered a growth cycle and are expected to begin to pay dividends in the coming years. "With the recovery of gains, companies that were experiencing a less than good situation, are beginning to be able to honour their commitments by paying dividends to the state," said Panguene, cited by Portuguese news agency Lusa. Panguene said that to promote transparency in management of state companies, Igepe was preparing a structured follow-up model, which will allow timely access to the financial situation of each company. *(Macauhub)*

Sumol+Compal to begin producing in Angola in 3rd quarter

The Angolan factory of Portugal's Sumol+Compal group is set to begin production of non-alcoholic beverages, namely juices, early in the third quarter, an official group source told the Portuguese newspaper Diário Económico.

The source specified that when Sumol+Compal Angola begins the project's second phase, with soft drink production starting in the first half of 2016, the unit will count 180 direct jobs. "The unit at Bom Jesus on the outskirts of Luanda will begin producing Compal brand juices early in the third quarter. Production of the Sumol brand will only start after other equipment is installed," said the source cited by the newspaper. The non-alcoholic beverage producer indicated it had attained sales of 166.4 million euros in the first half-year, up 20.7 % year-on-year, with profits quadrupling to 4.2 million euros. *(Macauhub)*

DHL Invests in Sub-Saharan Africa to Tap Emerging Middle Class

Deutsche Post AG's DHL unit is investing about $50 million in sub-Saharan Africa as rising household incomes help spur demand for express and freight deliveries. DHL is focusing spending on gateway facilities, warehouses, vehicles and information technology, Deutsche Post Chief Executive Officer Frank Appel said in a Johannesburg interview. The figure includes 30.5 million euros ($35 million) for forwarding and supply-chain units announced in October and more than 17 million euros earmarked for the express arm this year.

Africa's emerging middle class, increased political stability and productivity gains through digitalization will fuel growth and lifting demand for DHL services as businesses order and distribute more products, according to Appel. "Africa is definitely a sleeping giant," he said. "New technology will drive productivity and productivity will drive economic growth. Overall the trend is positive."

DHL, present in sub-Saharan countries spanning South Sudan to the island of Saint Helena, anticipates growth of at least 10 % in cross-border express sales this year, Appel said. The Bonn-based company is seeking to lift revenue from emerging markets to 30 % of the group total from 22 %. Growth remains achievable even with the current turmoil in global markets, the executive said. Sub-Saharan nations are expected to post growth averaging 5 % in 2016, the International Monetary Fund has said, up from 4.5 % this year. *(Bloomberg)*

Volkswagen to Invest $340 Million in South African Car Business

Volkswagen AG, which is seeking to become the world's largest automaker by 2018, is investing more than 4.5 billion rand ($340 million) in South Africa for new products and infrastructure. The German manufacturer will spend about 3 billion rand on production facilities at Uitenhage, near Port Elizabeth in the Eastern Cape province, and 1.5 billion rand on improving the supply chain by 2017, the Wolfsburg-based company said in an e-mailed statement. "Exports will again play a key role in our strategy going forward," Thomas Schaefer, managing director of Volkswagen Group South Africa, said in the statement. Car manufacturers in South Africa, which also include Toyota Motor Corp., BMW AG and Mercedes-Benz AG, are expected to export 18 % more vehicles this year as companies take advantage of a weaker rand, the National Association of Automobile Manufacturers of South Africa said this month. Sales in the domestic market will probably fall 2.8 % in 2015 as consumers battle with rising fuel costs and interest rates, the industry body said. *(Bloomberg)*

China turbulence casts shadow on Africa

With much of the world weighed down by anaemic growth, high debt and painful austerity programmes, Africa has been a rare bright spot, producing some of the world's fastest growing economies.

But after riding the wave of the commodities cycle, many African policymakers, particularly in resource-rich nations, face stern tests as the continent now endures the headwinds of global turbulence.

This year's collapse in oil and metals prices has already had a significant impact on Africa's largest economies, including Nigeria and Angola – the continent's top two crude exports respectively – and South Africa, the continent's top mining destination. Now dollar strength and concerns over the health of China's economy have triggered a broader weakening of African currencies as they get swept up in the emerging market volatility.

Indeed, the state of China's economy is likely to be a major factor in the fortunes of many African nations. China, which overtook the United States as Africa's largest single trade partner in 2009, has been a key destination for Africa's mineral exports, a major investor and constructor of infrastructure projects as well as a vital source of cheap government financing. "In the context of China, there is more than one dynamic at play. It's the depression of commodity prices, but also in terms of trade and foreign direct investment, including infrastructure support," says Martin Kingston, head of Rothschild for sub-Saharan Africa. "There's also an additional question — to what extent is Africa going to be able to rely upon other flows of capital and other forms of support for infrastructure and other programmes?"

Evidence is already mounting of a slowdown. A recent note by Fathom Consulting highlighted a 40 per cent year-on-year dip in Chinese imports from Africa for July. Martyn Davies, chief executive of Frontier Advisory, a group that specialises in Africa-China investment, says there is anecdotal evidence of an easing in Chinese activity on the continent. "The hurdle rates of Chinese sovereign wealth investment, or part sovereign wealth fund invested projects in Africa have been raised so the capital is more discerning and seeks greater profitability," he says.

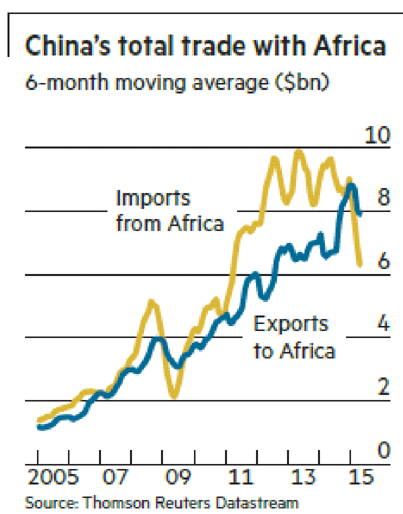
The latest uncertainty is likely to put such investments under an even greater microscope, he adds. "Chinese flights to Africa have already been curtailed. You are not seeing anywhere near the number of state business delegations one used to see coming into this part of the world," Mr Davies says. Still, Mr Davies believes the level of Chinese private sector interest in Africa is likely to grow.

Indeed, Abebe Aemro Selassie, deputy director of the African Department at the IMF, says what is often overlooked is the impact China has had on the African growth story beyond commodities and state-sponsored projects. "The benefit to the region has been as much from China's emergence on the global scene and the extent it has depressed prices for capital goods, consumer goods, and services throughout Africa," Mr Selassie says. "And that is about half, if not more, of the story. That should remain in place and is something that is underestimated."

And while the latest global turbulence is likely to reduce African nations' headline growth — the IMF forecasts growth for sub Saharan Africa to be 4.4 per cent this year, down 5 per cent in 2014 — "it masks a very diverse picture", Mr Selassie says.

Among the most severely affected are the continent's oil producers, with both Nigeria and Angola seeing their currencies plummet and their growth prospects sharply decline.

The pair, Africa's first and third largest economies respectively, are already suffering foreign currency shortages and both have put in measures to control the flow of forex. Their fortunes have a significant impact on the continent's growth story — sub-Saharan Africa's eight oil exporters account for about 50 per cent of the region's gross domestic product.



For Africa's non-oil exporters, the collapse in crude prices has provided a cushion. But, with many African countries import-dependent, the depreciation of currencies affects inflation and the cost of imports. It will also put a strain on those nations that have taken advantage of investors' search for yields to tap into international capital markets.

The likes of Zambia, Ethiopia, Rwanda, Kenya, Ghana, Senegal, and Ivory Coast have all issued foreign currency dominated sovereign bonds in recent years. "In the past, foreign exchange weakness in Africa was largely shrugged off. Economies adapted and found a way to cope with it, but the recent surge in eurobond issuance has been a game-changer," says Razia Khan, chief economist for Africa at Standard Chartered. "Now, when currencies depreciate, external risks are magnified, public debt ratios rise, and perceptions of sovereign creditworthiness alter quite dramatically."

Ms Khan says the question is whether governments have given enough consideration to the repayment risk and how they would raise the foreign exchange to service the debt. And the current market volatility will likely make it harder or more expensive for African nations to tap capital markets.

"Even if China were to grow at a slightly slower rate, it would remain a hugely significant economy. China's interest in Africa has always been long-

term and strategic," she says. "However, the financial market effects are real. The financial market volatility has highlighted some of the shortcomings in the defences put in place by regional policymakers."*(Financial Times)*

BANKING

Banks

Morocco to open first Islamic bank

The Islamic Al Baraka bank will start operations in Morocco in the first quarter of 2016, after obtaining the approval of Bank Al-Maghrib. It will have an initial capital of $50m and plans to open 20 branches in the country within five years.

Morocco's first Islamic bank will be a joint venture, equally owned by Banque Marocaine de Commerce Extérieur (BCME) and the Bahraini Al Baraka Banking Group.

Morocco is regulating Islamic finance and sukuk issuances though a law passed in November 2014, which will allow for local and foreign banking institutions to set up Islamic banking branches in Morocco. Currently only the country's largest bank, Attijariwafa, which is part-owned by Moroccan King Mohammed VI's holding company Société Nationale d'Investissement, has an Islamic banking subsidiary in the country. The central bank has received 15 applications from finance institutions to operate Shariah-compliant banking. *(African Banker)*

Kenya's Standard Chartered bank's H1 pretax profit down 31 pct

Standard chartered Bank of Kenya said its first-half pretax profit fell 31 % to 5.59 billion shillings ($54 million), hurt by increased operating costs and loan impairments. The bank, a unit of Standard Chartered Plc, said net interest income fell to 8.75 billion shillings from 8.76 billion shillings.Its loan impairments jumped 51 % to 1.3 billion shillings, while operating expenses rose to 5.3 billion shillings from 4.8 billion shillings, the bank said. ($1 = 103.3000 Kenyan shillings). *(Reuters)*

Diamond's Atlas Mara Swings to Profit After Impairments Drop

Robert Diamond's Atlas Mara Ltd., the banking group that has acquired African lenders, reported its first half-year profit after reducing impairments at one of its units.

Net income was $4.1 million in the six months ended June from a loss of $17.3 million a year earlier, the company, incorporated in the British Virgin Islands and traded in London, said in a statement. Impairments dropped to $6.1 million from $17.2 million a year earlier. "We re-engineered BancABC's entire credit process," John Vitalo, appointed chief executive officer last year, said by phone from Zambia, referring to ABC Holdings Ltd., the lender operating in Botswana, Mozambique, Tanzania, Zambia and Zimbabwe that Atlas Mara acquired in 2014. "The drop in non-performing loans is as a result of that."

Atlas Mara, co-founded by the former head of Barclays Plc Diamond and Ugandan entrepreneur Ashish Thakkar, acquired ABC Holdings and ADC African Development Corp. last year and bought a stake in Union Bank of Nigeria Plc. in September. The group is present in seven African countries and continues to evaluate further acquisitions, it said in the statement.

Atlas Mara is in talks to buy Finance Bank Zambia Plc, people familiar with the process said in June. It's considering bidding for a stake in Mozambican lender Moza Banco SA, people familiar with the matter said in May.

'Notoriously Difficult'

"We want to be present in all four trading blocs in Africa," Diamond said on the same call. "We want to be in 10 to 15 markets in two to three to four years' time. Mergers and acquisitions are notoriously difficult to predict the timing of." The stock has dropped 32 % this year. London's FTSE 350 Banks Index is down 8.8 %. "We have an active pipeline of other ongoing discussions and we're finding the environment very receptive," Vitalo said. "We're very disciplined buyers. We're very mindful of our cost of equity."

Atlas Mara's second-half results should be better than the first half, the company said in its statement. Improvements will be seen because of a continued focus on credit, a reduction in the cost of funds and the widespread rollout of mobile banking, Vitalo said. "We are confident that the demonstrated execution of our strategy will, in time, be reflected in our share price, but share the frustration of our investors with respect to recent share price performance," Atlas Mara said in the statement. The company said it "still has significant work to do and the operating environment in several countries of operation remains challenging." *(Bloomberg)*

Cabo Verde approves loan agreement with Arab bank

The government of Cabo Verde (Cape Verde) has approved a US$12 million loan agreement with the Arab Bank for Economic Development in Africa (BADEA), indicates a 19 August decree now published in the official gazette. The loan is meant to finance a drinking water supply and sanitation project in outlying districts of the capital city Praia, reports the Cabo Verdean newspaper A Semana.

The project should improve sanitation and drinking water distribution in those areas with a view to achieving better public health and standards of living for residents, besides protecting the environment and contributing to the fight against poverty.

The decree published in the official gazette indicates that the government should use the loan in compliance with requisites and conditions envisaged in the Loan Agreement for the National Sanitation and Potable Water Supply Programme. The loan granted by the BADEA has a 20-year amortisation period and an 8-year grace period. *(Macauhub)*

Kenyan parliament rejects bid to raise bank capital requirement

Kenya's national assembly has rejected a proposal by the finance ministry to increase the minimum core capital for banks to 5 billion shillings ($48.17 million), saying it would stifle the sector's growth, the head of parliament's budget committee said.

In his budget speech in June, Finance Minister Henry Rotich proposed increasing the minimum core capital requirement for banks progressively from 1 billion shillings to 5 billion shillings by December 2018. "If you raise the core capital requirement you are really saying those without deep pockets have no chance of joining the banking sector," budget committee head Mutava Musyimi told Reuters. Analysts said the move could have forced mergers and acquisitions as smaller banks sought partners to survive. Kenya has 43 commercial banks ranging in size from Barclay s and Equity Bank in the top league and smaller homegrown lenders like Jamii Bora Bank. Rotich argued that consolidation would lead to stronger, better capitalised lenders to support more investment. But the new central bank governor, Patrick Njoroge, rejected the proposal in comments to lawmakers this month, saying it would lock out smaller lenders which offer niche services and products. Njoroge also said there was no evidence that consolidation would drive commercial lending rates lower, which he has said is one of his goals as governor. Businesses often complain that high borrowing costs hurt investment. ($1 = 103.8000 Kenyan shillings) *(Reuters)*

World's poor start to bank on a better future

Campaigners for years have been battling to get the world's poor better access to banking, arguing that something as simple as setting up a bank account and, better yet, providing credit can be the most effective tools to help people rise out of poverty. But thanks to a rare confluence of technological innovations and new pushes in countries such as India, those efforts to encourage what the professionals call "financial inclusion" might finally be paying off.

In a report looking at both the progress made and the government policies being adopted around the developing world, researchers at the Brookings Institution in Washington feel that ground has been gained. "Financial inclusion is really taking off," says Darrell West, director of the centre for technological innovation at Brookings and one of the authors. "I think we have reached a tipping point."

The study is not the first to identify progress. In April, for example, the World Bank released the results of a 140-country survey which found that more than 700m people worldwide had left the ranks of the "unbanked" globally in the past three years.

Also well told is the fact that the main credit for that progress goes to mobile phone-based payment platforms such as Kenya's M-Pesa, which have provided a nimble way around often lumbering traditional bank bureaucracies and regulatory regimes in many developing economies. Their widespread use in some African countries has put the continent at the forefront of efforts to get banking services to the poor. Kenya topped the rankings of the 21 countries Brookings researchers examined, with 75 per cent of adults now holding financial accounts of some sort, a 33 percentage point increase from 2011.

Among the things encouraging researchers is the fact that after years of being a largely African phenomenon, mobile phone-driven services are being launched in other regions where governments are also loosening historical regulatory constraints on non-bank financial service companies.

In an increasing number of places such as Peru, governments are working with the banking industry and telecoms companies to establish a mobile payment system aimed at those without bank accounts — in Peru's case, some 70 per cent of its 22m adults, according to the World Bank. One of the biggest reasons for optimism may lie in India, which in 2014 accounted for just over one in five of the remaining 2bn unbanked people in the world. A year ago prime minister Narendra Modi launched an ambitious plan to encourage people to open bank accounts as part of a push to end what he called "financial untouchability".

Since then, according to government data, Indians have opened more than 175m bank accounts and taken advantage of a scheme that also offers some household insurance and even government-backed overdraft facilities for good customers.

The effort has its critics, some of whom argue that it is too focused on traditional banking rather than new technologies such as mobile banking. According to the World Bank, just 2.4 per cent of India's 888m adults had access to mobile accounts in 2014 even though the country had some 900m mobile phones in circulation. It is also clear that simply opening a bank account is only a first step. Almost half of the new accounts opened in India as a result of Mr Modi's push in the past year still have zero balances, although that is down from more than three-quarters in September last year. The new Brookings report points out that plenty of work still needs to be done.

Governments need to do more, its authors say, to get central banks and other bank regulators and communications ministries to work together to help the cause of digital banking. A significant gender gap also remains, with World Bank data showing women have significantly less access to bank accounts and mobile banking than men. But after years of work there is at least a growing sense that progress is being made. *(Financial Times)*

Angola's Banco Sol launches credit line for SMEs

Angola's Banco Sol has launched a new 5 billion kwanza (US$40 million) credit line to support micro, small and medium sized companies with immediate investment projects, the institution's executive manager announced in Luanda. Carloa Van-Dúnem indicated that the new credit line, called Sol Entrepreneurship 2015, was created to bring banking services closer to the community and cut red tape for loan-seekers, reports the newspaper Jornal de Angola. She announced the credit line after opening a new branch in the Tala Hadi neighbourhood of the Cazenga district. Banco Sol's deputy director for SMEs, Viriato Capita, said the credit line was reserved for the restaurant, health, wholesale and retail sectors. The bank's credit director, Eliana Matondo, indicated that the institution's total loan portfolio is budgeted at US$800 million (100.8 billion kwanzas). Outlays to Angola Investe have reached US$20 million (2.520 billion kwanzas), with prospects of an increase to US$42 million (5.292 million kwanzas). Banco Sol has an approved credit portfolio of US$750 million (94.5 billion kwanzas) for the period 2012-2015. Nearly US$100 million (126 billion kwanzas) have been granted since the beginning of the year, the bank's chairman, Coutinho Nobre Miguel, stated on the occasion. *(Macauhub)*

The rise of the pan-African bank

African banking groups are expanding across the region, challenging traditional players and supervisors.

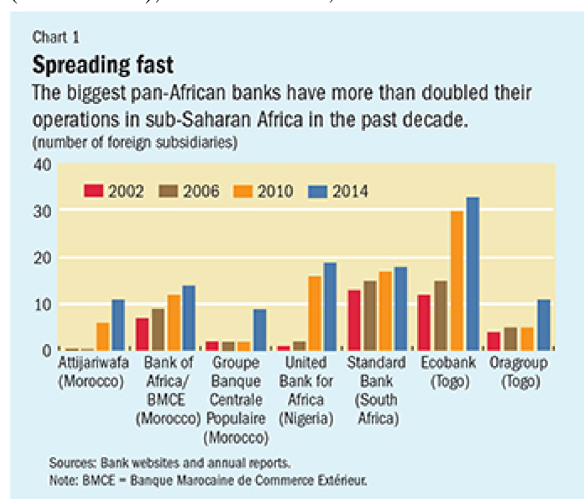
Africa-based banks, once largely domestic, are expanding across the continent and now dominate the banking sector in many countries. These so-called pan-African banks are establishing cross-border networks and overtaking the European and US banks, which traditionally dominated banking on the continent. The new pan-African players are driving the expansion of financial services and economic integration in Africa, helping unlock the huge potential of a fast-growing region.

Pan-African banks originate mainly in the largest economies of Africa, such as South Africa, Nigeria, and Morocco, and from countries of influence within a region, such as Kenya. But one of the major pan-African institutions, Ecobank, is headquartered in tiny Togo. Ecobank emerged in the mid-1980s in the context of the 15-nation Economic Community of West African States, and although not the largest of the pan-African banks in terms of assets, it surpasses them all in geographic reach.

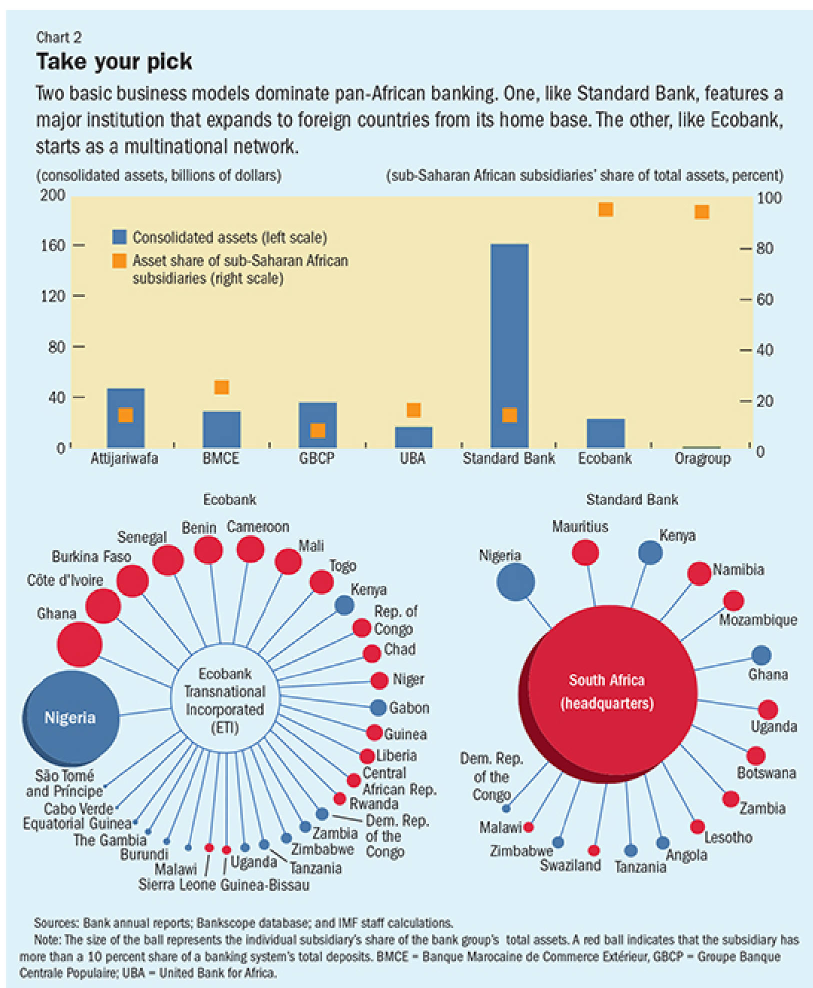
At a time when global banks have moved their business away from smaller-scale and higher-risk operations, the expansion of African players bodes well for financial sector development in Africa. These regional institutions are not only filling in the gaps left by the retreating global banks but are fostering financial development and economic integration. However, to be sustainable and to avoid raising systemic risks and the type of financial instability experienced elsewhere, this expansion of banks with significant cross-border networks must be accompanied by stronger supervision and heightened cross-border cooperation.

Taking off

South Africa's Standard Bank has been active across borders for a number of years. But other banks began to grow their regional operations in earnest in the mid-2000s. The number of subsidiaries almost doubled between 2006 and 2010 (see Chart 1), from 48 to 88, as the cross-border expansion of banks from Morocco and Nigeria's United Bank for Africa gained traction. This rapid cross-border expansion was aided by improved political and macroeconomic stability and robust economic growth as well as the following specific factors:



- The end of apartheid in the mid-1990s, which opened the door for banks headquartered in South Africa to extend their expertise abroad;
- Increased trade linkages among African countries – inducing, in particular, banks in South Africa and Kenya to follow their customers abroad;
- Decisions by banks in Morocco to establish a regional presence to the south because of more limited opportunities at home and in Europe – including by buying the local operations of retrenching European banks;
- The large increase in minimum capital requirements in Nigeria that followed a banking crisis in the mid-2000s, which motivated banks to consider expanding abroad to make use of their new larger capital bases; and
- Ecobank's long-standing social ambition, dating to its establishment in the mid-1980s, to become Africa's leading pan-African bank.



For pan-African banks, two basic business structures have emerged (see Chart 2). One is a traditional model of expansion from a dominant home base; the other was designed to be a diversified network structure from the get-go.

Banks in the traditional model have expanded from a large home base, which continues to play the dominant role in the group's activities. In these cases, cross-border subsidiaries contribute less than 20% to total assets, with the contribution of any individual subsidiary a lot less. In this group are South African and Moroccan banks and to a lesser extent Nigerian banks.

For banks in the second group, none of which has a dominant home base, the network is most important. Although a bank holding company centrally manages the subsidiaries, the bank subsidiary in the nominal home country is but one among many, and the largest subsidiary might be located in a different country. Examples of this arrangement are Ecobank – headquartered in Togo but with its biggest subsidiary in Nigeria – and Bank of Africa, founded and headquartered first in Mali, with the holding company later moved to Luxembourg and eventually acquired by Moroccan Banque Marocaine de Commerce Extérieur. There are a number of banks whose structures fall between the two models. Moreover, as cross-border operations grow, the dominance of the home presence in the group diminishes.

Servicing the underbanked

The economies of both host and home countries receive numerous benefits from cross-border banking. The rise of pan-African banks has increased competition and efficiency, introduced product innovation and more modern management and information systems, and brought higher skills and expertise to host banking sectors. A number of pan-African banks have exported innovative business models and delivery channels, such as mobile banking by Kenyan institutions, to host countries. These advances have helped expand the availability of banking services and products (often called financial deepening).

Pan-African banks have also extended banking services to people with inadequate access to bank services, the so-called underbanked. For example, when Kenyan banks started operations in other member countries of the East African Community, they leveraged their expertise in agent and mobile banking to service underbanked portions of the population. Similarly, Moroccan banks expanded microfinance operations in francophone west Africa while their subsidiaries introduced a focus on lending to small and medium-sized enterprises. Nigerian banks have been instrumental in increasing the number of branches in West Africa, especially in rural areas.

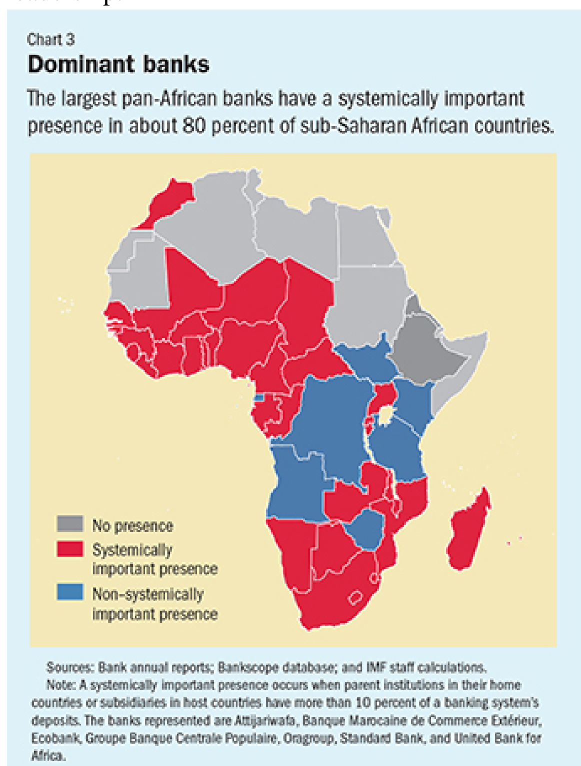
The pan-African bank phenomenon can also help host countries raise their financial standards. Banks from more advanced African economies use higher home-country standards in their subsidiaries, and host authorities are exposed to more sophisticated reporting and supervisory practices – such as capital standards recommended by the Basel Committee (an international group of bank regulators) and the International Financial Reporting Standards issued by the International Accounting Standards Committee. This peer-to-peer learning effect is further reinforced as host regulators benefit through joint on-site supervisory visits of foreign subsidiaries with home authorities and as they participate in supervisory colleges, which bring together regulators for individual banking groups.

The expansion of pan-African banks also benefits the home country banks because they increase their diversification and improve growth opportunities.

Managing systemic risks

The rise of pan-African banks presents new issues for regulators and supervisors. As networks expand, new channels for transmission of macro-financial risks and other spillovers across home and host countries emerge. For example,

problems at the parent-bank level, such as perceptions of mismanagement or reputational risks, could lead to bank runs on subsidiaries. Similarly, economic or financial problems in host countries could affect the parent bank if a subsidiary's operations are relatively large compared with those of the rest of the group. As pan-African banks have grown in reach and complexity, supervision gaps have emerged. It is difficult for home country regulators to determine the soundness of a subsidiary or the potential risks it faces without some grasp of the structure and operations of the bank group as a whole. This calls for a consolidated supervisory approach for the entire group led by the home regulator in collaboration with host country regulators. Bank-group-specific supervisory colleges, backed by memorandums of understanding regarding systematic exchange of supervisory information, are important to this effort. The expansion of pan-African banks has produced a network of systemically important banks (see Chart 3) – that is, institutions whose failure could have broad financial consequences – which heightens the need for strong African home country regulatory leadership.



Supervisory capacity is already constrained and underresourced in most of Africa, and cross-border banks put additional pressure on home supervisors to ensure that these groups are adequately supervised. The recent global financial crisis made it clear that cross-border cooperation on supervision and resolution is essential to handling risks to financial stability, and inadequate cross-border cooperation can have serious repercussions. If there is no effective cooperation and planning of cross-border bank resolution, tools employed to resolve cross-border institutions tend to be last-minute, ad-hoc interventions that involve public support. Even long-standing relationships between supervisory authorities can break down in a crisis.

Home and host supervisors' mismatched interests are exacerbated by the considerable difference in the size of institutions and economies and are serious impediments to cross-border cooperation. Some subsidiaries of pan-African banks are systemically important in their host countries, but they may represent only a small portion of the overall operations of the parent banking group. This can have implications for financial stability in host jurisdictions if home authorities or parent institutions take unilateral action – for example, putting restraints on the home country institution to recapitalise a foreign subsidiary (that is, ring-fencing). The greater the asymmetry in economic size between home and host, all else equal, the less likely a financial institution's overall strategy will specifically take into account the host country's needs and the greater the threat to financial stability in the host country if problems emerge at home. In Europe, for example, Western European banks cut back lending to Eastern Europe during the global financial crisis – a relatively small move in the West with serious implications in the East. The Vienna Initiative in 2009 and 2011 was a response to promote closer coordination to safeguard financial stability and take into account systemic risk concerns in emerging Europe.

Securing the benefits of cross-border banking

To ensure that the gains from African cross-border banking networks are sustained, the pan-African bank phenomenon must include upgraded consolidated supervision buttressed by enhanced cross-border cooperation. International best practices call for a consolidated view of owner operations and risks faced by banking groups, which typically involves establishment of individual supervisory colleges and continuous exchange of information that are outlined in memorandums of understanding between regulators and supervisors. This cooperative framework must be established in quiet times rather than when a crisis occurs.

The spread of pan-African banks increases vulnerability to, and the strength of, spillovers of financial problems across African countries. Without understandings on how the problems of a troubled bank would be resolved, supervision alone may have limited effectiveness. Individual regulators may revert to ring-fencing during a crisis, with less than optimal results. The global financial crisis demonstrated that a lack of workable cross-border operational frameworks extracts a high cost – and drove home just how difficult it is to construct those frameworks.

Regulatory and accounting norms across Africa must be upgraded to international standards to improve transparency and foster integration. In pursuing these reforms, international institutions such as the IMF can play a useful role in continuing to provide extensive technical assistance. *(How we made it in Africa)*

Markets

Angola prioritises financing in markets and credit lines from China and Brazil

Angola's financial constraints should continue until 2016 and the government's preferred solution is to obtain international financing and credit lines, particularly from China and Brazil, indicate analysts of the country. The latest International Monetary Fund forecasts on Angola released show that economy recovery will only occur in 2017. The current situation has been marked by budget problems caused by the prolonged downslide in the price of oil, the country's main export product.

In the face of ongoing constraints, the Economist Intelligence Unit expects Angola to "seek new financing from international financial institutions, as well as credit lines from China and Brazil." The latest such support was US$650 million granted by the World Bank, split into a US$450 million loan and US$200 million of guarantees, with a 10-year grace period and term of more than 29 years. The government has indicated that half of the funds will be used to support the state budget, specifically financial management and public contracting. The other half is earmarked for macroeconomic management, poverty reduction measures and the social sector. The US$200 million guarantee enables the authorities to obtain new financing in international markets. According to Reuters, they thereby hope to secure a total of US$10 billion, including US$1.5 billion in a bond issue. The option of applying for IMF assistance is considered by most analysts to be undesired by the authorities, who see it as a last recourse solution.

The announcement of World Bank support comes in the wake of new support granted by China following the recent visit by Angolan President José Eduardo dos Santos and of a number of loans from international banks.

The government has been calling attention to Angola's low indebtedness (estimated at 40 % of GDP, even with the new loans from China) in response to concerns about effects of the recourse to credit to ensure liquidity in the country. The Angolan Finance Ministry announced in June that conditions of the loans granted by China had been improved, though no request was made for a moratorium regarding the respective amortisation. The Ministry explained that the Angolan ministers in President dos Santos's delegation during the visit to China examined with their Chinese counterparts "ways to expand fiscal capacity" and continue implementing Angola's national development plan, "without compromising the current debt portfolio given the current situation of falling oil prices." *(Macauhub)*

Fund

Africa private equity group raises $1.4bn to invest in continent

Abraaj Group, a Dubai-based company, has amassed the largest pool of private equity capital yet for investments across Africa. The group, which focuses on private equity in emerging markets "beyond the Brics", said it had raised $375m for a fund that will focus on North Africa. Combined with capital raised in April targeted at the sub-Saharan region, the two funds give Abraaj just under $1.4bn to spend in the continent's markets, a record sum to raise in a single year.

This follows an Africa-wide fund raised earlier this year by Helios Investment Partners, a rival to Abraaj, which was the first dedicated to the region to surpass $1bn. The dawn of billion-dollar African private equity funds reflects a search by investors for higher returns than are on offer in the saturated buyout markets of the US and Europe, and also represents a bet on the continent's growing middle class.

International buyout groups including Carlyle and KKR expanded into the region last year, with maiden investments often focused on consumer growth. This is despite concerns that larger funds in Africa could be left to chase relatively few opportunities, given the limited size of its capital markets.

Mustafa Abdel-Wadood, a partner at Abraaj who runs its regional funds, said that splitting the funds' capital between north and south would give investors a choice over which markets they wanted to invest in. "If they want to look at Africa as one continent, or they want to see it as separate markets, they can," he said. Mr Abdel-Wadood added that the funds would draw from an on-the-ground search for companies, as deals placed in the market are only a "subset" of opportunities. These are businesses we approach proactively," he said. Abraaj has already made six investments from the new North Africa fund, including a hospital group which it plans to roll out across the region.

The fund will look for majority or minority stakes in mid-market companies based in Algeria, Egypt, Morocco and Tunisia that Abraaj could help turn into regional market leaders. Sharp falls in African currencies triggered by collapsing commodity prices have also posed pitfalls for private equity investors in the region.

Currency volatility had become a "big part of the discussion we're having" over investments in the region, Mr Abdel-Wadood said. "This is not the first time these markets have faced currency issues," he added, noting that a drop in exchange rates often occurs in one big step. "Over the lifetime of an investment, this can be absorbed by the underlying growth of the business." Abraaj was, however, looking at defensive sectors more. "This is a year where one needs to be cautious," Mr Abdel-Wadood said. *(Financial Times)*

Hedge funds preserve of the elite despite efforts

It is an asset class that last year returned 20% to investors, a yield above that of most of SA's top 10 unit trusts. By the middle of last year, hedge fund managers oversaw R53.6bn in assets, up from R1.3bn 13 years ago, according to research by Novare, an investment advisory business.

But hedge funds are still a preserve of the elite, six months after the Financial Services Board paved the way for ordinary retail investors to buy into them. Hedge funds are alternative investment vehicles that utilise a number of riskier strategies to earn a higher investment return.
Earlier this year, the FSB gazetted rules for hedge funds to be registered as separate collective investment schemes. The funds were previously either not regulated or partly regulated under sections of laws governing collective investment schemes. In terms of these rules, existing funds targeting high net worth individuals, institutional investors and others with a minimum of R1m to invest are to be registered as "qualified investor" hedge funds. SA's largest fund managers have not launched retail hedge funds, and some do not plan to. Old Mutual, Coronation Fund Managers and Sanlam, which together manage R1.3-trillion in assets, still have hedge funds structured for "qualified investors", with minimum investment amounts ranging from R1m to R5m. Coronation said it did not have hedge funds aimed at retail investors, although it manages R4.9bn in hedge fund assets. One of its funds has delivered a 19.44% return net of fees each year since its 2005 launch, according to Gavin Joubert, manager of Coronation Presidio hedge fund. "We will not be launching a retail version, as the fund closed to new investors a few years ago already," he said. Pieter Koekemoer, its personal investments head, said its other hedge funds were open to new institutional investors. "All three of our alternative strategies are currently qualified investor hedge funds, and their mandates do not comply with the requirements of retail hedge funds," he said. The Old Mutual Investment Group, which has five hedge funds with a combined net asset value of R928m and an average return of 5.38%, said the funds would be converted to qualified investor unit trusts. "We don't have any retail hedge funds, nor plans for any in the pipeline," said a spokesman. Sanlam could not immediately respond to requests for comment. *(BDLive)*

INFRASTRUCTURE

Japan funds construction of infrastructure in Angola

Angola's Finance Minister, Armando Manuel in Tokyo signed a financing agreement in the form of a "development policy loan," said the Ministry of Finance in a statement published in Luanda. The statement from the Ministry of Finance did not disclose the value of the loan taken on but Portuguese news agency Lusa reported in Luanda that it was over 170 million euros (about US$190 million). The bilateral loan has very attractive terms and conditions and was structured based on on-going reforms in the basic infrastructure sectors, particularly the energy sector, improving the regulatory framework of the business climate as well as enhancing transparency and efficiency of public finances. Following the agreement and in order to extend the scope of the Japanese International Cooperation Agency (JICA) financing projects in Angola, the Angolan Ministry of Foreign Affairs will establish the statutory conditions for JICA to set up an office in Angola. The agreement between the two countries was preceded in Luanda, by a ceremony to sign a document called "Exchange of Notes – E N" between the Foreign Ministry and the government of Japan on the 31 July. *(Macauhub)*

Japan willing to finance 2nd modernisation phase of Namibe port in Angola

Japan aims to finance the second phase of the project to modernise the port of Namibe with a view to increasing cargo handling capacity, Japan's ambassador in Angola, Kuniaki Ito, said in Namibe. Ito, who was on a two-day visit to Namibe province, said he would ask the city's port administration for details about costs associated to the modernisation plan's second phase in order to determine the real cost, reports Angop news agency. The first phase of restoration and modernisation of Namibe port, financed by the Japanese government, cost US$24 million and consisted of enlarging the quay from 240 metres to 875 metres. Under that plan, the port gained a 25,000 square metre parking area and modernised port access roads and the water supply system for ships, among other projects. The second phase will consist of increasing depth to allow larger vessels to berth, enabling the port to assert its position as the largest such infrastructure in the southern region of Angola. *(Macauhub)*

Mozambique seeks financing for roads

Mozambique's National Roads Administration (ANE) is seeking funds to improve main roads accessing the Nacala Special Economic Zone, said its director-general, Atanásio Mugunhe. Plans call for improving traffic conditions and merchandise inflow/outflow via the port and the international airport, he specified in comments to the Maputo daily Notícias. During a conference on investment in the SEZs recently held in Nacala, Mugunhe announced that the necessary funds had been gathered to pave the road between the cities of Cuamba and Lichinga in Niassa province. He also stated that the ANE is seeking funds to pave the road between Memba and Alua, which will shorten the distance between Nacala and Pemba. "We are beginning the engineering plan for the Nampula/Nametil section, where work should begin in 2016, and are seeking financing for the Nametil/Angoche and Nametil/Moma sections. The project is part of efforts to improve transit in the Nacala SEZ," the ANE director-general added. *(Macauhub)*

Guinea-Bissau to launch public tender to build dry port

Guinea-Bissau's National Council of Shippers (CNC-GB) has announced in its weekly report that a tender will soon be launched to adjudicate construction of a dry port in the country.

The Council is finalising payment of the second instalment of the cost of 40 plots of land where the future dry port will be located, indicates the report accessed by Macauhub. It will be built on a total area of 25,000 square metres at Pime on the outskirts of Bissau and include warehouses to store perishable goods, among other facilities.
The connection between the seaport and the dry port or inland customs station will not cross through the city centre, thereby preventing traffic congestion. The document does not specify the project's construction cost. Upcoming actions planned by the CNC-GB include opening posts next to customs stations to ensure better merchandise dispatch control and completing installation of land control posts in different regions.
Before the year ends the Council also plans to carry out a number of activities, among them computerisation and centralisation of information about its services, training of technical personnel in determined areas and regularising its personnel's registration with Guinea-Bissau's National Social Security Institute. The then state secretary for Transport and Communications, João Bernardo Vieira, guaranteed last May that the country would have a dry port able to handle more than 100,000 containers by the end of 2017. Fernando Dias da Costa, director-general of the CNC, the public body overseeing the project, said on the same occasion that creation of the new infrastructure would help decongest Pinjiguiti port in Bissau, which occasionally lacks space for containers. Da Costa explained that the dry port would also be used as a parking area for container trucks waiting their turn to receive cargo at Pinjiguiti. Besides its role in cargo transhipment, Bissau's future dry port may eventually include facilities to store and consolidate merchandise, equipment for merchandise handling and cargo vehicle maintenance, as well as customs clearance services. *(Macauhub)*

Swaziland seeks access to the Indian Ocean via Mozambique
The government of Swaziland wants to build a direct canal link to the Indian Ocean via Mozambique, reports the daily Times of Swaziland, citing the minister for Trade and Industry, Gideon Dlamini. Dlamini said his government approved the project as presented, adding that Prime Minister Sibusiso Dlamini has instructed the various ministries involved to begin cooperating with the developer, the entrepreneur Moses Motsa, one of Swaziland's wealthiest people. The project presented by Motsa has an estimated cost of 30 billion emalangeni (US$2.3 billion), the newspaper affirms.
The report describes some aspects of the project, indicating that it involves building a 26 km long canal from the Mozambican coast to Mlawula in Swaziland, where an interior port would be built with an area of from 15 to 20 hectares, able to handle up to four ships at the same time. The prime minister has instructed the Ministry of Foreign Affairs and International Cooperation to begin talks regarding the project with Mozambique, "so that the country can have direct access to the sea," said Gideon Dlamini, cited by the Times of Swaziland. Data gathered on the Internet indicate that the distance between Mlawula, where there is a nature park, and Maputo on the Indian Ocean coast is 63 km by air and 106 km by road via Namaacha, or 247 km via Moamba. *(Macauhub)*

Zimbabwe wants to build new connection to seaport in Mozambique
Zimbabwe's government is negotiating with potential investors a multi-billion dollar project to link the country to a seaport north of Beira, Mozambique, its minister of Transport and Infrastructure Development said. The government is studying several proposals submitted by interested companies and is also "engaging potential promoters of the project," said Obert Mpofu, cited by business section of the daily Herald. A number of potential developers have been identified. Plans are being worked on and as soon as a selection has been made, namely of funders, the project will go ahead, Mpofu specified. He added that the model to be applied in this project, either a concession or a public/private partnership, has not yet been determined. In his comments to The Herald, Mpofu did not mention Mozambique's role in the project. Talks have not yet been held with the government of that country, where the respective port would have to be built north of Beira. The distance between Harare, Zimbabwe and Durban on the east coast of South Africa is 1,675 km or 20 hours by road, while Beira is only 550 km away or eight hours by road. *(Macauhub)*

Angola seeks private company to manage floating dock
Angolan port fishing company Pescangola is looking for a shipping services company to manage a floating ship repair dock, the coordinator of the company's projects said this week in Luanda. Acquired about two years ago by the Ministry of Fisheries, the dock is intended to repair damaged ships, ship hulls and for painting, "which is of great service to the recovery of ships that explore resources off the Angolan coast," said Madaleno de Andrade.
The dock has a steel structure that is 60 metres long and 26 metres wide allowing dry repair operations of vessels of 15-50 metres in length without the need to go ashore. Madaleno de Andrade said a training course was underway at the Fisheries Training Centre (Cefopesca) for Angolan technicians who will operate the floating dock. "The contract to purchase the dock includes training and all that remains is to hire the company to operate the platform," said Madaleno de Andrade. Pescangola is a public company that, among other duties, supplies subsidised fuel to ship owners, fishing cooperatives and industrial and semi-industrial fishing associations duly recognised by the Ministry of Fisheries. *(Macauhub)*

Acsa seeks construction partners for African projects
The Airports Company SA (Acsa) is looking to partner with construction companies in SA and in Africa in a bid to increase its footprint in Africa and diversify its mainly aeronautical revenue sources. State-run Acsa was good at designing airports but was not a construction company, said CEO Bongani Maseko, speaking at the company's results

announcement in Johannesburg. Mr Maseko said Acsa had to follow the global trend of airports diversifying revenue sources. "So we would team up with local construction companies in SA and in countries on the continent. Some countries would say bring your own construction companies to partner with ours. Acsa would bring aviation expertise," said Mr Maseko.
In 2012 Acsa won a bid for a 20-year concession for the expansion, maintenance and operation of Brazil's busiest airport, Guarulhos in São Paulo. This came six years after Acsa won a bid for a 30-year concession for the modernisation of India's Mumbai airport. The aim of its new regional expansion plans was for the company to have 53% of its revenue coming from nonaeronautical operations by 2020.
In the year ended March, 37% of Acsa's revenue came from non-aeronautical operations. The bulk of the company' s revenue came from aeronautical operations in the form of tariffs on aircraft landing and parking, and passenger service charges. Acsa warned that a 42% drop in tariffs, resulting from a proposed draft permission gazetted by the Department of Transport, would see it breaching covenants with lenders and defaulting on its debt book of R11bn. The company would have to ask the government for a bail-out or guarantees if it were forced to take a massive cut in tariffs, it said.
Acsa needs higher tariffs to pay back the costs of airport upgrades done ahead of the 2010 soccer World Cup, which resulted in its debt burden rising to R18bn.
The Department of Transport has said the proposed 42% drop in tariffs was a "clawback" and a draft that was up for consultation. A clawback, in the case of Acsa, happens when it has collected tariffs with the aim of making capital investments, which in the end do not take place. The result is it reimburses its clients — the aviation industry — on tariffs paid. Acsa has proposed a drop in tariffs of 7.5% for two years. It reported its second-highest profit after tax since it was established in 1993, of R1.6bn. Last year it reported profit of R1.7bn.
The company has a planned capital expenditure programme of R8.9bn, which will include realigning the runway at Cape Town International Airport and terminal refurbishing at OR Tambo. Mr Maseko said airlines would suffer if Acsa could not make the capital investments it needed to. "Comair and SAA have ordered new aircraft. There are new entrants coming into the market. If we don't provide certain airfield and parking capacity, where will these aircraft park?" he said. RMB Credit analyst Elena Ilkova said Acsa had stuck to the plans it had announced over the past two years. However, she said tariffs were outside its control. "The problem Acsa has now is a problem we have in SA between regulated entities and their regulators," she said. "Acsa is on track to do what it has said it would. If the tariff issue is not fixed, then we should worry," Ms Ilkova said. *(BDLive)*

Cameroon says Bollore wins contract for Kribi container port
A consortium led by France's Bollore has been awarded the contract to develop and operate a container terminal in Cameroon's deep-water port of Kribi, the prime minister's office said in a statement. That marked a dramatic turnaround after Cameroon in April had excluded Bollore's group from a shortlist of consortia competing to manage the port. Bollore's consortium included France's CMA CGM, the world's third-largest container shipper, and China's CHEC, which built the Kribi deep-sea port. No details of the winning bid were released. The government is rushing to get Kribi port operational to ease congestion on Douala. *(Engineering News)*

JRA to invest R99m in existing road improvements
The Johannesburg Roads Agency (JRA) will spend R99-million to improve and maintain road infrastructure in the city's B region. The B region included relatively developed suburbs such as Windsor, Albertville, Blairgowrie, Bryanston, Bosmont, Coronationville, Cresta, Emmarentia, Greenside, Fairlands, Hurlingham, Florida Glen, Langlaagte, Northcliff, Richmond and Sandhurst.
The budget included R69-million in capital expenditure (capex) and R30-million for maintenance. "The work that we do in region B is mainly road infrastructure maintenance, rather than road construction, as such. We proactively attend to potentially problematic road surfaces before they become difficult and expensive to fix," JRA acting MD Mpho Kau said in a statement. He added that the agency carried out road infrastructure maintenance, including the maintenance of pavements and footways, as well as maintenance of the stormwater systems, on a daily basis. Of this financial year's capex, R37-million – the lion's share – would go towards the road resurfacing programme in all suburbs in region B. The JRA had also set aside R10-million to repair stormwater systems in three areas in the region, including R2.6-million to be spent in Berario, R3.4-million in Fairlands and R4-million in Kelands at the Willows Bird Sanctuary. A further R8-million would be spent on bridge infrastructure – R6 million to repair a collapsed gabion wall at Carlow road, in Melville, and R2-million to repair a collapsed culvert at the Auckland Park Country Club. Kau said another R7-million has been earmarked for the repair of a sinkhole in Bryanston. Further, R7-million would be spent on the reconstruction of roads in all the region's suburbs; R4-million for the repair and rehabilitation of embankments and sidewalks along William Nicol road, in Bryanston; and R3-million for the rehabilitation and prevention of soil erosion at the Bryanston river embankment. The agency was also planning to repair the collapsed sections of the Rea Vaya bus rapid transit route in Auckland Park; collapsed culverts on Surrey road, at the culvert along Bond and Surrey roads in Ferndale and along Barry Hertzog road in Parktown; as well as road resurfacing and repairs to reinstate junction boxes along Lange road in Florida Glen. *(Engineering News)*

Kenya's Ports Authority Plans Loans for Mombasa Harbor Expansion

The Kenya Ports Authority plans to borrow 34 billion shillings ($328 million) to finance the expansion of East Africa's biggest harbor on the southeast coast, Managing Director Gichiri Ndua said. The state-run authority will begin construction in 2018 on the second phase of a plan to enable the facility to handle more and bigger ships, including Panamax vessels, Ndua said by phone from the port city. Additions will include a 300-meter (984-foot) quay and deepening the port by 15 meters, he said.

The expansion will enable the port to handle 450,000 more containers, lifting overall capacity to "slightly above 2 million" 20-foot equivalent units, or TEUs, when it's completed in 2022, Ndua said. "We will raise the money in soft loans from international development partners," he said, declining to provide further details on financing.

Mombasa is boosting capacity to cater for growing domestic demand and rising cargo volumes for landlocked countries including Uganda, Rwanda, South Sudan and the Democratic Republic of Congo that it serves. Kenya's economy, the largest in East Africa, is expected to grow 6 % this year, compared with 5.3 % in 2014, according to the country's Treasury.

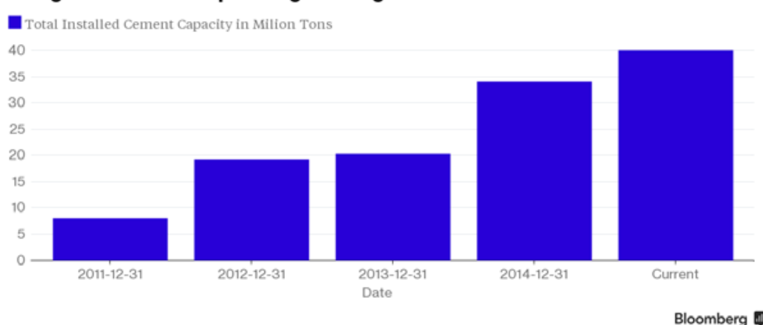
The Kenyan port is facing increased competition from neighboring Tanzania, which is expanding its port at Dar es Salaam and plans to spend $11 billion on a new port at Bagamoyo. Mombasa will handle about 1.125 million TEUs this year, up from around 1 million handled last year. The port expects to clear 26.5 million tons of cargo by year-end.

A second container terminal, currently under construction, with the capacity to handle 450,000 TEUs, will be commissioned by March. The authority has shortlisted seven international companies to manage the facility and the winning bidder for the contract will be announced in two months, Ndua said. The KPA will also invite bids for the construction of a new oil jetty, which should be able to handle as many as four vessels at a time, in the fourth quarter. *(Bloomberg)*

Dangote Cement Signs Contracts to Add 25 Million Tons a Year

Dangote Cement Plc, Africa's biggest producer, will add 25 million metric tons of capacity across 11 countries after agreeing to contracts with Chinese construction company Sinoma International Engineering Co. Ltd.

The total project cost is expected to be about $4.34 billion, Lagos, Nigeria-based Dangote said in a statement. Cement facilities will be built in Nigeria, Ethiopia, Kenya, Zambia, Senegal, Niger, Mali, Cameroon, Ivory Coast, Ghana and Nepal.



Dangote Cement, controlled by Africa's richest man, Aliko Dangote, has expanded capacity five-fold in the last four years as the company invested outside its home market. The latest developments will boost capacity to more than 70 million tons and Dangote is targeting further gains to about 100 million tons of potential output by 2020, the billionaire said in a speech in Lagos.

"We are progressing very aggressively," Dangote said. "Africa will not lack cement." Dangote, which is seeking to meet demand by African governments for new infrastructure including new ports, roads and damns, is starting up five new plants this year. The billionaire isn't deterred by recent market turmoil and declining commodity prices, he said in an interview. "I am very confident when it comes to Africa," he said. Dangote Cement shares declined 2.3 % to 165.15 naira as of 3:40 p.m. in Lagos, valuing the company at 2.8 trillion naira ($14 billion). The stock is down 17 % this year, compared with a 19 % fall in the Nigeria Stock Exchange All-Share Index. *(Bloomberg)*

Cement Is the New Oil as Africa's Richest Man Takes on Lafarge

Africa's richest man is pushing to dominate its market for cement, the material at the heart of the continent's infrastructure boom.

All that stands in his way is the world's biggest cement maker, a flood of low-priced imports, the threat of slowing growth in contracts for dams, ports and roads and a slump in the most-traded emerging-market currencies to a record low. It's not stopping Aliko Dangote. "Africa's future growth is intrinsically linked to cement," Dangote, 58, told assembled dignitaries, including Zambian President Edgar Lungu, earlier this month as he opened a new factory on the outskirts of Ndola, Zambia's third-largest city. The material is "the most basic input into building infrastructure."

The plant will help bring Dangote Cement Plc's total production capacity to 43 million tons by the end of this year, within striking distance of the African capacity of market leader LafargeHolcim Ltd. -- which runs its own Zambia factory about 30 kilometers (19 miles) from the plant Dangote was opening.

Dangote Cement, which has expanded capacity five-fold in the last four years, plans to about double potential output, to 80 million tons, Dangote says. The Ndola plant is one of five new factories he's opening this year across sub-Saharan Africa, including two in the LafargeHolcim strongholds of Cameroon and Zambia.

New Factories

Africa has become one of the world's fastest-growing regions for the building material as rapid urbanization and spending on transport, power and shipping boost demand. Significant projects under construction include Ethiopia's $4 billion hydro-power dam on the Blue Nile River and a $13 billion railway that will link the Kenyan port of Mombasa to the Rwandan capital of Kigali via Uganda.

With 50 million tons a year of cement capacity, LafargeHolcim is the largest producer in continental Africa. Domestic producers also must compete with cheap imports from countries including Pakistan, according to Bloomberg Intelligence analyst Sonia Baldeira. "Dangote is rapidly expanding its footprint across sub-Saharan Africa," said Pabina Yinkere, head of research at Lagos-based Vetiva Capital Management Ltd. "Many of the cement plants within the region are old and aging. Their efficiency has fallen, so with its new plants it will be able to compete strongly." LafargeHolcim shares rose 3.7 % at 2:10 p.m. in Zurich, while Dangote Cement was unchanged at 164.50 naira.

Falling Prices

The additional production from Dangote's new factories is already having an effect on local cement markets. In Senegal, the company says it provides more than 30 % of all cement sold in the country, where it opened its first plant in January.

In Zambia, cement prices have fallen about 20 %, a result of Dangote's push against LafargeHolcim, according to Sipho Phiri, who chairs a company planning to build a $180 million hydro power project in the west of the country. The project will need about 20,000 metric tons of the material so the price drop makes a significant reduction to his capital investment, he said by phone. And none of it will come from Lafarge Zambia Plc. "They were taking advantage of their monopoly," said Phiri. "People including myself, as a matter of principle, will only buy Dangote cement. I'm emotional about it." Lafarge Zambia Chief Executive Officer Emmanuel Rigaux rejected Phiri's claims that the company had taken advantage of its position.

Zambia Potential

"We've been growing with Zambia," he said. "We were the first really big construction company to go ahead with a very large investment. We were the first to see the potential that Zambia had." Lafarge Zambia is doubling capacity at its Lusaka plant in a 200 million-euro project as it seeks to capitalize on growing demand in Zambia and the Democratic Republic of Congo to the north. Increased competition and lower prices won't change its plans, he said. Lafarge, which last month completed a merger with Switzerland's Holcim Ltd. to form the world's biggest cement maker, said in February last year it planned to increase sub-Saharan Africa capacity to more than 30 million tons by 2017 from 20 million tons. The combined company had about 50 million tons of capacity on continental Africa at the end of last year.

China Effect

"Africa is a fast-growing region with huge construction needs supported by demographic trends and growing urbanization," LafargeHolcim said in an e-mailed response to questions. The company "is well positioned to serve the continent's construction needs from its existing strong supply network in cement with facilities in 15 countries" in Africa.

The speed and scale of new investments in Africa's natural resource-based economies may falter as commodity prices fall and growth slows in China, the biggest consumer of materials from copper to iron ore. A gauge tracking 20 of the most-traded emerging-market currencies depreciated 0.7 % to a record low, making it harder for those countries to pay for imported materials. The market slump hasn't changed Dangote Cement's expansion plans, Carl Franklin, the company's head of investor relations, said by e-mail. "We don't think that short term," he said. "Africa will be building for decades."

Threatening Margins

In countries including Tanzania, cheap imports, including from China, are weighing on prices and threatening margins for local producers. South Africa in May imposed anti-dumping duties on the material coming from Pakistan. The issue continues to challenge producers on the continent, Bloomberg Intelligence analyst Baldeira said from London.

Even so, the two biggest cement producers in Africa aren't the only ones expanding. Johannesburg-based PPC Ltd. is building new plants in the Democratic Republic of Congo, Zimbabwe and Ethiopia, and has started production in Rwanda. HeidelbergCement AG of Germany added 2.9 million tons of capacity in Africa last year, its biggest growth region. The company's pending takeover of Italcementi SpA may double its market share in the Middle East and Africa, according to data compiled by Bloomberg Intelligence, and HeidelbergCement predicts that cement demand will expand 50 % by 2020 in the sub-Saharan region. "Capacity is not enough to meet demand in these countries," Baldeira said. "When we think about the future of the world demand for cement in the next 10 years, Africa will be a big driver."

(Bloomberg)

ENERGY

Buffett bets on hydropower to rebuild eastern Congo

US philanthropist Howard Buffett, son of billionaire investor Warren, is pouring-millions of dollars into power projects in war-torn Congo, betting that private investment can bring development where the United Nations and aid agencies failed.

In the town of Matebe, in Democratic Republic of Congo's turbulent eastern province of North Kivu, construction crews work around the clock to lay giant steel cylinders through which water from the Rutshuru River will plunge 85 m to drive three massive hydroelectric turbines.

Howard G. Buffet Foundation, the 60-year-old American's charity, is bankrolling construction to the tune of $19.7-million. It hopes the plant will help overcome chronic power shortages holding back development in the giant central African nation when it comes online in December. The 13.8 megawatt facility is just the first stage in an ambitious regional investment programme drawn up by Congo's national parks authority (ICCN) and the Virunga Foundation, a British charity working in the giant Virunga national park in North Kivu. For the project's second stage, Buffett has already pledged a further $39-million towards the cost of two more hydroelectric plants. The Belgian government has provided $4-million more, but additional funds are still required. The Virunga Foundation hopes to attract a total of $166-million to build seven hydro plants as well as hotels, vocational schools and other infrastructure in and around the national park over the next six years. "Hydro plants are really the game changer," Buffett said in a telephone interview from Atlanta, Georgia. "It provides jobs, it provides new resources, new investment. It helps keep people from cutting the trees down for charcoal in the forests. So it's like a win, win, win." Over the past two decades, Buffett's foundation has pumped more than $200-million into Africa's volatile Great Lakes region, which was plunged into turmoil by Rwanda's 1994 genocide. Resource-rich eastern Congo was ravaged by two regional wars between 1996 and 2003 that killed-millions, most from hunger and disease. Despite vast deposits of minerals ranging from copper to diamonds and tantalum - a key component in mobile phones - Congo languishes next to the bottom of the UN development index. Two-thirds of its nearly 70-million people live in poverty, while its rugged east is plagued by dozens of armed groups, their ranks filled by young men with no prospect of jobs. A 20 000-man UN peacekeeping mission costing $1.4 billion a year - the world's largest – plus billions more spent on humanitarian aid have done little to improve conditions. Ongoing violence in and around Virunga - including a recent spate of kidnappings - present a deterrent to investors. "All the UN does is they bring a bunch of guys in, in uniform, and they park them (in) different strategic places, and when the going gets tough, they run," Buffett quipped. The Nebraska native, who has spent-millions on African projects from saving the South African rhino to hunting Lord's Resistance Army leader Joseph Kony, said he recognised that the investment was a gamble. "The government could take it away tomorrow. You could have a rebel group go in and blow it up tomorrow," he said. "That's part of why we're doing it: because no-one else is interested in doing it." The Howard G. Buffett Foundation is a private, family charity that does not accept donations, with assets totalling more than $300-million, according to its last annual report. Much of its funding is believed to have come from his father's fortune, though Howard himself serves as a director of The Coca-Cola Company and on several other corporate boards. Buffett’s investments have drawn mixed reviews from analysts who praise his commitment to the region and contributions to conservation and agricultural development but have criticized a heavy use of celebrity advocacy in expensive campaigns that they say do not engage with the complexity of the issues on the ground.

Experts cite power shortages as one of the foremost barriers to development in Congo. Only about 10% of the population has access to electricity. Emmanuel de Merode, CEO of the Virunga Foundation and director of the 7 800-square-kilometre park, estimated that each additional megawatt would create around 1 000 local jobs. The estimate was based on a 0.2 MW pilot project that has attracted investment from Burundian firm Savonor in a 40 t/d soap factory that will use locally produced palm oil. Google chairperson Eric Schmidt's charitable foundation made an initial investment to facilitate the project. De Merode, a Belgian who starred in last year's Oscar-nominated, Buffett-produced documentary about the threat of oil exploration in Virunga, said that the initiative responded to an urgent need for large-scale employment opportunities that only the private sector could create. But some local residents see the initiative as yet another foreign imposition whose priorities do not match their own. Chrispin Mvano, an independent researcher and journalist in North Kivu, criticised park authorities for failing to collaborate with local communities, who wonder whether they will benefit from the new electricity. "We'd say that Emmanuel de Merode has become the president of the National Republic of Virunga," said Mvano. He called for greater support to agriculture, the dominant economic activity in the area, and existing small-scale hydroelectric projects. Virunga National Park, a Unesco World Heritage site and home to home to roughly half the world's remaining 900 mountain gorillas, is a cause celebre among conservationists. But the protected status of the park, created in 1925 by the Belgian colonial government, is resented by many of the more than four-million people who live near it but are prevented from cultivating its rich soil. In a letter to de Merode last month, activists from the southern edge of the park complained that park rangers routinely violate the boundaries and have seized their land. "Before being a world patrimony, (Virunga) is a local patrimony," Mvano said. De Merode acknowledged "enormous tensions" with local populations in enforcing park limits but said that industrialisation was the only long-term solution for the region. Even those who agree, say the project remains a long shot to bring development to one of the world's most unsettled regions. Innocent Gasigwa, a spokesman for civil society in the territory of Rutshuru, said he supported the hydroelectric projects but warned: "If just one war breaks out again, it's over." *(Engeenering News)*

Eskom awards $25m Limpopo transmission contract to Abengoa

Spanish technology group Abengoa has announced that it has been awarded a $25-million contract by South Africa’s State-owned electricity utility Eskom for the construction of two 400 kV transmission lines spanning 174 km.

The company, which is building large-scale concentrated solar power (CSP) projects in the Northern Cape, said the most recent award represented its first power transmission contract in South Africa. The project is expected to reach commercial operation in 2017. Abengoa would be responsible for the engineering, design, construction and commissioning of the two lines, which extend from the Medupi substation in the Lephalale region of South Africa's Limpopo province to the Borutho substation in the Mokopane region of Limpopo. Eskom has been building the 4 764 MW Medupi coal-fired power station in Lephalale since 2007 and the first 794 MW unit entered commercial operation during August. The other five units at the project, which is over budget and years behind schedule, are currently forecast to be introduced in stages between 2017 and 2019. The award, Abengoa said, consolidated its presence in the generation and transmission sectors in South Africa, with the 50 MW Khi and 100 MW Xina CSP plants under construction and the 100 MW Kaxu CSP plant in production. *(Engineering News)*

Medupi power station seen fully operational by 2019

South Africa's coal-fired Medupi power station is expected to be fully operational in the first half of 2019, the Cabinet said "Once completed, it will be the fourth-largest coal-fired plant and the largest dry-cooled power station in the world," Cabinet said of the 4 764 MW plant. Cabinet also approved the bid of east coast city, Durban, to host the 2022 Commonwealth Games. *(Engineering News)*

S Africa's renewables programme the basis of green economy

South Africa's successful Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) has not only brought in hundreds of billions of rands in economic infrastructure investment but has also seemingly become the fulcrum of the country's proposed 'green economy' development.

The Department of Energy's bid to increasingly source renewable energy from independent power producers (IPPs) had led to the approval of 79 projects in four bidding rounds with a combined capacity of 5 243 MW out of the total 6 725 MW to be allocated in the five bidding rounds.

These projects had, in turn, resulted in R168-billion in economic infrastructure spend in South Africa, which bolstered the country's stalled economy, said Department of Trade and Industry (DTI) Investment Promotion and Inter Departmental Clearing House green economy director Annelize van der Merwe. With the fifth window due in the second quarter of 2016, Energy Minister Tina Joemat-Pettersson this week also gazetted new Ministerial determinations for the procurement of an additional 6 300 MW in energy capacity from IPPs in future bid windows. Speaking at the DTI-hosted Green Economy Stakeholder Engagement, held in Sandton, Van der Merwe said this was in addition to the expansion of the fourth bid window by another 1 800 MW. South Africa's renewable-energy programme, which gradually saw an increase in localisation requirements over each bidding round, had created the beginnings of an industrialisation push, as it bolstered South Africa's renewable-energy component manufacturing sector, besides others, said National Business Initiative CEO Joanne Yawitch. Further, Van der Merwe pointed out that South Africa currently ranked third, behind China and Brazil, for investments in clean energy, with increasing interest being shown by investors keen to enter the sector. Excluding the REIPPPP, R27-billion of the DTI's R60-billion investment pipeline for 2013/14 had emerged from green economy projects. There was a "buzz" around the "green revolution", which DTI Industrial Development division green industry director Ntombifuthi Ntuli noted was already under way as the country saw the green economy shift from the outskirts to mainstream political discourse. It was increasingly economically viable to embrace the green economy, with South Africa's government developing various policies and strategies to promote the transition. The government had put its weight behind energy, said Yawitch, adding that, for the green economy to fully take off and become an integral part of the mainstream economy, it would require government's full backing as it had done with renewable energy. Ample opportunities had, for instance, emerged in the waste and water sectors. South African generated 108-million tons of waste a year with 98-million tons heading to landfills and only around 10% recycled, while there were reports of around 60-million waste tyres in the country each year, growing by 11-million each year, with less than 20% recycled. *(Engineering News)*

MINING

De Beers renews R57m Afrox contract

Diamond miner De Beers Group has renewed gas and welding company Afrox's R57-million contract for the supply of industrial and medical gases, welding consumables and bulk liquefied petroleum gas for the next five years.

The contract came at a time when De Beers was investing R20-billion in building an underground mine beneath the operating openpit Venetia mine. The underground operation would start production in 2021, continuing well into the 2040s, which would present Afrox with opportunities to grow the current portfolio. "We are grateful to retain this business as it presents Afrox with an opportunity to leverage its capabilities to enhance the ongoing business relationship," Afrox MD Schalk Venter said. *(Engineering News)*

Gold Fields back in profit, South Deep still problematic

Bullion producer Gold Fields swung back into the black in the second quarter but cut production forecasts for its problematic South Deep mine in South Africa, a mechanised operation that has had many set backs. The company said that South Deep was expected to produce 6,500 kg of gold this year, down 8.5 % from a pervious forecast of 7,100 kg. South Deep, which sits atop a mammoth 40-million ounce reserve, is Gold Fields' last remaining South African asset. It is fully mechanised and has been plagued by a number of technical difficulties. Gold Fields said it still maintained a target of breaking even on the project by the end of 2016.

The company has a wage deal in place at the mine until March 2018, which means labour costs should not take it by surprise. By contrast, its South African peers are locked in protracted wage talks with restive unions.

Chief Executive Nick Holland told Reuters the focus at South Deep was on getting work practices and safety right, a process that was hurting production now but should pay off in the longer run. "If you fix safety, you fix productivity and work practices we stopped work in a lot of areas we were not happy with," he said. Holland said overall the company was of the view that it could make money, even if gold's spot price dropped to $1,000 an ounce.

Gold has rebounded nearly 6 % from a 5-1/2-year low of $1,077 touched in late July to more than $1,140 an ounce but is 40 % off record peaks above $1,920 scaled four years ago and is vulnerable to sudden shifts in sentiment. "We're good at a $1,000. We can be robust at $1,000," Holland said. He said costs at Gold Fields' Peru operations were below $700 an ounce and the company was also benefiting from currency depreciations in Australia and South Africa, as gold is sold in dollars. The company reported normalised earnings for the quarter to the end of June of $22 million versus a loss of $13 million in the previous quarter. This translated into earnings of 3 U.S. cents per share, just shy of a Reuters' forecast of 3.4 cents. *(Reuters)*

De Beers Said to Cut Diamond Prices as Much as 9%

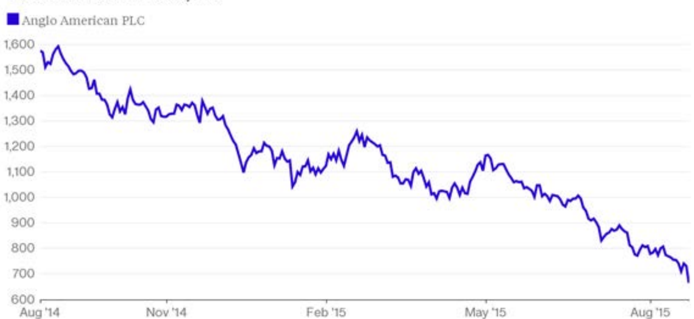
De Beers, the world's biggest diamond producer, lowered prices after production cuts failed to support demand for the precious stones, according to three people familiar with the situation.

The Anglo American Plc unit reduced prices as much as 9 %, according to the people, who asked not to be identified as the information isn't public. De Beers plans to offer about $250 million of diamonds for sale. Customers may buy more after the price cuts, the people said.

The company has already agreed to allow its customers, known as sightholders, to defer pre-agreed purchases at the August sale this week in Botswana, the biggest diamond producing country. A spokesman for De Beers declined to comment.

De Beers and other diamond producers are under pressure to cut supply and lower prices as traders, cutters and polishers struggle to turn a profit amid a squeeze on credit and languishing jewelry sales. De Beers had sought to support the diamond market by reducing production rather than prices. "The industry is in a very precarious position, it could go either way," said Kieron Hodgson, an analyst at Panmure Gordon in London. "De Beers have recognized that and responded."

The industry remains stretched by a shortage of credit after last year's decision by KBC Groep NV to wind down its Antwerp Diamond Bank, a source of finance for 80 years to cutters and polishers in the port city. Retail demand has also suffered amid a slowdown in China, the second-biggest market for the stones.



De Beers last month cut its full-year production goal to 29 million to 31 million carats from an earlier target of 30 million to 32 million carats. At the start of the year, it was planning to mine as much as 34 million carats. Anglo American owns 85 % of De Beers, with Botswana controlling the rest.

The turmoil in the $80 billion diamond industry has added to the woes of Anglo American, whose shares tumbled to a 15-year low amid a rout in copper, coal and iron-ore prices. Diamonds accounted for about a quarter of the company's sales last year.

The commodities slump has undermined the efforts of Mark Cutifani, Anglo's chief executive officer, to turn around the fortunes of a business that mines platinum

and diamonds in Africa and iron ore in Brazil. To preserve cash, Anglo plans to sell coal, platinum and copper assets and intends to reduce its workforce by more than a third. *(Bloomberg)*

South Africa's trade minister imposes steel tariffs with conditions

South Africa will introduce a new 10 % customs duty on certain steel products, Trade and Industry Minister Rob Davies said, aimed at protecting the local manufacturing industry from cheaper Chinese steel imports. Cheap imports from China are hurting steel makers in South Africa, which currently does not have import duties on steel. As many as 200,000 jobs are at risk due to a global supply glut of the commodity, ArcelorMittal South Africa has warned.

Following complaints from ArcelorMittal and SAFAL Steel, Davies imposed a 10 % customs duty on zinc-coated/galvanised steel, aluminium-zinc coated steel and colour coated steel. Previously there was no duty payable.

However, the tariff increases, one of range of other tariff and anti-dumping measures industry was seeking to protect thousands of jobs, would be subject to several conditions.

Among these were that there are no price increases for the steel products in question as a result of this tariff adjustment, and that pre-existing commitments to reduce prices on some products were honoured. Davies said that ArcelorMittal SA would need to invest 250 million rand ($19 million) in its colour line and SAFAL an extra 300 million rand in its metal coating line in 2017. "Both companies commit to no retrenchments in these production lines over the next three years," Davies said in a statement. The companies were not immediately available to comment. The World Trade Organisation (WTO) allows countries to raise tariffs by up to 10 % to protect local industries. ($1 = 13.1950 rand) *(Reuters)*

First Quantum Minerals launches $2.1 bln Zambia copper mine

Canada's First Quantum Minerals launched production at its $2.1 billion copper Sentinel mine which has been under construction since June 2012. The mine would produce 280,000 to 300,000 tonnes of copper per year at full production from one large low-grade ore body containing 0.51 % copper, First Quantum said. Ramp up to commercial production levels at Sentinel was expected to begin after state power utility Zesco connected electricity to the mine by September, it said. Although this year and next would be challenging for many mines in Zambia and globally due to low commodity prices, First Quantum hoped to overcome that by improving efficiency, it said. "The planned 55,000,000 tonnes per annum ore throughput at the new Sentinel mine necessitates the latest in modern mining methods," it said. At full production Sentinel would employ 1,788 employees directly through First Quantum subsidiary Kalumbila Minerals Ltd and a further 1,276 contractor jobs created by the new mine, it said. *(Reuters)*

ArcelorMittal Mulls Downsizing Africa's Biggest Steel Plant

ArcelorMittal South Africa Ltd. will review the viability of its Vanderbijlpark steel plant, the continent's biggest, as it seeks to cut costs and compete with Chinese imports. AMSA will complete the study of the loss-making plant by the end of October before deciding on a restructuring plan, the company said in a statement. Separately, it will consider closing part of its Vereeniging operation, which produces specialized steel products. The company will work with employees and unions to find alternatives to job cuts, AMSA said. South Africa's steelmakers are struggling to cope with a surge of Chinese imports supplied at prices as much as 25 % below local production costs. A government plan to put a 10 % import tariff on some steel product "will only assist in the medium- to long-term," AMSA said. Competitors including Evraz Plc's local unit and Scaw Metal Group have previously announced plans to cut more than 2,000 jobs. AMSA will look into closing the Vaal Meltshop and the Forge parts of its Vereeniging plant, a move that could affect 400 employees, it said. Vereeniging's operating mills may also be merged with the company's Newcastle Works.*(Bloomberg)*

Exxaro to Focus on Cost Reduction, Coal Mines Amid Price Slump

Exxaro Resources Ltd., South Africa's fourth-biggest exporter of coal, will concentrate on cost reduction and its core operations during the commodity price slump. "This is an industry that's in the stormy seas, particularly right now," Chief Executive Officer Sipho Nkosi said at an earnings presentation in Johannesburg. Exxaro will focus on its coal business and cash preservation, he said. The company reported a 62 % drop in first-half profit and forecast a continued surplus of coal, iron ore, mineral sands and pigment. Demand for these products will be weak "in the near term," it said.

The price of commodities has slumped this year on abundant supply and signs of slowing economic growth in China. The Bloomberg Commodity Index, which tracks the value of 22 raw materials including metals, oil and crops, closed at the lowest level in more than 13 years. Exxaro's headline earnings, which exclude one-time items, fell to 3.03 rand ($0.23) a share from 7.93 rand a year earlier, the Pretoria-based company said in a statement. It declared an interim dividend of 0.65 rand, 75 % lower than last year.

Coal Price

If the coal price stays above $50 a metric ton, "they'll be fine," Stephen Meintjes, an analyst at Imara SP Reid, said after the company's earnings presentation. Exxaro realized an average coal export price of $56 a ton in the period, an 18 % drop year on year, the company said. Coal export volumes decreased to 2.4 million tons from 2.7 million tons and the company expects export sales volumes for the year to be about 4 million tons. The shares rose 11 % to 69.38 rand at 2:25 p.m. in Johannesburg. Earlier this month, Exxaro finalized the purchase of Total SA's coal unit for $262 million in

cash, 19 % less than when the deal was first announced. The operations produced exports of 3.2 million tons in 2014, though that may not indicate what Exxaro will produce under the current cost environment, Mxolisi Mgojo, CEO-designate, told reporters. Mgojo will replace Nkosi when he retires in March. Financial and operational results were not directly comparable with the year earlier period because of transactions including an impairment on the value of the Mayokoiron ore project in the Republic of Congo, the company said. Exxaro is unlikely to incur further capital expenditure on the project in 2016 and expects to be granted the mining rights by the end of this year, Nkosi said. *(Bloomberg)*

OIL & GAS

Cabinda Gulf Oil extracts 5 billion barrels of oil in Angola

The Cabinda Gulf Oil Company, a subsidiary in Angola of US group Chevron, this year extracted barrel number 5 billion in blocks Zero and 14, after operating in the country for 60 years, the company's managing director said recently in Cabinda. John Baltz said that despite the unfavourable situation created by the fall in the price of oil on the international market, the company maintains production efficiency levels. "The company is facing the challenge of the low price of oil on the international market but over 60 years of working in Angola, has been able to deal with times of crisis," he said, cited by Angolan news agency Angop.

Meanwhile, the International Energy Agency (IEA) released its monthly report on the oil market saying that excess supply of oil worldwide will continue over the next year, despite growth of consumption.

The IEA also reported that oil reserves – already at record levels – would continue to grow, even with consumption increasing to a five-year high in 2015 and supplies from outside the Organisation of Petroleum Exporting Countries (OPEC) falling next year for the first time since 2008. "Although rebalancing has already started the process should be continued, since surplus supply is likely to persist until 2016 – suggesting that global reserves will grow even more," said the International Energy Agency report. Estimates from the International Energy Agency show that surplus supply worldwide will reach 1.4 million barrels per day in the second half of this year, before slowing to about 850,000 barrels per day in 2016. *(Macauhub)*

Kenya Mulls $50 Million Mineral, Oil Laboratory for East Africa

Kenya is considering whether a $40 million to $50 million mineral and oil analysis laboratory that would give the nation better access to its resources information should be privately run or government-operated. "This will service the whole of East Africa, it's in demand by industry as it reduces their costs and the time to process the data," Mining Secretary Najib Balala said in an interview in the capital, Nairobi. Companies including Tullow Oil Plc. have found oil in Kenya, which has an estimated 600 million barrels so far, while neighboring Uganda could hold 6.5 billion barrels.

Kenya is the world's third-biggest producer of soda ash, used to make glass, and ranks sixth in output of fluorspar, used in steel, according to the U.S. Geological Survey. It also has deposits of coal, gold, rubies and sapphires. Randgold Resources Ltd., a producer of the metal in Africa, said last year it planned a study of Kenya's gold-mining potential.

Balala said it was too early to say when the service would start. "Small issues" were preventing lawmakers from passing a Mining Bill that would provide policy stability, Balala said, without elaborating. Kenya ranked third from bottom on the Investment Attractiveness index published in the Vancouver, Canada-based Fraser Institute's annual survey of mining companies last month. Shortly after his appointment in 2013, Balala canceled 43 prospecting and mining licenses after saying the government discovered irregularities in the way they were granted. *(Bloomberg)*

Gold Fields Showcases Foreign Assets to Lure in More 'Believers'

Gold Fields Ltd. Chief Executive Officer Nick Holland says investors are missing the quality of the Johannesburg-based producer's foreign operations by focusing on delays and higher costs at its domestic South Deep project. "People don't really see the value in particular in our non-South African assets and what they contribute," Holland said in a phone interview. "South Deep in many people's minds is something that they're not really sure of."

The company's mines in Peru, Australia and Ghana helped raise headline earnings to $19 million in the second quarter after losses in the previous two quarters, Gold Fields said in a statement. They produced 496,000 ounces at an all-in cost of $984 an ounce in the second quarter.

South Deep, in development for at least two years longer than planned, produced 38,700 ounces at $1,986 an ounce. Stripping out South Deep would put Gold Fields among the top quarter of producers with the lowest costs, Holland said. All-in sustaining costs fell 10 % to $1,029 an ounce in the quarter, helped by higher production and weakness in the Australian dollar and South African rand, Gold Fields said.

The stock rose as much as 12 % to 42.63 rand, the highest since June 3, and was trading up 11 % at 41.99 rand by 10:53 a.m. in Johannesburg. The shares are still down 19 % this year, more than the 17 % drop in the Bloomberg Global Senior Gold Valuation Peers Index. "If we can continue the momentum into the second half of the year, I think we can certainly get more believers back into the stock," Holland said. Gold Fields' second-quarter production rose 6.7 % to 535,000 ounces from the previous three months. It maintained a full-year forecast of about 2.2 million ounces at a cost of $1,055 to $1,075 an ounce. South Deep output will be 8.5 % lower at 6,500 kilograms, offset by higher output

elsewhere. It will pay an interim dividend of 0.04 rand a share. Gold was up 0.3 % to $1,137.65 an ounce in London. *(Bloomberg)*

Sonangol opens counter to help companies applying for oil blocs in Angola
Sociedade Nacional de Combustíveis de Angola (Sonangol) has opened a counter to help companies pre-qualified for the auction of ten land oil blocs in the Lower Congo and Cuanza River basins, the state-owned company announced in a statement. The counter will be staffed by technical personnel from different areas of Sonangol. Its aim is to deal with requests by companies made eligible during the so-designated 2014/2015 Bidding process, indicates the statement released in Luanda. The counter operates in Luanda's Sonangol building and is open from 24 August to 18 September, the deadline set in July for the 48 companies pre-qualified in April to submit bids. The list of 85 companies pre-qualified to bid for ten new oil blocs includes companies either owned or with stakes involving capital from Sonangol, Sinopec (consortium involving the Angolan and Chinese state companies), Somoil and Grupo Gema.
Sonangol, Sinopec and Somoil are seeking to obtain licenses as operators (companies responsible for leading projects), while Grupo Gema qualifies as a non-operator. The Portuguese companies Galp Energia and Partex, Italy's ENI, America's Chevron and Colombia's Ecopetrol are also competing for operator licenses, while Brazil's Petrobras is seeking a non-operator license after the pre-qualification. The bidding is by means of an auction of blocs to exploit oil in the land basins of the Cuanza (seven) and Congo (three) Rivers. The results should be announced on 21 September. *(Macauhub)*

Mozambique's Area 1 oil bloc requires investment of US$24 billion
The oil groups involved in exploiting the Area 1 bloc of northern Mozambique's Rovuma Basin plan to invest nearly US$24 billion to begin extracting natural gas, the Press Trust of India (PTI) news agency reports.
The following Indian state-controlled groups have stakes in the bloc: Oil and Natural Gas Corp (ONGC) via ONGC Videsh – 16 %; Bharat Petroleum Corporation Limited (BPCL) – 10 %; and Oil India Ltd (OIL) – 4 %. This means that the Indian state holds more than the main partner and operator, the US group Anadarko Petroleum, which has a 26.5 % stake. An ONGC Videsh official cited by PTI indicated that the Area 1 bloc partners will have to invest US$23-24 billion to begin extracting, processing and liquefying natural gas for subsequent export to consumer markets, among them India and Japan.
The aim is to begin processing natural gas in the first quarter of 2020 at a facility to be built on land, said the source cited by the agency, who referred to initial production of 12 million tons. This Area 1 bloc has capacity to annually produce 20 million tons of liquefied natural gas, thereby becoming the second biggest natural gas project after Ras Laffan in Qatar, operated by the US group ExxonMobil. Besides the three Indian state-controlled groups, partners in the bloc operated by the Anadarko Petroleum group include Japan's Mitsui group (20 %), Mozambique's state-owned Empresa Nacional de Hidrocarbonetos (15 %) and the Thai group PTTEP (8.5 %). *(Macauhub)*

Anadarko Finds Mozambique-Gas Buyers as State Mulls Go-Ahead
Anadarko Petroleum Corp. has clinched almost all the supply accords it needs to bring a natural-gas project in Mozambique to fruition and is awaiting state consent to export the fuel as U.S. competition gathers pace.
The company has obtained about 90 % of the heads of agreement, or non-binding accords, it needs to finance an onshore liquefaction plant, country manager John Peffer said by phone from Maputo. Reaching an investment decision on the liquefied natural gas project "is predicated on how quickly we can get the agreements from government," Peffer said. "They're motivated and we're motivated."
Africa's projects to chill gas to a liquid for shipment by sea face competition from the U.S., which is moving ahead with its own export plans after shale production boomed. Mozambique passed laws in the past year to aid LNG development while President Filipe Nyusi, elected in October, made senior appointments to state energy companies ahead of a possible gas bonanza. "Ultimately the timing for taking a final investment decision will be determined by the government's pace agreeing the legal and contractual framework and approving necessary permits," Peffer said. Anadarko expects to submit its development plan in the coming months.
Bucking Trend
The oil and gas producer, based in The Woodlands, Texas, is pursuing the $15 billion Mozambique project at a time when other energy companies have deferred large developments following the collapse in crude, which is trading at less than half its price a year ago. The LNG plant would allow shipments from the largest gas discovery in a decade. "Transition costs associated with the new Nyusi administration may slow things at the margin but ultimately its more technocratic bent should be a positive," said Mark Rosenberg, an Africa analyst at Eurasia Group. Anadarko has secured pledges from Asian buyers for more than 8 million metric tons of LNG a year, or about 90 % of the contracts it needs to proceed with the 12 million-ton-a-year project, according to Peffer. Contractors led by Chicago Bridge & Iron Co. are also starting preliminary work after being selected in May.
As much as 75 trillion cubic feet of gas may lie in the Area 1 prospect off Mozambique's shores, according to Anadarko and its partners. That's enough to meet about 15 years of U.S. residential demand, Energy Information Administration data show. The LNG project is likely to be completed, according to analysts at Bloomberg New Energy Finance. To the

north, gas plans in neighboring Tanzania are "in limbo" as producers await a general election that may push the start of exports to 2025 at the earliest, BNEF said in a report this month. *(Bloomberg)*

Anadarko Petroleum secures sales of natural gas to exploit in Mozambique

The Anadarko Petroleum oil group has obtained 90 % of the supply agreements needed to guarantee financing of its natural gas project in Mozambique, said the director of the subsidiary Anadarko Mozambique Area 1, Lda. John Peffer told Bloomberg financial agency that the group is now waiting for Mozambican government consent to export the natural gas, a necessary condition so it can seek financing to build a plant to liquefy the extracted gas. "Ultimately the timing for taking a final investment decision will be determined by the government's pace agreeing the legal and contractual framework and approving necessary permits," said Peffer, adding that the development plan should thus be submitted in upcoming months.

The American group expects to soon make a final decision on the investment project, which may eventually involve an estimated US$20 billion, at a time when the sector is postponing or cancelling major investments due to falling oil and natural gas prices. Peffer also told Bloomberg that in Asia alone it had assured pledges to buy 8 million tons of liquefied natural gas per year, about 90 % of the contracts it needs to go ahead with the natural gas project in northern Mozambique's Rovuma Basin. Bloc Area 1 has estimated reserves of 75 billion cubic feet of natural gas. *(Macauhub)*

Maurel & Prom eyes further merger after MPI deal to cope with low oil prices

French energy exploration and production company Maurel & Prom said it was reabsorbing its former Nigerian unit MPI as a first step towards tripling in size to cope with the impact of a plunge in the oil price. Maurel & Prom said it was buying MPI in a deal that would give MPI investors one Maurel & Prom share for two shares held. MPI would also pay a 0.45 euro exceptional cash dividend per share before the merger. Chief Executive Jean-Francois Henin said that the group would work intensively in the coming weeks to secure another deal with a competitor of its stature. "Companies the size of MPI, or MPI plus Maurel & Prom, are no longer big enough to remain independent," Henin said. "We can survive, but in terms of the future for our shareholders, it's absolutely necessary to build a larger, more diversified group."

Maurel & Prom and MPI face a tough macroeconomic environment following a 60 % drop in oil prices in the last year. They see expansion as the route to better access to financing and greater opportunities for external growth. "Everyone is talking to everyone, because everyone feels the same need," Henin said. "All players in the sector today are considering how to combine forces with someone else and what are the best possible combinations." The world's top oilfield services provider, Schlumberger, said this week it would buy equipment maker Cameron International for $14.8 billion to offer a broader range of products at lower prices to oil companies slashing budgets. Its rivals Halliburton and Baker Hughes announced a $35 billion tie-up last November. Maurel & Prom said the MPI deal, due to be completed in December, would add Nigeria to its operations in Gabon and Tanzania, giving it presence in three key sub-Saharan oil and gas countries. MPI also had a "strong cash position" with no debt, it said. The combined company would have an enterprise value close to $2 billion, the industry's fourth largest after Tullow Oil, Premier Oil and Genel Energy, or the fifth-biggest by market capitalisation, Maurel & Prom said. The deal was unanimously approved by the boards of Maurel & Prom and MPI, and will be put to a shareholders' vote in December. *(Reuters)*

TELECOM

Government of Mozambique to capitalise state-owned mobile operator Mcel

The government of Mozambique will "trigger funding mechanisms for the re-capitalisation of Mozambique Cellular (Mcel), the mobile phone company that is currently experiencing some financial difficulties," Mozambican daily newspaper Notícias reported. The newspaper also reported the company, owned by the Mozambican state through the Telecomunicações de Moçambique and state stake-holding company Igepe, would present a short-term business plan and an investment programme with several options for ending the crisis and re-establish leadership of the mobile market in the country.

At the end of a visit to the company by Prime Minister Carlos Agostinho do Rosário, the Minister of Transport and Communications, Carlos Mesquita said that although the company's situation "requires more careful treatment," Mcel has managed to honour all its financial obligations, albeit with some difficulties. "We were told that it is necessary for the shareholder, in this case the state, to provide or arrange financing, through the various models available to capitalise so that it can continue to invest," noted Mesquita. Mcel's financial situation had led to some speculation that the government was thinking of selling the state share in the company, which was again denied by the Minister of Transport and Communications, who gave assurances that the disposal of shares will be an option of last resort. Mozambique currently has three mobile telecommunications operators, Mcel, Vodacom Moçambique and Movitel. *(Macauhub)*

Kenya telecoms regulator says not targeting any firm with new competition rules

Kenya's telecoms regulator said that new regulations to prevent large firms abusing their dominant position in the sector are not targeted at Safaricom, the country's biggest operator, or any other company. Amendments to the sector's

competition law, due to come into effect any time, will give the regulator more powers to declare a firm to be dominant, a step that could lead to penalties.
However, the Director General of the Communications Authority of Kenya, Francis Wangusi, said the regulator did not aim to penalise any company just for being dominant, but only if there was abuse of its position in the market. Wangusi said it could be up to 18 months before enough work had been done to determine if any player was dominant - defined as having more than a 50 % share of a market segment. He denied media reports that the regulations were targeted at Safaricom, which is 40 percent-owned by Britain's Vodafone. "There are various markets and we would not want to identify ourselves with anybody who wants to say that we have chosen a certain player to be able to make rules around it," Wangusi told a news conference when asked if Safaricom was the target of the new rules. Safaricom has 67 % of Kenya's 23 million phone customers, and leads segments such as voice and phone-based financial services. Its rivals, subsidiaries of India's Bharti Airtel and France' Orange, have complained its size gives it unfair advantages. The regulator is hiring a consultant to do a study of the telecoms, postal and broadcast markets, Wangusi said. "And that is why it is too early for us to come up to say 'Safaricom you are dominant', because Safaricom can be dominant in certain markets, but not dominant in others," he said.
Safaricom said last month that the new rules could discourage investment by targeting large players; prevent a dominant operator from freely setting prices of retail services; force it to share its network infrastructure at prescribed rates and could potentially lead to the break-up of such a company. Wangusi said the new regulations would further break down the telecoms sectors into segments including mobile and fixed voice, data, text messaging and mobile money transfer services. "In all these markets, we would not apply the same rules. If for example you have significant market power in retail services, you will not have the same rules regulating you like when you have it in wholesale," he said. *(Reuters)*

Telkom Sees Cell C Purchase as Way to Grow Mobile-Phone Business
Telkom SA SOC Ltd., South Africa's biggest landline provider, sees a potential acquisition of closely held wireless company Cell C Pty Ltd. as a way to grow its own mobile-phone business. Cell C "may be part of our solution," Chairman Jabu Mabuza said in an interview in Johannesburg. "Our mobile business is one that needs scale, so we'll continue to look for opportunities." Telkom operates South Africa's fourth-biggest mobile phone provider, and needs to grow the business to help offset declining revenues from its larger fixed-line unit. Cell C, the country's third-largest wireless carrier, is working with Goldman Sachs Group Inc. on a review of the company that could lead to a change in ownership, Chief Executive Officer Jose Dos Santos said in May. Telkom is about 40 % owned by the South African government. The shares gained 0.3 % to 61.68 rand as of 12:55 p.m. in Johannesburg, valuing the company at 32.5 billion rand ($2.5 billion). Cell C is majority owned by Dubai-based Oger Telecom Ltd. *(Bloomberg)*

RETAIL

International sales lift South African conglomerate Bidvest's profit
South African conglomerate Bidvest Group's full-year profits rose, despite tough economic conditions at home, thanks to booming sales at its food business in Europe, the company said. Bidvest, whose operations span auto showrooms, shipping and catering, reported an 8.6 % rise in diluted headline earnings per share to 1,882 cents in the year to June, slightly better than the mean estimate of 11 analysts in a Reuters poll. Headline EPS is the most widely watched profit measure in South Africa and strips out certain one-off items. "Though South African businesses grew only about 4 %, our international food services business grew by around 25 %," David Cleasby, group financial director, told reporters. Food sales in Britain and the rest of Europe now account for a third of the group's turnover. Bidvest's full-year sales rose 11.6 % to 204.9 billion rand ($15.41 billion). Chief Executive Brian Joffe still sees good opportunities in China despite slowing growth there and the company said sales in Shanghai, Beijing, Guangzhou and Shenzhen had exceeded expectations. But the company is changing its approach to its home continent. "Africa has been a difficult place for us to grow into," said Joffe, citing infrastructure problems. The group will now focus on getting partners on the ground and agents as it expands deeper into Africa, he said. Shares in Bidvest were up 3 % at 314.43 rand by 1232 GMT, outperforming the Johannesburg stock exchange's top 40 index 0.3 % fall. ($1 = 13.2995 rand) *(Reuters)*

Woolworths Sees Further Gains From David Jones Turnaround
Woolworths Holdings Ltd., South Africa's biggest retailer by market value, said rising profit at newly acquired Australian chain David Jones Ltd. and market-share gains are helping to counter the pressure on consumers in its home market. David Jones' profit margin was 7.6 % at the end of June, compared with about 3 % at the time of its $2 billion purchase last year, Chief Executive Officer Ian Moir said in a presentation in Cape Town. Woolworths plans to increase the figure to more than 10 % by fiscal 2018, he said. South African unemployment of 25 %, power cuts and rising fuel prices are putting pressure on shoppers to cut down on major purchases in Woolworths' home market. The country's economic climate is "going to be tougher than the year we've had," Moir said. Trading for the first eight weeks of the new financial year has been "strong in both South Africa and Australia," the CEO said. "The upper-income consumer in both regions should remain relatively resilient," he said. While lower commodity prices will continue to curb growth in the South African and Australian economies, Woolworths "will gain market share."

Beating Estimates
Net income at the seller of organic foods and international clothing brands such as Country Road rose 24 % to 3.75 billion rand ($287 million) in the year through June 28, the Cape Town-based company said in a statement. That compares with the 3.65 billion rand estimate of six analysts surveyed by Bloomberg. Sales gained 42 % to 56.5 billion rand, including the David Jones purchase. Food sales climbed 14 %, while clothing revenue increased 9.6 %. Strong second-half trading at David Jones lifted that unit's full-year sales by 6.4 %. Woolworths shares, which have climbed 24 % this year, slid 2.3 % to 96.60 rand as of 12:17 p.m. in Johannesburg. The stock is still the best performing major retailer on the FTSE/JSE Africa General Retailers Index. The company is valued at 92 billion rand. Woolworths has changed the David Jones clothes range, increased staff numbers and focused on ensuring employees have better knowledge of the products, Moir said. While some David Jones stores may be closed and formats of existing shops changed further, Woolworths also plans to open more outlets.

Boosting Employment
"Our aim is to open different formats in different places including New Zealand, driving better relationships with customers and employing many more people," Moir said. Woolworths plans to improve the David Jones food offering by expanding stores first and eventually opening stand-alone food outlets. "There is a big gap in the Australian market for fresh food," Moir said. "Food has become the new fashion with high expectations from customers that want to engage and interact. At David Jones the food offering is a bit tired." The company plans capital spending of 1 billion rand at David Jones in the current fiscal year, 2 billion rand at Woolworths and just over 500 million rand at Country Road. *(Bloomberg)*

AGRIBUSINESS

Mozambique plans to increase import costs of some agricultural products
The government of Mozambique is considering the introduction of surcharges on imports of products such as rice, beans, meat and eggs in order to promote domestic production, sale and processing, said the Minister of Agriculture and Food Security. Minister José Pacheco said has already been a successful experience with regard to sugar imports, whose surcharge has just been increased, and also said the general idea is that surcharges for other products increase further as national production grows. Mozambican daily newspaper Notícias reported that rice farmers in particular have been complaining about imports undermining production in Mozambique as there are no restrictions on product entry, including cracked rice, which is considered to be of low quality. For sugar, the government announced a few days ago that the import benchmark price per ton of raw sugar had been increased from US$385 to US$806 and refined sugar from US$450 to US$932. The measure is intended to ensure fair competition with the Mozambican sugar industry and allow the replacement of imports with domestic production, leading companies to invest more and create more jobs. The Ministry of Agriculture and Food Security identified 15 strategic products for development and investment in the farming sector, such as corn, rice, beans, cassava, potatoes, poultry, beef, vegetables, banana, sugar, wheat, sesame, soy, cashew nuts and cotton. Of these fifteen products, corn, beans, vegetables, cassava, poultry and cattle farming were chosen as priority areas. *(Macauhub)*

Mozambique aims to establish special economic zones for agriculture
Mozambique has identified 24 development poles with potential for the creation of special economic zones (SEZs) for agriculture, with a view to promoting investment and increasing farm production, the minister for Agriculture and Food Safety said.
The 24 development poles are the districts of Manhiça and Moamba in the Maputo corridor, Xai-Xai, Chókwè and Massingir (Limpopo), Nhamatanda, Caia, Báruè, Sussundenga, Mossurize, Macate and Vanduzi (Beira corridor), Namacurra, Mocuba and Angónia (Zambeze Valley), Malema, Ribáuè, Cuamba, Mecanhelas and Mandimba (Nacala), and Balama, Namuno, Montepuez and Nguri/Namacande (Pemba/Lichinga corridor). Minister José Pacheco told the Maputo daily Notícias that the establishment of special economic zones for agro-business was being coordinated with the Ministry of Economy and Finance and that operators may eventually benefit from some exemptions with respect to taxes. The agricultural development corridors were determined based on agro-climate conditions, strategic location vis-à-vis markets, existing or planned infrastructures and the need to diversify farm products. Opportunities in the value chain for products such as potatoes, wheat, beans, maize, soy, rice and others deriving from poultry, cattle and forestry activities have been identified in the six corridors. The newspaper reports that Mozambique's experience with SEZs is relatively recent, dating to Government Decree no. 75/2007, which established the Office for Accelerated Economic Development Zones. Five SEZs have been established to date: Nacala Special Economic Zone in Nampula province, Manga/Mungassa in Sofala, Crusse e Jamali in Nampula, Beluluane Industrial Park in Maputo and Mocuba in Zambézia. *(Macauhub)*

Mozambican factory to extract cashew shell oil
A factory to extract oil from cashew nutshells will begin operating in the city of Nacala-Porto in Nampula province in 2017, said the provincial delegate of the Cashew Promotion Institute (Incaju), Jaime Chissico.

The project counts financing from the central government and cooperation partners and the respective plans are in a very advanced phase, said Chissico, cited by the Maputo daily Notícias. During a visit by provincial governor Victor Borges, Chissico explained that oil extracted from cashew shells is “considered vital in various industrial sectors,” among them civil aviation, and that there was no lack of raw material in Nampula, Mozambique’s leading producer of cashews.
The project’s feasibility studies are not yet finished and neither the minimum required investment, nor the capacity of the future factory, are known. However, Chissico guaranteed that those details would be available by the end of this year. Mozambique was at one time before independence in 1975 the world’s leading producer of cashew nuts, with annual commercialised production of 216,000 tons. *(Macauhub)*

New rules for fish exports from Cabo Verde to the EU

Fishing operators from Cabo Verde (Cape Verde) must henceforth obtain a health certificate to export their products to the European Union, per terms of an administrative rule published in the official gazette. The ordinance replaces one dated March 2009 and introduces the mandatory health certificate for export products as a single and inseparable document. Its application will be overseen by the official inspector authorised by the Authority for Fisheries Products (Acopesca). The respective preamble indicates that the change is meant to adjust the sector to European Union rules for the import/export of products for human consumption and to improve the business environment between the two markets, reports the Cabo Verdean newspaper A Semana. Cabo Verde has been included for years on the list of countries authorised to export to the European Union, which is the leading recipient of fish from the island nation. The country’s fisheries sector accounts for more than 80 % of exports. The government’s current strategy includes efforts to stimulate the so-called ‘sea cluster’, optimising the value chain that the sea represents for the Cabo Verdean economy. *(Macauhub)*

Cabo Verdean company sells coffee to Starbucks

The Cabo Verdean company Fogo Coffee Spirit has sold 6,960 kg of coffee to the American company Starbucks, the first time the company has placed its products in the US market, reports Cabo Verde’s Inforpress agency. The export of coffee from Fogo was one of the goals behind the creation of Fogo Coffee Spirit, a partnership between the Dutch company Trabocca, Cabo Verde’s Capital Consulting and the Associação dos Produtores do Café dos Mosteiros (Pro Café). Fogo Coffee Spirit has previously been sold to countries such as Japan, Russia, the Netherlands, Germany and Italy.
The product exported to the United States complied with all parameters required by the importing country per the plant health certificate issued by the Rural Development Ministry’s office on Fogo Island, reports Inforpress, citing officials from Fogo Coffee Spirit.
For the last two years the company has been working to develop a project meant to internationally promote the country and its coffee. Plans call for coffee production to increase from the current 30 tons (average annual production) to 300 tons on a ten-year horizon. Fogo (biological) coffee is cultivated in a fertile mountainous area with several microclimates in Mosteiros municipality, mainly at Morgadio de Monte Queimado, the island’s largest unified property dedicated to coffee production. It was awarded the gold medal at the 1934 Portuguese Colonial Exhibition in Porto and in 1949 in Lisbon, distinguished as the “empire’s best coffee”. In the early 20th century Fogo coffee was presented at the Paris world’s fair and at the time was recognised as the best coffee in the then Portuguese Empire, surpassing in quality coffees from Angola, São Tomé and Príncipe and Timor. *(Macauhub)*

UPCOMING EVENTS

AFRICA – JAPAN BUSINESS INVESTMENT FORUM 31st August - 2nd September 2015, Addis Ababa, Ethiopia - For information: Erika Atzori e.atzori@icpublications.com

4th African Pensions, Sovereign Funds & Insurance Forum, 10-11 September 2015 – London
http://apsfif.com/index.php?page=London-Europe-Forum

South Africa: Super Investor Africa: 14 – 16 September 2015 - *http://www.superinvestorafrica.com/*

AFRICA ISLAMIC FINANCE FORUM, 17-18 September 2015, Sofitel Abidjan Hotel Ivoire
http://redmoneyevents.com/main/event.asp?IFN=AfricaIslamicFinanceForum2015

7th African Business Awards 20th September, New York, USA
Designed to celebrate excellence in African business, the African Business Awards gala cocktail will be held during the UNs General Assembly and in conjunction with the African Leadership Forum and the UN Private Sector Forum. *www.ic-events.net*

2nd African Leadership Forum (ALF) 21st September, New York, USA
The 2nd ALF will discuss the role of leadership in driving transformative growth and development in Africa. It will be held in conjunction with the African Business Awards and the UN Private Sector Forum. *www.ic-events.net*

London: East Africa Pensions and Sovereign Funds Investment Forum: 22 - 24 September 2015
https://live.ft.com/Events/2015/FT-Africa-Summit-2015

Innovation Africa 2015 – Devolping African Skills for the 21st Century, 30 Sept – Oct 2, Lake Victoria, Uganda
http://innovation-africa.com/2015/

FT Africa Summit 2015 London, 04 - 05 October 2015, at Claridge's Hotel
Sustaining the Momentum in what looks set to be a less benign external environment – with prices falling for many of the commodities African countries rely on for export earnings - will require governments to be more judicious in the way they spend scarce resources and more proactive in providing a competitive environment for business.
https://live.ft.com/Events/2015/FT-Africa-Summit-2015

Dubai: Super Return Middle East - The Largest Private Equity Event in the MENA Region: 4 - 7 October 2015

Katanga Mining Week, 20-21 October, Lubumbashi, DRC
The Katanga Mining Week focuses more on the local challenges of the province as well as the role of the mining industry in social development responsibilities. Katanga is the hub of copper and cobalt mining in the DRC.
www.ipad-katanga.com

Global Pacific & Partners' 22nd Anniversary Africa Oil Week/Africa Upstream Conference 2015, 27th- 30th October 2015, Cape Town International Convention Centre, South Africa
The longest-running and most prominent event held worldwide in or on the Continent for its fast-growing oil, gas-LNG and energy industry. *http://aow.globalpacificpartners.com/events/?fa=event&id=937&evid=938*

Future of Banking Africa, November 10th Intercontinental Lagos Nigeria
Africa is rising and is becoming the new banking destination.
www.futureofbankingafrica.economist.com

The Global African Investment Summit, 1-2 December 2015 Central Hall Westminster, London UK
www.tgais.com/africanbusiness

Mining Indaba 2016 Cape Town, South Africa -01 to 04 February 2016
http://www.saceec.com/events/view/mining-indaba-2016

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Disclosures

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

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

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

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