INSIDE AFRICA

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EAGLESTONE SECURITIES

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- Africa's big oil producers seek World Bank support

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- Angola negotiates new loan with World Bank
- Angola issues debt for Angola Invest programme
- Angola central bank raises lending rate to 12 pct
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Cameroon

- €89-million AfDB loan to finance Agricultural Value Chain Development Project in Cameroon

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Ghana

- Inflation rate now at 17.7 %
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Mozambique

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- Nigeria plans up to $5 bln borrowing from sources including Eurobonds: finance minister

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- Rwanda to issue $20 mln local currency bond to develop infrastructure

Uganda

- AfDB approves US $76.7-million for Uganda's agriculture programme

In-depth:
South Africa: Country Outlook

POLITICAL STABILITY: The ruling African National Congress (ANC) will remain the dominant political force until the next election in 2019 and is likely to retain power after that. Jacob Zuma's presidency will end in 2019, at the conclusion of his second (and final) five-year term, although his tenure could be cut short if the corruption charges against him, dropped in controversial circumstances before the 2009 election, were to be reinstated. The cabinet will continue to represent a balance of the ANC's diverse factions, and there will be no major shifts in policy, which will continue to feature a mixture of favourable and unfavourable elements. Mr Zuma will continue to back key moderates, including the deputy president, Cyril Ramaphosa--a former businessman and a pragmatist--who will continue to play a leading economic role. However, Mr Zuma's efforts to placate the left and hold together the ANC's "broad church" will continue to compromise the effectiveness of his presidency. Mr Zuma's surprise appointment of an inexperienced finance minister in December, before he recalled Pravin Gordhan (who was finance minister in 2009-14) to the post four days later, underlines his indecisiveness and poor grasp of economic policy.

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

INTERNATIONAL RELATIONS: South Africa, with the most advanced economy in Africa, will play an important role in regional and world affairs. The country will remain deeply engaged with Africa, particularly Southern Africa, and will continue to support peacekeeping operations in the continent's conflict zones. Alongside fellow members of the Southern African Development Community, South Africa will also seek to build closer "South-South" ties, especially with China, India and Brazil, as well as with other African trade blocs. South Africa will also prioritise the maintenance of close relations with the EU and the US.

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

ECONOMIC GROWTH: The Economist Intelligence Unit expects real GDP growth to edge down to just 1.2% in 2016 (revised down from 1.5% last month)--from an estimated 1.4% in 2015--because of several major constraints including the persistence of power shortages, a serious drought, rising interest rates and a slowdown in China.

The risk of strikes will remain elevated and the high, 25% unemployment rate is likely to move upwards, thereby depressing aggregate demand. More positively, tourism may experience a modest rebound (after the government agreed to ease visa restrictions imposed in 2014-15), and higher real wages for those in work will help to support household consumption. Cheap oil will continue to facilitate growth in 2016, based on our updated commodity price projections. Growth will quicken in 2017 but will remain subdued at 2.6%, in view of heightened global uncertainties, including the prospect of a further slowdown in China. Electricity supplies are poised to improve (as additional units at new power plants are commissioned), but there is a risk of further delays, and power tariffs will remain on an upward trajectory, adding to business and household costs. Other constraints include sluggish private investment (because of strike threats and policy uncertainty), fiscal consolidation and progressively tighter money (in line with expected global trends). Structural constraints such as skills shortages, high employment and inefficient parastatals will also weigh on economic activity. Prospects for 2018-20 are a little brighter, with growth rising to an average of 3% a year, helped by the progressive easing of power supply constraints and transportation bottlenecks as major projects are completed. A modest pick-up in job creation and real wages will underpin the expansion of the black middle classes and spur consumer outlays on goods and services. Nonetheless, tighter fiscal and monetary policy will continue to inhibit growth, as will political and policy uncertainties surrounding the 2019 election. A negative external balance will continue to weigh on economic growth in 2016-20.

INFLATION: We forecast that average annual inflation will remain within the 3-6% target range, set by the South African Reserve Bank (SARB, the central bank), during the forecast period--despite possible temporary breaches--helped by prudent monetary policy and sluggish demand. Nonetheless, we expect inflation to rise to 5.8% in 2016 (from an estimated 4.7% in 2015) because of a drought-related increase in food prices, exacerbated by further brisk depreciation of the rand, although stagnant oil prices will afford some relief. Inflation will edge up in 2017-18 (to

5.8%)--because of higher oil prices and double-digit annual increments in electricity tariffs, which will both feed through into other price categories--before easing slightly in 2019-20. Higher real wages, driven in part by labour militancy, may also be inflationary, although demand-side pressures will be fairly muted, especially given the phased tightening of monetary policy. Efficiency gains arising from infrastructure investment, stricter competition policy and a progressively slower pace of rand depreciation in 2017-20 will help to keep annual average inflation within the 5-6% range in 2016-20, thereby meeting the SARB's target.

EXCHANGE RATES: The rand weakened sharply in December to an average of R14.94:US$1--30.3% weaker year on year and 5.7% weaker month on month--underlining a trend of depreciation underlying significant short-term volatility. December's sharp slide stems from negative revisions to South Africa's creditworthiness by ratings agencies, and a small increase in US interest rates, which is putting pressure on a range of emerging-market currencies. Uncertainties surrounding the Chinese economy (a major trade partner) and concerns about South Africa's future policy direction--after the president appointed an inexperienced finance minister before dropping him again four days later--are also weighing on sentiment. Other negative factors are South Africa's sluggish pace of real GDP growth and a persistent current-account deficit, which requires inflows of volatile foreign portfolio investment to fill the gap. Monetary tightening will offer some support to the local currency, but deteriorating domestic conditions alongside heightened global uncertainty have warranted downward revisions to our rand forecasts for 2016-20.

We now expect the currency to tumble to R16.55:US$1 in 2016 (22.9% weaker year on year) before a more gradual slide to R17.6:US$1 in 2017 and R20:US$1 in 2020. The rate of annual depreciation will ease in 2017-20, helped by monetary tightening, barring exogenous shocks or unwelcome policy shifts.

EXTERNAL SECTOR: After falling to an estimated 4% of GDP in 2015, because of a smaller merchandise trade shortfall in the wake of lower oil prices, the current-account deficit will widen to 4.4% of GDP in 2016 and 4.6% of GDP in 2017. The increase reflects relatively subdued demand and prices for most minerals--which account for more than half of export earnings--because of the slowdown in China and global fragilities, although rand depreciation will bolster the competitiveness of non-mineral exports (such as automobiles). South Africa's expected retention of trade preferences under the African Growth and Opportunity Act (AGOA) will also help exports. Import growth will be driven by food (in 2016), costlier oil (in 2017) and capital equipment for infrastructure projects, although consequent improvements in logistics capacity and power supplies will facilitate exports in the medium term. Nonetheless, the invisibles deficit (on services, income and current transfers) will remain far wider than the goods deficit, and will account for most of the rise in the current-account shortfall in 2016-17. We expect the current-account deficit to continue widening in 2018-19, before easing slightly to 5% of GDP in 2020. Export growth will quicken but imports will expand at a faster pace, partly because of costlier oil, leading the merchandise trade gap to widen in 2017-18 before narrowing in 2019-20. The invisibles deficit will also increase, underpinned by income payments to foreign investors and transfers to fellow members of the Southern African Customs Union. These will offset growth in tourism inflows and income earned by outward investors. The persistent current-account shortfall will leave South Africa reliant on external capital to fill the gap. *(Economist Intelligence Unit)*

Fitch Affirms Cabo Verde at 'B'; Outlook Stable

Fitch Ratings has affirmed Cabo Verde's Long-term foreign and local currency Issuer Default Ratings (IDR) at 'B' with Stable Outlooks. The Country Ceiling has been affirmed at 'B+' and the Short-term foreign currency IDR at 'B'.

KEY RATING DRIVERS

Cabo Verde's 'B' rating balances low growth and high public and external debt with strong governance indicators and a high degree of concessionality of public and external debt. More specifically, it reflects the following key rating drivers:

The country's high public debt represents the main credit weakness. It has risen quickly to an estimated 120% of GDP at end-2015, from 57% in 2008, more than twice the 'B' category median of 51%. This largely reflects a large public investment programme to improve infrastructure and subdued fiscal revenues related to weak growth. Fitch forecasts public debt/GDP will stabilise in 2015-2017, and decline gradually thereafter, based on our baseline assumption of declining budget deficits and a moderate pick-up in growth. Public debt sustainability is sensitive to exchange rate stability, with 76% of debt denominated in foreign currencies, although risks are mitigated by the high share of debt from international official creditors at extremely long maturities and low cost.

Fitch estimates the budget deficit narrowed sharply to around 4.8% of GDP in 2015, from 7.4% in 2014, thanks to improved revenues (+19% over the first nine months of 2015) and reduced capital spending. However, it was still above the 'B' median of 3.9%. The government targets a 3.5% of GDP budget deficit by 2018 through a mix of revenue and spending measures. This implies that capital expenditure, which has already fallen to 6.6% of GDP in 2015 from 10.3% in 2012, will decline further in line with tapering assistance from international official creditors.

Real GDP growth performance and potential is weak. It averaged just 2% in the five years to 2015, below the 'B' median of 4.6%. Fitch estimates GDP growth was a moderate 2% in 2015 despite a pick-up in FDI and tourism receipts. Raising growth potential will depend on a pay-off from recent heavy infrastructure investments, and prospects in tourism and agro-processing, but are dependent on continued recovery in the EU.

The peg with the euro has supported macroeconomic stability since its implementation in 1998, reducing inflation and real effective exchange rate volatility. However, Cabo Verde's small size (with half a million inhabitants) induces higher growth volatility than most peers.
As a small economy lacking natural resources and exposed to a large food and energy deficit, Cabo Verde runs a structural current account deficit despite strong remittances and tourism receipts (representing around 10% and 20% of GDP, respectively). We estimate it declined to 6% of GDP in 2015, from 8.7% in 2014, thanks to a better tourism season and lower international oil prices. The deficit has historically been financed mainly by external debt, even if FDI inflows, particularly in the tourism sector, are higher than most sub-Saharan peers.
At an estimated 65% of GDP at end-2015, net external debt is three times higher than the 'B' median and increasingly diverging from it. Public debt inflows have ensured growing international reserves, which covered nearly five months of current account payments at end-2015, a comfortable level to protect the peg.
Governance indicators perform much better than the 'B' median, reflecting strong and democratic institutions. The 2016 legislative, local and presidential elections are expected to be fair and transparent and are unlikely to lead to significant policy changes. Development indicators are better than in most sub-Saharan African countries.
RATING SENSITIVITIES
The Stable Outlook reflects Fitch's assessment that the upside and downside risks to the rating are broadly balanced.
The main factors that, individually or collectively, could trigger negative rating action are:
-Failure to stabilise the public debt to GDP ratio.
-Declining growth prospects.
-A sharp increase in the sovereign's debt service burden.
The main factors that, individually or collectively, could trigger positive rating action are:
-A marked decline in the public debt to GDP ratio.
-An improvement in growth potential.
KEY ASSUMPTIONS
Fitch assumes the peg with the euro will remain.
Fitch assumes that concessional financing to Cabo Verde will continue declining in line with the country's graduation to middle income country, therefore reducing public investment, and supporting a gradual reduction in budget deficits.
Fitch assumes that eurozone growth will slightly pick up to 1.7% in 2016 and 2017, supporting FDI and remittance inflows. *(Fitch)*

Moody's Assigns First-Time Ratings to Nigeria's Bank of Industry: Ba3, stable
Moody's Investors Service has assigned first-time ratings to Nigeria's Bank of Industry, a development finance institution: Ba3/Not Prime Local and Foreign Currency Issuer Ratings.
These ratings are underpinned by a b2 standalone credit profile and two notches of uplift due to our government support assumptions. The outlook on all the ratings is stable.
Bank of Industry's b2 standalone profile reflects (1) its robust capital buffers, with an equity to assets ratio of 30% as of September 2015; (2) a stable liability structure made up of long-term funding at concessional rates; and (3) the tangible improvements to the bank's governance and risk positioning in recent years. These strengths are balanced against (1) Nigeria's currently challenging operating environment; and (2) our projection that asset quality will be increasingly pressured given the rapid loan growth strategy that the bank is pursuing, particularly in the micro, small and medium-sized enterprises (MSMEs) segment, which may expose the bank to riskier assets.
The Ba3 issuer rating incorporates two notches of rating uplift from the b2 standalone profile, reflecting our assumption of a high probability of support by the Nigerian government in case of need. This assumption is underpinned by Bank of Industry's 95% Ministry of Finance and 5% Central Bank of Nigeria (CBN) ownership, as well as its policy role.
Bank of Industry is the leading development finance institution in Nigeria, with assets of over N701 billion ($3.5 billion) and is mandated to support the establishment of new domestic businesses and the expansion or rehabilitation of existing domestic businesses.
ROBUST CAPITAL BUFFERS DESPITE MODEST INTERNAL CAPITAL GENERATION CAPACITY
A key strength of Bank of Industry's credit profile is its robust levels of tangible common equity. As of September 2015 tangible common equity as a percentage of total assets stood at 30%, up from 26% in 2014, which is substantially stronger than similarly-rated global peers. Although we expect Bank of Industry's capitalization to decline going forward due to its planned loan book growth of about 20% annually, we anticipate that tangible common equity as a percentage of total assets will remain above 20% for the next 12 to 18 months, which will still leave the bank with a robust capital cushion that compares favourably to peers internationally.
While Bank of Industry's high capitalization was achieved via the injection of public funds at inception, the bank will rely on profits to generate capital organically. However, in the near term, profits will likely remain too modest to support the bank's current loan growth strategy.
Bank of Industry's profitability is shaped by its mandate to provide long-term affordable financial assistance for the establishment of large, medium and small projects. Moody's-adjusted return-on-average assets ratio has averaged just 1.9% over the last three years, despite the bank's minimal cost of funding.

Over the next two years, as Bank of Industry grows its risk assets, we expect higher provisioning requirements to put further pressure on the bank's profitability metrics, although its good provisioning coverage -- which amounted to 128% of problem loans in 2014 and compares favourably to global peers -- will likely reduce the level of future provisioning required.

STABLE LIABILITY STRUCTURE COMPRISED OF LONG-TERM FUNDING AT CONCESSIONAL RATES

We view Bank of Industry's access to concessional wholesale funding as a strength, given that most of the bank's funding is long term and from the Central Bank of Nigeria (CBN) in the form of a zero-coupon bond of $535 million maturing in 2025, with the remainder coming from legacy, inexpensive, bilateral loans contracted before 2011. Going forward, Bank of Industry intends to increase its leverage primarily in the form of long-term bilateral loans from supranational organisations.

In September 2015, Bank of Industry also secured a 10-year $100 million line of credit from the African Development Bank (Aaa, stable). The foreign currency line of credit is designed for on-lending to MSMEs engaged in export-oriented businesses. The first tranche of $50 million was disbursed to Bank of Industry at a concessional rate and benefited from a guarantee by the Nigerian government. While the bank does not consider a government guarantee a requirement to raising additional funding in the future, we expect that the bank will continue to benefit from similar access to concessional, long-term, bilateral agency funding that will continue to support its credit profile.

Bank of Industry maintains generally low liquidity buffers, partly because it does not have to comply with the CBN's liquidity requirements for commercial banks. The bank's liquid-to-total-assets ratio was 16% as of September 2015, up from 5.2% at the end of 2014. At the same time, we acknowledge that the long-term maturity profile of its funding (and, therefore, the relatively small size of its annual refinancing needs) reduces the bank's exposure to liquidity shocks, especially given that the average duration of Bank of Industry's assets is much lower than that of its liabilities -- a rare but credit positive characteristic for a financial institution.

TANGIBLE IMPROVEMENTS TO THE BANK'S GOVERNANCE AND RISK POSITIONING IN RECENT YEARS

Bank of Industry's credit profile also continues to benefit from recent and ongoing tangible improvements to the bank's governance and risk positioning. Since 2012, improvements have been made to Bank of Industry's governance structures as well as its risk management processes and procedures. Prior to 2012, Bank of Industry's internal systems and processes had prevented the bank from qualifying for long-term bilateral funding from supranational organisations.

In 2014, Bank of Industry strengthened its governance structure via revisions to its board governance charter, the establishment of a new board of directors and the appointment of a new managing director and chief executive officer with relevant experience at top-tier domestic commercial banks.

There are ongoing improvements to Bank of Industry's risk management processes and procedures, many under the advice of external consultants. Most recently, in March 2015 the bank upgraded its core banking platform, which has served to increase the efficiency of Bank of Industry's internal processes and procedures relating to loan origination while improving underwriting and monitoring, which will ultimately lead to greater cost efficiency. Bank of Industry's cost-to-income ratio has already declined steadily in recent years to 34.5% as of end-September 2015 from 51.1% in 2012, reflecting improvements to its internal functions. Bank of Industry has also recently established a loan monitoring and recovery department and has increased its geographic presence through the opening of new offices and branches. The bank now has operations in 15 states, up from seven in 2014.

INCREASED CREDIT RISKS STEMMING FROM CHALLENGING OPERATING CONDITIONS AND INCREASED EXPOSURE TO MSME LOANS.

Bank of Industry's reported nonperforming loans ratio (NPLs) is relatively low at 4.6% as of November 2015 and compares favourably to development bank peers globally. Low NPLs are partly explained by the exposures relating to the CBN intervention fund, which are guaranteed by commercial banks and, as such, have generated close to zero NPLs as Bank of Industry exercises the guarantee immediately after any of these loans become delinquent.

That said, the ratings currently assigned to Bank of Industry take into account our expectation of a higher NPL level (between 5 and 10% of total loans) over the next two years, as we expect asset quality to come under pressure as the bank increases its loan exposure within Nigeria's challenging operating environment. Bank of Industry plans to double its total loan book size over the next four years and to increase its MSME portfolio by 14 times its currently modest size. This MSME target corresponds to an annual growth rate of 93%, albeit from a very low base (4% of total portfolio). Bank of Industry projects that about half of new loans that will be extended in the future will be guaranteed by a commercial bank.

While the medium-term growth prospects for the Nigerian economy and its banks remain fundamentally promising, we anticipate increased credit risks as a result of currency volatility, reduced confidence and consumption and lower -- though still comparatively robust -- economic growth. We forecast that real GDP growth will decelerate markedly to 3.5% in 2015 from over 6% in 2014.

WHAT COULD MOVE THE RATING -- UP/DOWN

An upgrade in the bank's rating could be triggered by improvements in the operating environment combined with an upgrade of Nigeria's sovereign rating (Ba3, stable) given that the sovereign rating currently acts as a constraint on Bank

of Industry's rating. Independently from long-term ratings, the bank's standalone profile of b2 could be increased over time if the bank's asset quality track record shows greater resilience than assumed in the ratings.
Conversely, downwards pressure on Bank of Industry's issuer rating would develop if Nigeria's sovereign rating was downgraded, although this remains a low probability event, as implied by the stable outlook on the government's rating. Also, any significant deterioration in asset quality and profitability could negatively impact Bank of Industry's standalone credit profile and issuer ratings.
LIST OF ASSIGNED RATINGS
Bank of Industry:
- Long-term Local Currency and Foreign Currency issuer ratings: Ba3; Outlook Stable
- Short-term Local Currency and Foreign Currency issuer ratings: Not Prime
- Standalone credit profile: b2

(Moodys)

SOVEREIGN RATINGS

Eurozone

	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
01-02-2016	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Austria	Aaa	AA+	AA+	P-1	A-1+	F1+
Belgium	Aa3	AAu	AA	NR	A-1+u	F1+
Cyprus	**B1**	BB-	B+	NP	B	B
Estonia	A1	AA-	A+	NR	A-1+	F1
Finland	Aaa	AA+	AAA	NR	A-1+	F1+
France	Aa2	AAu	AA	NR	A-1+u	F1+
Germany	Aaa	AAAu	AAA	NR	A-1+u	F1+
Greece	Caa3	B-	CCC	NP	B	C
Ireland	Baa1	A+	A-	P-2	A-1	F1
Italy	Baa2	BBB- u	BBB+	P-2	A-3u	F2
Latvia	A3	A-	A-	NR	A-2	F1
Lithuania	A3	A-	A-	NR	A-2	F1
Luxembourg	Aaa	AAA	AAA	NR	A-1+	F1+
Malta	A3	BBB+	A	NR	A-2	F1
Neherlands	Aaa	AAAu	AAA	P-1	A-1+u	F1+
Portugal	Ba1	BB+u	BB+	NR	Bu	B
Slovakia	A2	A+	A+	NR	A-1	F1
Slovenia	Baa3	A-	BBB+	NR	A-2	F2
Spain	Baa2	BBB+	BBB +	P-2	A-2	F2
United Kingdom	Aa1	AAAu	AA+	NR	A-1+u	F1+

Sources: Bloomberg, Eaglestone Advisory

North and South America - Asia

	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
01-02-2016	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Argentina	Ca	Sdu	RD	NR	Sdu	RD
Australia	Aaa	AAAu	AAA	NR	A-1+u	F1+
Brazil	Baa3 * -	BB+	BB+	NR	B	B
Canada	Aaa	AAA	AAA	NR	A-1+	F1+
China	Aa3	AA-	A+	NR	A-1+	F1
Colombia	Baa2	BBB	BBB	NR	A-2	F2
Cuba	Caa2	NR	NR	NR	NR	NR
Hong Kong	Aa1	AAA	AA+	NR	A-1+	F1+
India	Baa3	BBB-u	BBB-	NR	A-3u	F3
Japan	A1	A+u	A	NR	A-1u	F1
Macau	Aa2	NR	AA-	NR	NR	F1+
Mexico	A3	BBB+	BBB+	WR	A-2	F2
Singapore	Aaa	AAAu	AAA	NR	A-1+u	F1+
Uruguay	Baa2	BBB	BBB-	NR	A-2	F3
Venezuela	Caa3	CCC	CCC	NR	C	C
United States	Aaa	AA+u	AAA	NR	A-1+u	F1+

Sources: Bloomberg, Eaglestone Advisory

Region - Africa/Middle East

01-02-2016	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Angola	Ba2	B+	B+	NR	B	B
Bahrain	Baa3	BBB-	BBB-	NR	A-3	F3
Benin	NR	NR	WD	NR	NR	WD
Botswana	A2	A-	NR	NR	A-2	NR
Burkina Faso	NR	B-	NR	NR	B	NR
Cameroon	NR	B	B	NR	B	NR
Cape Verde	NR	B	B	NR	B	B
Egypt	B3	B-	B	NR	B	B
Emirate of Abu Dhabi	Aa2	AA	AA	NR	A-1+	F1+
Ethiopia	B1	B	B	NR	B	B
Gabon	Ba3	B	B+	NR	B	B
Ghana	B3	B-	B	NR	B	B
Iran	NR	NR	NR	WR	NR	NR
Iraq	Caa1	B-	B-	NR	B	B
Israel	A1	A+	A	NR	A-1	F1
Ivory Coast	Ba3	NR	B+	NP	NR	B
Jordan	B1	BB-	NR	NR	B	NR
Kenya	B1	B+	B+	NR	B	B
Kuwait	Aa2	AA	AA	NR	A-1+	F1+
Lebanon	B2	B-	B	NP	B	B
Lesotho	NR	NR	BB-	NR	NR	B
Libya	NR	NR	WD	NR	NR	WD
Mali	NR	NR	WD	NR	NR	NR
Mauritius	Baa1	NR	NR	NR	NR	NR
Morocco	Ba1	BBB-	BBB-	NR	A-3	F3
Mozambique	B2 * -	B-	B	NR	B	B
Namibia	Baa3	NR	BBB-	NR	NR	F3
Nigeria	Ba3	B+	BB-	NR	B	B
Oman	A1	BBB+	NR	NR	A-2	NR
Qatar	Aa2	AA	AA	NR	A-1+	F1+
Republic of Congo	Ba3	B	B+	NR	B	B
Republic of Zambia	B2	B	B	NR	B	B
Rwanda	NR	B+	B+	NR	B	B
Saudi Arabia	Aa3	A+	AA	NR	A-1	F1+
Senegal	B1	B+	NR	NR	B	NR
Seychelles	NR	NR	BB-	NR	NR	B
South Africa	Baa2	BBB-	BBB-	P-2	A-3	F3
Tunisia	Ba3	NR	BB-	NR	NR	B
Uganda	B1	B	B+	NR	B	B
United Arab Emirates	Aa2	NR	NR	NR	NR	NR

Sources: Bloomberg, Eaglestone Advisory

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

IMF, WORLD BANK & AFRICAN DEVELOPMENT BANK

Feeding Africa: AfDB holds planning meeting with Consultative Group on International Agricultural Research

The African Development Bank Group (AfDB) hosted a planning meeting with a delegation from the Consultative Group on International Agricultural Research (CGIAR) and the Forum for Agricultural Research in Africa (FARA) on January 21 and 22, 2016 in Abidjan.

The meeting was a follow-up to the AfDB's High Level Conference on African Agricultural Transformation, which called for the continent to "execute a bold plan to achieve rapid agricultural transformation across Africa through raising agricultural productivity."[1]

Raising agricultural productivity depends on a number of factors, but the most critical one is new knowledge and technology generated from research. The Bank plans to partner with the CGIAR and FARA to revitalize and transform agriculture with the goal of Feeding Africa within the shortest possible time.

AfDB Vice-President, Sector Operations, Aly Abou-Sabaa, opened the meeting and underscored its relevance. The Bank's Director of Agriculture and Agro-Industry Department, Chiji Ojukwu who chaired the discussions, pointed out that numerous studies have shown that GDP growth generated by agriculture can be up to four times more effective in reducing poverty than growth generated by other sectors. He also observed that the Asian Green Revolution saw increases in agricultural productivity resulting from the widespread adoption of new, high-yielding rice and wheat varieties, together with the increased use of fertilizers, irrigation and other inputs. It is time for Africa's own "Green Revolution", he said.
The CGIAR delegation was led by Director General of the International Institute of Tropical Agriculture (IITA), Nteranya Sanginga, and included the Director Generals of Africa-Rice, the International Livestock Research Institute (ILRI), the International Food Policy Research Institute (IFPRI), the Forum for Agricultural Research in Africa (FARA) and Africa Harvest. These institutions were representing CGIAR, which includes a global network of 15 international agricultural research centres and has more than 8,000 world-class scientists and staff operating in over 100 countries. The meeting was also attended by the consulting firm Dalberg Global Development Advisor, which has been contracted by the Bank to develop the African Agricultural Transformation Strategy. The meeting was also attended by staff from across various Bank complexes.

IMF extends Kenya's existing credit facility as new one discussed
Kenya's $680 million standby credit with the International Monetary Fund has been extended to March as both sides work on a new facility with similar features, the IMF's resident representative said. The East African nation secured the year-long, insurance-type loan in February last year to help it deal with any unforeseen shocks that could threaten economic stability. "We are now working on extending it for a few weeks just because we are in dialogue with the government to present a new programme to our board before the end of this quarter," Armando Morales told Reuters . "We agreed with the authorities that it was prudent to maintain that insurance during the discussion for the new programme," he said.
The Central Bank of Kenya calmed volatility in the markets last year after hiking its benchmark lending rate by 3 percentage points to 11.50 % and has increased foreign reserves without turning to the IMF standby loan. The shilling weakened 11 % against the dollar last year, less than most frontier currencies, and has been steady this year. Morales said this showed the government had "the will and the tools necessary" to maintain stability in the economy, strengthening the case for a new standby loan.
The IMF expects Kenya's economy to grow by 6 % this year, from an estimated 5.6 % last year, driven by farming, expectations of macroeconomic stability and Kenya's minimal exposure to slowing emerging markets like China. Unlike some other African nations, Kenyan is not reliant on commodity exports to Asia. "Agriculture has become a more dynamic sector. Weather patterns have been more benign," Morales said, adding higher growth could be achieved because of infrastructure projects like a new railway being built from the main port to the capital.
The IMF was following closely the government's financing plans given the slowdown in global economic growth, he said. Kenya's net present value of debt - which reflects the debt's maturity profile, the proportion of loans taken on softer terms like those from the World Bank and interest rates - was still below 45 % of GDP, he said. "Kenya remains at low risk of debt distress even with the additional information that has been incorporated," he said.
Finance Minister Henry Rotich said last week Kenya was looking to cut spending and would keep engaging international investors to gauge appetite for future issuance. Morales said Kenya needed to balance local and external funding sources in the future but said it could still tap foreign markets. "That appetite hasn't dried completely. There are still pockets of investors that are looking for yields," he said. The yield on Kenya's debut Eurobond that was issued in 2014 was quoted at 9.096 %, compared with a yield of 6.875 % at issue. *(Reuters)*

World Bank finances irrigation projects in Mozambique
The World Bank will provide funding of about US$90 million for agricultural irrigation projects in central Mozambique, announced Rádio Moçambique (RM). The funding aims to minimise the impact of drought in parts of Manica, Sofala and Zambézia provinces. The coordinator of the integrated sustainable irrigation project in the province of Manica, Leonardo Lucas told RM that funding – which will run for six years – aims to increase production and productivity in the regions covered by the project. The irrigation project will benefit 11 areas covering a total of 355 hectares. *(Macauhub)*

Kenya Expects IMF to Approve $750 Million Precautionary Loan
China's slowdown will continue to trouble East Africa's largest economy, Treasury secretary says
East Africa's largest economy is expecting the International Monetary Fund to approve a new precautionary lending program that it can use in case of a severe financial shock, as economic conditions across the continent deteriorate. Kenya's Treasury Secretary, Henry Rotich, said the new IMF facility would offer the country access to $750 million over the next two years. The loan would be accessed shortly after approval by the IMF, which is expected in March. The deal would replace an existing one-year precautionary loan of about $700 million, that has helped boost confidence in Kenya's foreign-exchange reserves and its ability to support the economy in case of an emergency, the minister said.

"We are going to continue with the same type of arrangement…we will only need it if we have an external shock. We are insured," Mr. Rotich said in an interview with The Wall Street Journal from his office on the 14th floor of the Treasury in central Nairobi. "We are in a world that is more vulnerable than before…that's the importance of such a facility."
The IMF earlier this week approved a short-term extension of two existing programs, a loan and precautionary credit line, through March 15. That extension buys time for the government to complete a budget and enact economic overhauls that fit the fund's financing conditions. "Discussions on continuing Kenya's program engagement with the fund beyond March 15 are under way," IMF spokeswoman Lucie Mboto Fouda said. That Kenya, a net energy importer that has weathered recent market shocks better than most of its African peers, is eager to renew an IMF credit line is instructive about the darkening economic outlook across the continent and the uncertainty it creates. Collapsing commodity prices and a slowdown in China have sent asset prices tumbling in many of Africa's biggest economies, including Nigeria, Zambia and Angola. Kenya, by contrast, has benefited from low oil prices and a comparatively diversified economy.
However, Kenya hasn't been immune to the market volatility and China's slowdown. The shilling has fallen 10% against the greenback in the past 12 months and lower-than-expected revenue has forced Mr. Rotich to submit a supplementary budget that cuts spending by up to $60 million. "We want to cut the deficit by 1% of gross domestic product," the finance minister said. The new budget will be submitted soon and will be valid for the rest of the fiscal year, until June.
In October last year the World Bank slashed Kenya's expected growth by 0.6 percentage point to 5.4% in 2015 and 5.7% in 2016. While that is slower than expected, it is still faster than the average growth of 4% seen by the IMF in sub-Saharan Africa for this year. The World Bank was expecting Kenya's fiscal deficit to be a massive 8.7% of GDP, but Mr. Rotich said that with the supplementary budget, he saw it closer to 7% of GDP. Mr. Rotich acknowledged that China's slowdown would continue to cause short-term fallout for Kenya, dampening foreign direct investment. But the finance minister also predicted that Beijing's shift to a consumption-led economy would offer big longer-term opportunities: boosting export growth and helping Kenya benefit from industry relocation from China, as Chinese production costs rise.
Kenya could return to international capital markets to borrow funds after July as part of financing its next fiscal year, Mr. Rotich said, adding he was considering all options: a Eurobond, a Samurai or a Sukuk bond. Mr. Rotich strongly rejected accusations by Kenya's main opposition party and the press here that about $1 billion raised in a Eurobond in 2014 was misappropriated by government officials. The opposition has called for Mr. Rotich to resign.
The brewing scandal has cast a shadow on Kenya's successful maiden Eurobond, which raised a total of $2.7 billion in an original issue and a tap a few months later. Mr. Rotich conceded the scandal could hinder Kenya's ability to borrow as international investors become more skeptical of African sovereigns, but blamed "perception of corruption" for the difficulty in dismissing the accusations. Contrary to allegations, Mr. Rotich said, all the money raised had come into Kenya and was used in the budget. The opposition here has been claiming that $1 billion has been unaccounted for and there is no evidence that it ever entered the country. *(Wall Street Journal)*

2016 AfDB Annual Meetings to focus on energy and climate change

From: **23/05/2016**

To: **27/05/2016**

Location: **Lusaka, Zambia**

The 2016 Annual Meetings of the African Development Bank will take place from Monday, May 23 to Friday, May 27, 2016 at the Mulungushi International Conference Centre in Lusaka, Zambia. The theme of this year's meetings is "Energy and Climate Change", and draws on one of the Bank's "High 5" priority areas, namely to "Light up and Power Africa". It also reflects the Bank's New Deal on Energy and the key resolutions from the recent UN climate talks (COP21) on global warming. The 2016 Annual Meetings theme is aligned with two of the Sustainable Development Goals (SDGs): SDG 7 to "ensure access to affordable, reliable, sustainable and modern energy for all" and SDG 13 to "take urgent action to combat climate change and its impacts". The Bank's Annual Meetings are its largest annual event, and its biggest window on the world. They bring together some 5,000 delegates and participants, and feature some 40 official events in addition to the Annual Meeting of the Board of Governors, which constitutes the core purpose of the Meetings. The Bank's Governors are the Finance, Trade or Development Ministers from its 54 Regional and 26 Non-Regional Member Countries). The Meetings represent the definitive forum for representatives of Government, business, civil society and media – from Africa and beyond – to debate the social and economic development of the continent. Watch the "Best of the 2015 Annual Meetings" video, from Abidjan, Côte d'Ivoire.

AfDB authorises East Africa loans

The African Development Bank Group (AfDB) approved a loan to Ethiopia of $76.11m to implement the Four Towns Water Supply and Sanitation Improvement Programme. It is part of the government's Second Growth and Transformation Plan (2016– 2020), which gives the water sector high importance. In a contrasting wateroriented initiative, the AfDB approved a $138m package of loans and grants to support development of a hydroelectric power plant to serve Burundi, the Democratic Republic of the Congo (DRC) and Rwanda. The Ruzizi III Hydropower Plant Project in Rwanda will cost a total of $625m to build and is the first regional power project in East Africa to be established as a public-private partnership (PPP). The financing will enable the construction of a runof-river dam straddling the Ruzizi River between the DRC and Rwanda, as well as a 147 MW power plant and distribution station. It is part of the Programme for Infrastructure Development in Africa (PIDA). Consultants McKinsey noted in a report that the electricity sector in subSaharan Africa would need capital investment of about $835bn by 2040 to be able to meet the continent’s increasing demand for electricity. *African Banker)*

Angola negotiates new loan with World Bank

The government of Angola is negotiating with the World Bank a new development programme loan programme (DPL), said in Luanda the Finance Ministry, at the end of the visit by a mission of the multilateral financial institution . The ministry also reported that the head of the World Bank mission, Rafael Barroso, “reaffirmed the” World Bank’s availability “to assist the country in implementing the recommended reforms by March 2016.” On 1 July the Angolan government announced an agreement with the World Bank for a loan of US$450 million and a financial guarantee to raise funds in the international market from US$300 million to US$1 billion. The World Bank mission was in Luanda from 25 to 29 January to review the prior actions and assess the degree of compliance with previously agreed actions between the parties under the first DPL facility as well as to follow up on negotiations for the second initiative to support the programme’s implementation and completion. The statement said Angola has shared some preliminary data on the fiscal results of the 2015 financial year, marked by stability and fiscal and macroeconomic sustainability with the World Bank’s technical staff. *(Macauhub)*

Angola issues debt for Angola Invest programme

The government of Angola will issue debt of 5.18 billion kwanzas (US$33 million) in order to capitalise the Credit Guarantee Fund (FGC), which endorses loans granted under the “Angola Investe” credit programme, according to a presidential order. The order authorises the Ministry of Finance to issue Treasury Bonds in national currency in favour of the FGC in order to “expand the provision of agricultural credit to domestic producers.” This issue of Treasury Notes has an amortisation period of 24 years, paying a coupon of 5 % per year. The “Angola Investe” programme was created by the Angolan government to support investment in productive sectors in the country, through bank loans. Alongside this measure, in 2012 the government created the Credit Guarantee Fund, to support this programme, which in 2014 analysed around 100 credit requests per day. *(Macauhub)*

INVESTMENTS

Rezidor Plans to Build 35 Hotels Across Africa in Four Years

Carlson Rezidor Hotel Group, which manages 1,370 hotels in more than 110 countries, is building 35 outlets in Africa as it bets on economic growth rates forecast to be among the fastest in the world, Chief Executive Officer Wolfgang Neumann said. The company officially starts operating the Radisson Blu Hotel in the Kenyan capital, Nairobi. The hotel was developed by a Kenyan investor and three Scandinavian funds at a cost of 9 billion shillings ($88 million), Neumann said in an interview in the city. The other properties will be built by 2020, he said. “We see Africa as the continent of opportunity,” Neumann said. “We have been focusing on Africa for some time and we are now recognized for having the largest amount of hotel rooms under development” in sub-Saharan Africa. Growth in sub-Saharan Africa is forecast to accelerate to 4 % this year and 4.7 % in 2017 from an estimated 3.5 % last year, according to the International Monetary Fund. That is faster than any other region in the world except the Emerging and Developing Asia region that includes China and India, according to data on its website.

Rwanda, Ethiopia

Carlson Rezidor will open a second hotel in Kenya under the Park Inn brand in the Nairobi suburb of Westlands at the end of this year and a third one under the Radisson Blu Residences brand next door to the official residence of Kenya’s president in 2017, Neumann said. “This is a country which has an enormous future,” he said. “It has unparalleled natural beauty and Nairobi is an international great city. Kenya Airways is a recognized international airline, which is very important for the African continent and we together need to do everything possible to promote this city and this country.” Other properties under development include a Radisson Blu and a Park Inn Hotel in the Rwandan capital, Kigali, with a combined total of 460 rooms that are expected to open by May. In the Ethiopian capital, Addis Ababa, a second Radisson Blu Hotel will be built, while the company is also constructing properties in Uganda and South Sudan. “Today we already have 31 hotels on the African continent in operation, the other 35 are coming on so that is a real force,” Neumann said. “We want to make Radisson Blu the leading brand in Africa in the upscale market.”

The Radisson Blu is a 5-star establishment while Park Inn targets "mid-market" customers. *(Bloomberg)*

Coca-Cola Acquires Stake in Nigeria Dairy, Juice Company

Beverage giant buys 40% stake in Chi, deepening its presence in Africa amid sluggish sales in more-developed markets

Coca-Cola Co. has agreed to buy Nigeria's largest juice maker, accelerating its push into Africa and deepening its diversification drive in response to slowing soda sales. Coke said it acquired an initial 40% stake in TGI Group's Chi Ltd., which also sells dairy and snacks, and intends to buy the remaining 60% within three years. The deal values Chi at a little less than $1 billion, according to a person familiar with the matter.

The investment in Africa's largest economy represents Coke's biggest overseas acquisition since 2012, when it paid roughly $980 million to buy roughly half of Dubai-based Aujan Industries, a leading maker of juice and malt beverages in the Middle East. The Atlanta-based beverage giant increasingly is targeting Africa for growth amid sluggish sales in more-developed markets. Coke said in 2014 it would invest $17 billion in the continent this decade with bottling partners, roughly three times as much as in the previous decade. It also signals a redoubled effort to expand beyond core soda brands including Coke, Sprite and Fanta at a time when health authorities in many parts of the world are singling out sugary drinks for contributing to rising obesity and diabetes.

This week a World Health Organization commission recommended that governments consider special taxes on sugar-sweetened beverages, following the example of Mexico, which introduced levies on soda and junk food in 2014. The commission estimated the number of overweight children younger than 5 in Africa has nearly doubled to 10.3 million since 1990. Coke had a 45% share of the $18.12 billion soda market in the Middle East and Africa last year, but only 3.5% of the region's fragmented $8.03 billion juice market. Closely held TGI was the No. 2 juice player behind Iran-based Alifard Co., with a 4.2% market share and $337 million in retail sales, according to Euromonitor International. In addition to its Chi and Chivita juice brands, TGI's Chi Ltd. sells evaporated milk and drinkable yogurt under the Hollandia brand and snack foods including Muff the Muffins and Beefie Beef Rolls. "We are extremely optimistic about Africa's continued economic and social growth and recognize the importance of ensuring we stay one step ahead of evolving consumer tastes by broadening our portfolio and introducing new products," said Kelvin Balogun, president of Coca-Cola Central, East and West Africa, in a news release.

Coke and TGI, also known as Tropical General Investment, said they would discuss other opportunities in the region to further develop their relationship. TGI owns several other companies ranging from poultry and fish farming to frozen foods and cotton. Its businesses span a dozen countries, including South Africa, Morocco and China.

A Coke spokesman declined to elaborate on potential opportunities, but reiterated that Coke's strategic focus remains beverages.

The deal comes amid uncertainty over Coke's soda-bottling partnerships in Africa after brewer Anheuser-Busch InBev NV agreed last October to acquire SABMiller PLC, which bottles and distributes Coke in South Africa and several other markets. AB InBev is a bottler in Latin America for PepsiCo Inc., Coke's chief rival. Many industry observers also say AB InBev eventually could try to acquire Coke. Coke agreed in late 2014 to combine bottling assets with SABMiller and privately held Gutsche Family Investments to create a joint venture spanning 12 African countries and about 40% of Coke's soft-drink volumes on the continent. The venture is expected to secure regulatory approval in the first half of this year after South African authorities held it up over job-loss concerns.

As part of that bottling deal, Coke also agreed to pay $260 million for the world-wide rights to SABMiller's Appletiser, a carbonated apple juice, and the rights to another 19 nonalcoholic brands in Africa and Latin America. Coke still derives about 70% of its global sales from soda despite a decadeslong push into noncarbonated beverages including bottled water, juice and tea. The company's soda volumes grew only 1% in the first nine months of 2015, compared with 4% growth for its noncarbonated beverages.

In another diversification move, Coke agreed last April to acquire China Culiangwang Beverages Holdings Ltd. for about $400 million including debt. Culiangwang specializes in "multigrain beverages" with flavors such as red bean, walnut and oats, in addition to selling snacks, biscuits and cereals. Coke also has built up a small dairy business, teaming last year with bottling partner Arca Continental to acquire the majority of Ecuadorean dairy company Tonicorp. The company also has reported growth from brands including Minute Maid Pulpy Super Milky, a mix of juice and milk developed in China, and Santa Clara, which makes yogurt and other dairy products in Mexico. It launched Fairlife, a lactose-free milk with 50% more protein and 30% fewer calories than regular milk, in the U.S. in late 2014.

Last June Coke paid $2.15 billion to acquire a 16.7% stake in California-based Monster Beverage Corp., the largest maker of energy drinks in the U.S. by volume, also securing rights to become Monster's preferred distributor overseas.

Muhtar Kent, Coke's chief executive, said last October that the company would continue to seek "bolt-on'" acquisitions to grow and diversify. Many Coke watchers think overseas deals are more likely. About 90% of Coke's $19.16 billion in cash and short-term investments were parked outside the U.S. at the end of the third quarter, helping it avoid repatriation taxes. *(Wall Street Journal)*

ETHIOPIAN PHARMA GETS $42M INVESTMENT

Africa-focused private equity firm, 54 Capital, entered Ethiopia's pharmaceutical market with an investment of $42m into Addis Pharmaceutical Factory (APF), one of Ethiopia's leading pharmaceutical manufacturers.

An initial investment of $30m, with the option to invest a further $12m, will be used to increase national and international reach through improved production capacity and product portfolio, and to obtain WHO certification.

Ethiopia's pharmaceutical sector, currently importdominated, is seen as a major sector for development and is expected to grow at 15% p.a. over the next three years to reach $1bn by 2018.

APF manufactures products across several categories, supplied primarily to the Ethiopian market.

54 Capital was established in 2013 as an asset manager focusing on Africa. It had invested around $35m into the FMCG sector in Ethiopia since 2014 before this. *(African Banker)*

Indonesian investment in Mozambique reaches US$180 million

Indonesia investment in oil and gas in Mozambique until the end of 2015 totalled around US$180 million, focusing on natural gas, said the Indonesian Ambassador, Harbangan Napitupulu, at a meeting with Mozambican President Filipe Nyusi. The diplomat, presenting farewell greetings to the President of Mozambique, noted that Besmindo Pemba Semesta, established in Pemba, in the northern province of Cabo Delgado, and Buzi Hydrocarbons Pte Ltd. (BHPL), in Sofala province, had invested US$175 million.

BHPL plans to drill for natural gas in the Buzi block, located along the Mozambique sedimentary basin to ascertain the potential for hydrocarbons. If prospecting and further exploration are successful, BHPL, which holds 75 % of the rights to the Block, expects commercial production can begin in 2018. The outgoing ambassador also reiterated Indonesia's wish to strengthen economic relations with Mozambique. *(Macauhub)*

Cabo Verde creates Tourism and Investment Agency

The government of Cabo Verde (Cape Verde) announced the creation of the Cabo Verde Tourism and Investment Agency designed to provide better conditions to attract more foreign investment, promote domestic investment, and diversify and qualify the tourism sector, which contributes 20 % to Gross Domestic Product (GDP). Júlio Morais, former Cabo Verde Ambassador to China, who will chair the Tourism Agency said it would focus efforts and resources on the mobilisation of "adapted and innovative funding mechanisms" for small and medium-sized Cape Verdean companies. The official promised to "continue to invest in improving the business climate, transforming it into a competitive factor and to create innovative tools and techniques to promote tourism." The new Cabo Verde Tourism and Investment Agency will coordinate three regional centres. One in the north, which will be located on S. Vicente island, one on the central island of Sal and another in the southern island of Santiago. *(Macauhub)*

China considers partnership in Mozambique to manufacture buses

Representatives of China's Ministry of Trade and the Xiamen Golden Dragon Bus Co. were in Maputo last week to analyse the possibility of setting up a partnership in public transport, according to Mozambican daily newspaper Notícias. The members of the delegation visited the Matchedje Motor car assembly plant, in the town of Machava, Maputo province to get acquainted with the unit, whose capacity could be enhanced to produce even more buses in the country. Notícias also wrote that the Xiamen Golden Dragon Bus Co., a subsidiary of the King Long Group, one of the largest bus manufacturers in China, will focus the potential partnership in Mozambique on providing technical support to Matchedje Motor Ltd in the bus segment. The managing director, Sandra Song, said the company was currently operating at a reduced level as it is building a 590-hectare industrial park in Maluana, in Maputo province. The project involves an increase in production to 100,000 vehicles per year by 2017, following which there will be a new expansion phase to about 500,000 vehicles. The Matchedje Motor project, established just over four years ago, is the result of an investment by the China Tong Jian Investment Co. Ltd, and at this initial stage is operating with two assembly lines, an painting area and another area for inspections. *(Macauhub)*

Starting from scrap – Angola launches steel industry

Left to rust in open fields and disused barracks, Angola's stock of decommissioned weapons stand as a stark reminder of the bloody civil war that gripped the country for 27 years. Thirteen years after a peace deal that still holds, a new $300m plant is beginning the task of converting the deadly armaments into rebar steel for use in Angola's gleaming new developments. Yet the plant's innovative use of war scrap is intended as more than a symbol of the country's enduring peace, and is at the heart of an ambitious plan to capture a domestic and regional export market amid the turbulent backdrop of a global steel industry in crisis. "We must use the resources to create value-added products and be able to export. The main focus is to be able to supply (Angola's) own market. This mill has come at the right time," says Georges Choucair, chairman and chief executive of K2L Capital, owner of ADA Steel. That sort of confidence is rare in an industry which has lurched from crisis to crisis in recent years. China's economic woes and a wider global slowdown have prompted a dearth in demand for the metal as major construction projects are delayed or cancelled.

Global steel production in the first eight months of 2015 was down 1.4% on the same period in the previous year, according to metals consultancy FastMarkets. Meanwhile, China, the world's major exporter, has proved reluctant to end a global glut by turning off mills which provide local government with much-needed revenue and employment.

All of which points to an environment hardly conducive to the opening of a new mill in an African continent struggling with its own growth prospects. Yet Choucair points to a raft of advantages that he says will help ADA's mill succeed in a difficult environment. "We have something that Europe doesn't have, that's a low cost of energy and a low cost of scrap, and plenty of it. So we have advantages to produce steel in Angola and not to import. Our studies show that we will be competitive against importation," he says. Those plentiful reserves of scrap – which include weapons, disused rail infrastructure and materials from the country's vast oil industry – could last three years. Two years from now, ADA hopes to begin producing steel from local sources of iron ore. Choucair says that the firm will target a promising regional export market, with DR Congo, Congo-Brazzaville and Zambia all within reaching distance of Angola and expected to require vast amounts of steel as their economies develop. John Kovacs, senior commodities economist at Capital Economics, says that the fundamentals of Africa's development appear to support the emergence of domestic production. "Africa as a whole accounts for only a small proportion of global steel demand – just 2.4%. There is scope for this proportion to increase as industrialisation takes hold, with the steel intensive investment that would require. At the same time, Africa accounts for just 1% of global production," he says.

Yet he cautions that short-term factors, in particular global overcapacity, make this emergence far less likely in the short term. That market glut, and the consequent demise of steel mills from northeast England to South Africa, have been blamed squarely on the phenomenon of Chinese dumping. Even as prices slump, China is expected to have exported over 100m tonnes of steel this year. This dumping has been likened to a game of "whack-a-mole", in which Chinese exporters avoid regions where anti-dumping measures are threatened in favour of targeting poorly protected markets. Kovacs argues that this makes some African countries vulnerable.

'Bloodbath year'

Nowhere have the effects been more keenly felt that in South Africa, where Paul O'Flaherty, local chief executive of Indian giant ArcelorMittal, has warned of a "bloodbath year", and called for anti-dumping duties of as much as 30-60% on certain Chinese steel products.

The Steel and Engineering Industries Federation of South Africa has pointed to a 2% decline in metals and engineering production for the 12 months to September, with chief economist Henk Langenhoven warning of tough days ahead and arguing that a real recovery might not materialise until the second half of 2016. For Choucair, South Africa's woes are more a symptom of local factors than a definitive judgement on Southern Africa's steel industry. "Today they face a problem with their workers, and also a problem with energy. So they have their own problems and South Africa never was competitive in the Angolan market, it was always cheaper to import from Europe," he says. Choucair argues that Angola's import strategy, prompted by a bid to diversify its economy and develop domestic industries, provides a contrast to the struggling South African market. Incentives for businesses have been ramped up in a bid to attract foreign investment. He says that Angola's adoption of European standards for construction – demanded by international oil companies and banks for their projects in the country – gives his mill an important weapon in the fight against the dumping of inferior Chinese steel. Quality, not quantity, is the new mantra. As a result, he predicts that future competition to the mill is more likely to emerge within Angola itself. "We are working with the Angolan government to implement these standards. As you know, the Chinese have a very different quality of steel. By using quality, and focusing on standards, we can throw away a lot of the steel that is coming from China," he argues. Whether the new mill will be able to succeed in a market which continues to trouble established competitors remains to be seen. But with a production target of 1-1.5m tonnes per year by 2018/19, the firm appears to be planning for the long run. "Today we have a high-voltage line, water, and we have created 600 direct jobs. Today we are here because we made that investment. Two years ago you would say I am foolish," he jokes. *(African Business)*

China supports development of Kwanza Sul province, Angola

The Chinese ambassador to Angola, Cui Aimin, gave assurances that his government would support the modernisation of Angolan state fishing company Peskwanza to catch, located in Porto Amboim in central Kwanza Sul province, to catch, process and market fish. During the visit, the ambassador saw the poor condition of the the company's facilities.

Speaking at a conference on business opportunities, the Chinese diplomat noted that the province of Kwanza Sul is located in a strategic corridor and offers great investment opportunities for Chinese companies. Cui Aimin acknowledged that Kwanza Sul business opportunities "can help develop sectors such as agriculture, animal husbandry and manufacturing industry, tourism, fishing and transport." The diplomat invited Angolan businesspeople to visit China and said that the sectors with the greatest potential for two-way cooperation were agriculture, mining and manufacturing, and transport. *(Macauhub)*

SA Silver tree invests $10m in startups

South Africa-based Silvertree Internet Capital will invest $10m in African e-commerce and tech startups. Silvertree Internet Holdings operates an owner-operator model, focusing on scaling tech and commerce companies across small, fast-growing niches.

Searching for top tier talent to invest in and work with will be a key focus, starting in South Africa, with potention in other emerging markets, specifically Nigeria and Kenya. Peter Allerstorfer SIH Founder and MD said, “We are in the business of building businesses, through accelerated, highly targeted investment and growth strategies, with proven businesses. We are entrepreneurs who invest in like-minded entrepreneurs.”*(African Business)*

BANKING

Banks

GTBANK LINKS WITH WESTERN UNION

Nigeria’s Guaranty Trust Bank introduced a new service that allows customers to receive Western Union funds directly into their GTBank account via any of the Bank’s ATMs in Nigeria. The service is also available on the Bank’s internet banking platform. GT has over 230 branches in the country. *(African Banker)*

FIRST BANK WIDENS FRANCOPHONE FOOTPRINT

First Bank of Nigeria, a subsidiary of FBN Holdings, announced that FBNBank Senegal, formerly International Commercial Bank (ICB), has begun operations.
The Bank’s expansion to Senegal is part of the integration process and agreement reached for the acquisition of 100% equity interest in ICB Senegal.
In 2013, FBN began the acquisition of ICB Gambia, ICB Ghana, ICB Sierra Leone and ICB Guinea from ICB Financial Group Holdings West Africa.
First Bank aims to consolidate its position as the largest corporate and retail banking financial institution in sub-Saharan Africa, with the exception of South Africa. It already has operations in the other Francophone countries of Mauritania, Mali and Guinea. *(African Banker)*

ANGOLA INCREASES COMPLIANCE MEASURES Banco Nacional de Angola (BNA), the Central Bank of Angola, announced measures to strengthen Angola’s governance and compliance.
All institutions under its supervision must submit audited reports, which will be verified for completeness, transparency and progress in meeting the requirements of the Financial Action Task Force (FATF), an intergovernmental body that develops and promotes policies to combat money laundering and terrorist financing.
In the first half of 2016, the BNA will announce significant developments in Angola’s financial system regarding meeting increased governance and compliance requirements, aiming to have all Angola’s financial assets certified and fully compliant. It will cover a number of key transactional sectors and financial bodies. *(African Banker)*

Banks plan intra-Africa expansion

Tanzania’s CRDB Bank plans to open branches in the Democratic Republic of Congo (DRC) and Zambia, according to managing director, Dr Charles Kimei. The Bank already operates in Burundi and has opened 60 new branches in the domestic market in the last two years, making a total of 166, and more than 36 service centres. The pan-African banking group, Bank of Africa (BOA) aims to open a subsidiary in Cameroon. It would create a new bank with a capital of 10bn CFA francs ($20m), in which it will be the major shareholder with 76%. The group is controlled by the Moroccan Bank Group of Foreign Trade (BMCE) and it would be the third Moroccan banking group to enter Cameroon, after Attijariwafa Bank, whose local subsidiary is Société Commerciale de Banque (SCB), and Banque Centrale Populaire, owner of Atlantic Bank. *(African Banker)*

QIIB targets Morocco with new bank

Qatar International Islamic Bank (QIIB) and Moroccan lender Crédit Immobilier et HÔtelier SA (CIH Bank) signed a joint venture agreement to set up a bank in Morocco. QIIB will take a 40% stake. QIIB noted that the Kingdom of Morocco has a “strong and diversified economy”. QIIB has been given an ‘A2’ rating by Moody’s with a stable outlook, and Fitch has accorded it an ‘A+’ rating with a stable outlook. Abdul Latif Aljwahiri, governor of Bank Al-Maghrib, Morocco’s central bank, announced that Morocco was set to begin issuing Islamic bank licences in 2016. Bank AlMaghrib stated it had received 15 requests from foreign financial institutions and three requests from Moroccan institutions requesting bank permits. To oversee the work of Islamic banks, also called participatory banks, Morocco has created the Sharia Board for Participatory Finance. *(African Banker)*

Markets

Government issues debt to capitalise Banco de Desenvolvimento de Angola

The government of Angola has approved a special issue of Treasury Bonds worth 27,4 billion kwanzas (US$175.2 million dollars) in order to capitalise Angolan state development bank Banco de Desenvolvimento de Angola (BDA), according to a presidential order. The special issue, in local currency, has an amortisation period of 24 years and pays an interest rate of 5 %.
In 2013 the BDA was the seventh largest Angolan bank, among more than 20 operating in the country, but ended that year with equity below the required 10 % (solvency ratio), forcing the Angolan State, the bank’s sole shareholder, to

increase capital from 4 billion kwanzas to 36.1 billion kwanzas. The chairman of the BDA, Manuel Neto Costa, later said there had been another capital increase of the bank in July 2014, which allowed it to close that year's accounts with a solvency ratio (ratio of equity and liabilities) of 13.8 %. The BDA will now have capital of over 150 billion kwanzas (US$959 million), as envisaged in the new organic statute which came into force in 2014 under the restructuring plan for the bank, which is responsible for over 6 % of all loans in the country. *(Macauhub)*

National Bank of Angola increases sales of foreign currency to commercial banks

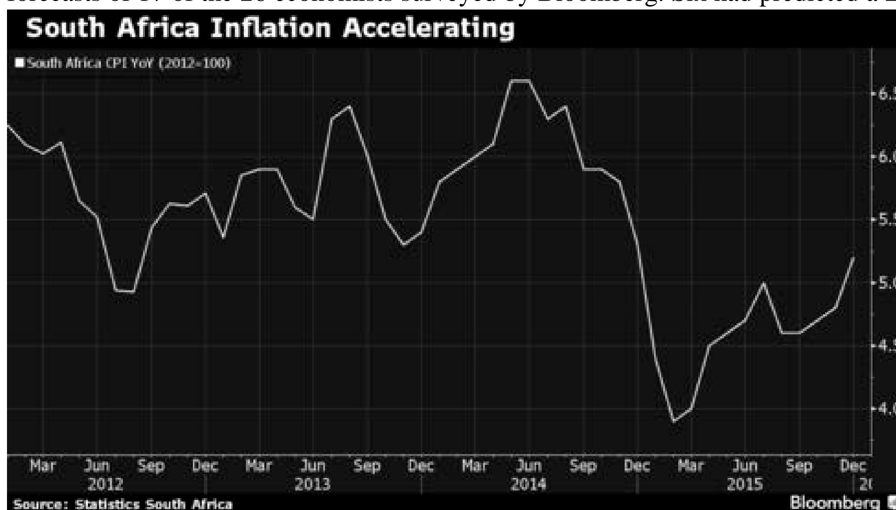
Retail banks operating in Angola were able to buy foreign currency in the amount of US$187 million from the National Bank of Angola throughout the week of 11-15 January, according to a statement issued by the Angolan central bank. Sales of foreign currency, which appear in weekly reports on developments in money and foreign exchange markets, were only US$7.5 million in the first week of 2016 and US$135.1 million in the last week of 2015, the lowest figures in the last three months. Sales in the second week of January were at an average exchange rate of 156.388 kwanzas per dollar, unchanged from the previous week. The BNA reported that the sale of foreign currency in the last week "was essentially allocated to cover priority transactions," namely US$122.2 million dollars to cover general requirements of commercial banks. There was also a record of US$6.6 million in foreign exchange for travel operations and remittances abroad and US$58.2 million for coverage of transactions worth less than US$20,000. *(Macauhub)*

Bank of Ghana keeps benchmark interest rate at 26 pct

Ghana's central bank kept its benchmark policy rate at 26 % citing moderation in the pace of consumer inflation, its governor Henry Kofi Wampah said. The West African nation is under a three-year aid program with the International Monetary Fund (IMF) to support an economy dogged by high fiscal deficits and public debt, with consumer inflation consistently above government target. The Bank of Ghana had set the current rate in November, its highest level in 12 years. "The current tight monetary stance, supported by the continuing fiscal consolidation and improvement in the energy situation have led to a low risk in the outlook," Wampah told journalists. Ghana's consumer inflation rose marginally to 17.7 %, one of the highest in the West African region but Wampah said the central bank's monetary tightening in recent months could limit any further rise. "Going forward, the committee expects the slower pace of price changes to continue and steer inflation down towards the medium target band of eight percent, plus or minus two percent," Wampah said. Ghana's economy is expected to pick up speed this year, even as the government abides by IMF-set spending limits, and Wampah said the bank had begun its zero financing of the budget deficit limit placed on it under the aid deal. The country is preparing to hold presidential and parliamentary elections in November which are expected to produce a tight race between President John Mahama and Nana Akufo Addo of the main opposition New Patriotic Party, partly due to economic concerns. *(Reuters)*

South Africa Raises Key Rate to 6.75% to Counter Rand Slump

South Africa's central bank ramped up its policy tightening by raising the benchmark rate by half a percentage point, worried that inflation pressures from a weaker rand will spread more broadly in the economy. The repurchase rate was increased to 6.75 %, Governor Lesetja Kganyago said in a speech in the capital, Pretoria. That was in line with the forecasts of 17 of the 26 economists surveyed by Bloomberg. Six had predicted a 25 basis-point increase. The rand's 15 % plunge against the dollar since the last policy meeting in November has forced the Reserve Bank to take more aggressive action after limiting its rate increases last year to quarter-point moves. Inflation risks are rising as the worst drought in more than a century boosts food prices, threatening the central bank's 3 % to 6 % target range. "In an environment where you've got waning liquidity, funding costs have been going up, the rand has been weak, an inflation threat that's becoming a reality, you have got to respond to maintain macroeconomic stability," Arthur Kamp, chief economist at Sanlam Investment Management, said by phone from Cape Town. "That response has to be a combination of both a tightening of monetary and fiscal policy."



The rand's slump since last year, triggered by falling metal prices and a slowdown in China, worsened in December after President Jacob Zuma shocked the market by firing his finance minister, the U.S. Federal Reserve raised borrowing costs and credit-rating companies signaled South African debt may be downgraded to junk. The currency hit

a record low of 17.9169 on Jan. 11. “Since the previous meeting of the Monetary Policy Committee, the inflation outlook has deteriorated significantly, mainly due to exchange rate and food price developments,” Kganyago said. “The outlook is complicated by the fact that the domestic growth outlook has weakened further.” The rand gained 0.9 % to 16.2920 against the dollar as of 3:45 p.m. in Johannesburg. Yields on the government bond due 2026 fell 11 basis points to 9.51 %. “We don’t target the exchange rate, we only respond to the extent that the depreciation of the currency leads to second-round effects on inflation,” Kganyago said. “The currency is a very important factor but it is not the only factor that we look at.” Inflation accelerated to 5.2 % in December. While the halving of oil prices since June has helped to limit gains, food prices are rising as dry weather boosts the cost of staples, including white corn, to record highs.

Recession Risk

Kganyago said inflation will worsen this year, reaching an average of 6.8 % in 2016 compared with a previous estimate of 6 %. Inflation is set to peak at 7.8 % in the fourth quarter and remain above the target band for the forecast period. Policy makers limited rate increases last year to help support an economy that’s set to expand 0.7 % in 2016, the slowest pace since the 2009 recession, according to the International Monetary Fund. The central bank cut its growth forecast for this year to 0.9 % from 1.5 %. “The MPC is of the view that the growth constraints facing the economy are primarily of a structural nature and cannot be solved solely by monetary policy,” Kganyago said. The risk of a recession is mounting, with a 45 % chance that gross domestic product will contract for two consecutive quarters, according to the median estimate of nine economists surveyed by Bloomberg. *(Bloomberg)*

FMDQ OTC TO LIST ISLAMIC BONDS

FMDQ OTC Securities Exchange plans to list Islamic bonds in 2016 to deepen the nation’s Debt Capital Market (DCM). In its 2016 outlook, the company said it would offer a more diversified product portfolio, including Sukuk bonds to achieve this objective. According to the licensed over-the-counter market operator, it will ensure the quotation of bonds of private companies in 2016 as well as the integration of the FMDQ (Financial Markets Dealers Quotations) markets. These, it said, included securities dealing and investment banking firms in the fixed income securities markets. Other areas of focus will include capacity building and financial markets education for all FMDQ markets stakeholders. N130.01 trillion ($645bn) worth of transactions were recorded on the FMDQ OTC platform in the first 11 months of 2015, an increase of around $150bn on 2014. *(African Banker)*

CMA APPROVES UNIT TRUST SCHEME

Kenya’s Capital Markets Authority (CMA) has granted approval to Apollo Asset Management to register a collective investment scheme, the Apollo Unit Trust Scheme, comprising six subfunds. Investors can participate in any of the six sub-funds for a minimum of Kshs10,000 ($100). The sub-funds are a Money Market Fund, Balanced Fund, an Aggressive Growth Fund, Equity Fund, an East African Fund and a Bond Fund. The CMA said, “We have also required Apollo Asset Management to constitute a Shariah Advisory Committee to advise the Trustee of the Unit Fund on compliance with Islamic laws and principles, prior to our consideration for approval of a seventh sub-fund, the Apollo Muslim Compliant Fund.” CMA’s approval brings the number of registered collective investment schemes to 20. *(African Banker)*

Fund – Private Equity

ISRAELI GROUP LAUNCHES AFRICA FUND

A new investment fund for investments in African countries, Duet Marathon, aims to raise up to $300m.

It is a partnership between UK investment firm Duet and Israeli Hezi Bezalel’s Marathon group and will invest in businesses linked to private consumption, such as food and beverages, retail, health services, finances and communications. Country involvement planned so far includes Rwanda, Senegal and Angola. Bezalel owns Israeli communications company 018 Xfone and he has been Rwanda’s honorary consul in Israel since 2007. Most of his business career has been in Africa, with a focus on banking and communications. Alternative asset manager, the UK-based Duet Group was co-founded in 2002 by Henry Gabay. It manages $5.7bn, with investments in hedge funds, private equity, and real estate. The fund has invested in an Ethiopian brewery and it also has funds in other African sectors. *(African Banker)*

ETHIOPIAN PHARMA GETS $42M INVESTMENT

Africa-focused private equity firm, 54 Capital, entered Ethiopia’s pharmaceutical market with an investment of $42m into Addis Pharmaceutical Factory (APF), one of Ethiopia’s leading pharmaceutical manufacturers. An initial investment of $30m, with the option to invest a further $12m, will be used to increase national and international reach through improved production capacity and product portfolio, and to obtain WHO certification. Ethiopia’s pharmaceutical sector, currently import dominated, is seen as a major sector for development and is expected to grow at 15% p.a. over the next three years to reach $1bn by 2018. APF manufactures products across several categories, supplied primarily to the Ethiopian market. 54 Capital was established in 2013 as an asset manager focusing on Africa. It had invested around $35m into the FMCG sector in Ethiopia since 2014 before this. *(African Banker)*

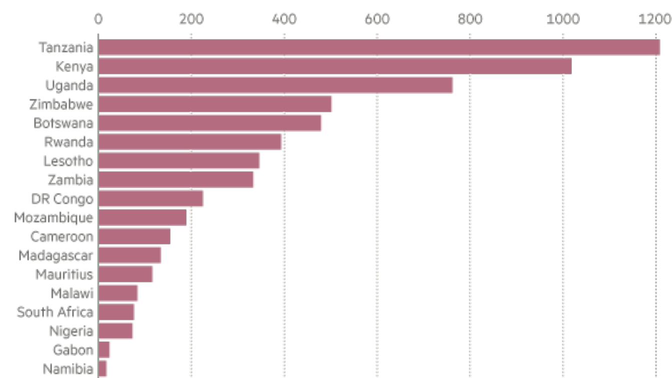
CAMEROON SEEKS FUNDS ON BEAC MARKET

The Cameroonian Treasury launched fundraising operations on the BEAC (Bank of Central African States) public stock market, for the new budgetary year. For this first issuance of Fungible Treasury Bills for 2016, the government aimed to raise FCfa 7bn ($12m). In total, the Treasury is planning to raise between FCfa 52bn and 57bn ($87m-$95m) on the BEAC stock market during the first quarter of 2016, to finance its budget deficit and to finance projects in the 2016 public investments budget. The Cameroonian state's operations on the financial market in 2016 will total FCfa 370bn ($616m), out of which FCfa 210bn ($350m) will be raised through the issuance of Treasury Bills and FCfa 60bn ($100m) through the issuance of Treasury Bonds on the public stock market of the Central Bank of the Cemac (Economic and Monetary Community of Central Africa) states, followed by a FCfa 100bn ($166m) bond, to be launched on the Douala Stock Exchange. *(African Banker)*

Tech

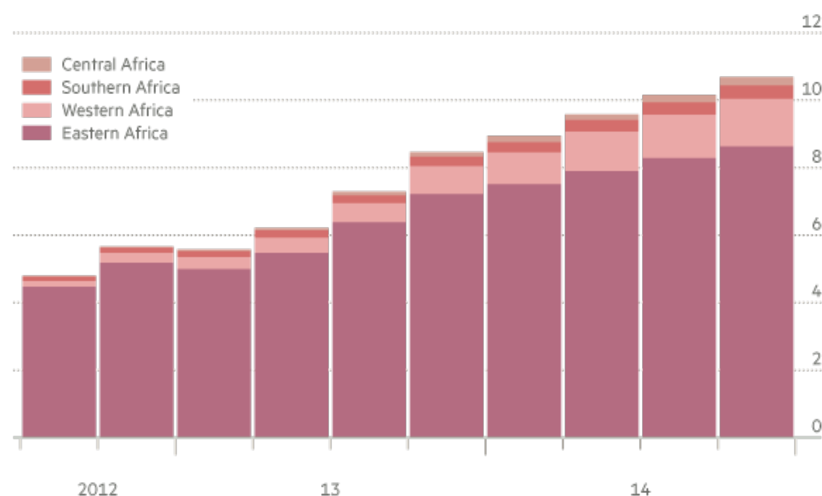
Smart Africa: Mobile payments race spawns entrepreneurs

The race to develop mobile payment systems across Africa is spawning a new generation of tech entrepreneurs, searching for innovative ways to reach their customers. From finance and farming to education and healthcare, dozens of apps are being created to help overcome the continent's infrastructure deficits and help meet the aspirations of an increasingly tech-savvy urbanising population. "The conventional thing to say about Africa is it's cursed by a lack of infrastructure," says Jesse Moore, the chief executive of M-Kopa, a four-year-old Nairobi-based company that uses mobile phone technology to lease off-grid, solar powered lighting and power systems in Kenya, Uganda and Tanzania. On the contrary, Mr Moore argues, the continent's old infrastructure deficit is spurring innovation, pointing to m-pesa, the mobile money transfer system pioneered by Kenya's main telecoms company, Safaricom, which is 40 per cent owned by Vodafone of the UK.



M-pesa is now used by 22 million Kenyans — or more than 70 per cent of the adult population. Safaricom is now backing Sendy, a Nairobi-based package delivery start-up offering a marketplace for last-mile package delivery and logistics services, allowing customers to send packages and documents in the Nairobi area using a mobile application that connects them to motorcycle riders and drivers of vans and pickup trucks. Much of this innovation has been borne out of commercial necessity. Across Africa telecoms companies have been forced to look for ways to boost revenues and retain subscribers as competition from rivals has driven airtime prices down. Monthly m-pesa transactions now total about $150m. While this accounts for a growing proportion of Safaricom's business, it still only represents 20 per cent of the group's total sales. The platform earned Safaricom Ks19.4bn ($190m) in the six months to September 2015.

But it has inspired dozens of copycats such as South Africa's SnapScan, a mobile payments system backed by Standard Bank. "The problem that we tried to tackle was that there is an enormous amount of businesses — about 400,000 of them in South Africa — who are trading today but who don't have access to the formal payment infrastructure." says Kobus Ehlers, one of SnapScan's founders. "So we tried to ask, well, how can we use technology to address that? Because that's incredibly local, it's a real problem — we've quantified the size of it — and now it's a case of can we do something to address that." Joe Mucheru, who resigned in December as head of Google Kenya to become the country's technology minister, says that despite myriad problems — from opaque regulatory systems to the



shortage of skills — the success stories are likely to continue. “Today we’ve got tens of incubators; there’s a lot of start-ups in place that are coming up with very innovative products,” he said. “But they’re at their infancy. When they get to the seven, eight-year space they hopefully will be larger and be able to absorb a lot more capital. Then we’ll see real growth.”
One of the best-known incubators is iHub in Nairobi, which has spawned 150 companies, including Weza Tele, a financial services tech company that was sold to South Africa’s AFB last year for $1.7m. “There’s more to be done but Rome was not built in a day,” says Juliana Rotich, one of iHub’s founders. “Yes, in terms of listings on the Nairobi stock exchange we’re not there yet, but there are a lot of companies coming up.”
The level of ambition among African tech companies is demonstrated by the fact that some are extending their horizons beyond the continent. JourneyApps, a South African company that started in 2009 by designing apps to support local community health workers, last year opened an office in the US in a bid to transfer African technology to the American market. Conrad Hofmeyr, one of JourneyApps’ co-founders, says the demands in the world’s most developed economy are not always so different from those in Africa. “The kinds of attributes that we had to build into the product, like the fact that it works offline, that it’s very simple to use . . . it turns out that’s actually very useful for the US market as well because now we’ve learnt things not in this theoretical bubble but in this practical real-world challenge of operating in Africa,” he says. “And we can go and take that valuable thing that we’ve built and use it in the US as well.” But with intra-African trade accounting for only 12 per cent of trade on the continent, those involved in the tech sector are optimistic about the future. “A lot of the solutions that are made in one country can be customised and provided to another country,” says Ms Rotich. “So I still think there’s a lot of possibility . . . all over Africa if we can be a bit more open.” *(Financial Times)*

ENERGY

KenGen of Kenya Secures JICA Loan for Geothermal-Power Plant

Kenya Electricity Generating Co., the country’s biggest power producer, said it will receive a $387.2 million loan from the Japan International Cooperation Agency to fund the construction of a geothermal power plant. The loan agreement will be signed next month, when the company plans to tender for construction of the Olkaria 5 facility, about 70 kilometers (44 miles) northwest of the capital, Nairobi, Chief Executive Officer Albert Mugo said in an e-mailed response to questions. Construction is expected to begin in the third quarter and power from the plant will be added to the national grid by 2018, it said. KenGen, as the company is known, plans to more than double its generation capacity to 4,270 megawatts by 2025 at a cost of $8.1 billion. Finance Director John Mudany said in December the company may partner U.S., Chinese or Indian investors to help finance and develop geothermal plants. It’s planning to raise 28 billion shillings ($273.7 million) in a rights offer as part of its funding plan. The company’s stock surged 9.1 %, its biggest gain in more than three months, to trade at 6 shillings by 12:43 p.m. in Nairobi. At least 4.78 million shares traded, more than eight times the three-month daily average. “There’s a lot of interest in the shares ahead of the rights offer,” Eric Musau, a senior analyst at Standard Investment Bank in Nairobi, said by phone. *(Bloomberg)*

Assembly of first turbine at Cambambe dam power station, inAngola, enters final stage

The assembly of the first power turbine at power station II of the Cambambe dam in the Angolan province of Kwanza Norte, is in the final stages, the director of the construction company responsible of the US$40 million project told Angolan news agency Angop. Gustavo Belitardo said tests were scheduled for May and power production should begin in June. From July the dam will start producing 700 megawatts of power, double the current production. The same official said that the second plant should be completed by the end of this year. The Cambambe hydroelectric facility, built between 1958 and 1962 on the Kwanza River, has been undergoing improvements for over two years. Increased power production will directly benefit the provinces of Luanda, Bengo, Kwanza Norte, Kwanza Sul, Malanje, Uige and Zaire. *(Macauhub)*

Mocuba Solar

Summary of Investment Information

This Summary of Investment Information (SII) is prepared by IFC to disclose a factual summary of the main elements of the potential investment. It also includes findings and recommendations related to environmental and social considerations regarding this potential investment. The purpose of the SII is to enhance the transparency of IFC’s activities. For any project documentation or data included or attached herein that has been prepared by the project sponsor, authorization has been given for public release by the project sponsor. IFC considers that this SII is of adequate quality for release to the public, but has not necessarily independently verified all of the project information therein.
The SII is distributed in advance of IFC Board of Directors’ consideration and may be periodically updated thereafter. Board dates are estimates only and this document should not be construed as presuming the outcome of the Board Directors.

Project number	36787
Region	Sub-Saharan Africa

Company name	Mocuba Solar PV
Country	Mozambique
Sector	V-BF - Solar - Renewable Energy Generation
Department	Gbl Infrastructure & Natural Resources
Environmental category	A
Status	Pend FAP
Date SPI disclosed	January 21, 2016
Projected board date	March 28, 2016

Project Description

The Project consists of the development, financing, construction, operation and maintenance of a 40.5 MW solar PV in Mocuba, Centre-Northern Mozambique. The electricity generated from the Project will injected into the Mozambican Northern grid. The Project has a 25-year Power Purchase Agreement with Electricidade de Mocambique ("EDM").

Project Sponsor and Major Shareholders of Project Company

The Project Company is Central Solar de Mocuba S.A., a special purpose vehicle to be incorporated in Mozambique. The Company will be 52.5% owned by Scatec, 22.5% owned by Norfund and 25% owned by EDM. Scatec is a Norwegian listed company with a track-record of 279 MW in operations. Norfund is the Norwegian Investment Fund for Developing Countries and a leading renewable energy investor in Africa. EDM is Mozambique's state-owned public power utility.

Total Project Cost and Amount and Nature of IFC's Investment

The Project cost is estimated at USD 84 million (including VAT). IFC intends to provide an A loan of up to USD 21 million, and a B loan of up to USD 21 million. In addition, IFC is considering mobilizing and a concessional senior loan funding of up to USD 21 million from the Climate Investment Fund ("CIF") and/or IFC Canada Climate Change Program ("IFC-CCCP"), in IFC's capacity as implementing entity of the CIF/IFC-CCCP.

Location of Project and Description of Site

The Project is located on a site of approximately 120 hectares in Mocuba, about 175km from the commercial port of Quelimane in Northern-central Mozambique.

Expected Development Impact

- The Project will expand Mozambique's renewable energy generation while contributing to increased energy security in a rural region of the country as well as diversifying the energy mix.
- This would be the first utility-scale solar PV project that could meet up to 5% of peak demand.
- Continued support of Mozambique's power sector: IFC's investment in this Project builds on prior investments in Mozambique's electricity generation sector, including investments in gas-fired plants.
- The Project will help mitigate some of the impact of recent floods by building more climate resilient power generation infrastructure

IFC's Expected Role and Additionality

- IFC is playing a lead role in the structuring and mobilizing of long-term financing for the Project.
- Demonstration Effect: IFC's participation in the Project will have an important demonstration effect & will signal that utility scale solar project in Mozambique is bankable.
- Knowledge sharing: IFC is uniquely positioned due to its extensive experience in the Mozambican regulatory system and previous investing experience in the power sector.
- Enhancing Performance Standards on E&S: IFC involvement with the Project will help the Sponsors in adopting a structured framework to manage its social and environmental systems which will act as a benchmark for subsequent projects.

Environmental & Social Categorization Rationale

This is a Category A project according to IFC's Policy on Environmental and Social Sustainability. The environmental and social risks and impacts associated with this project are considered significant and irreversible, in particular the significant adverse social impacts of the project on 208 households (1,283 persons) impacted by economic displacement. The other E&S risks and impacts related to this project include - the assessment of social and environmental risks and impacts of the construction phase as well as plant operations in accordance with local requirements and IFC Performance Standards; occupational health and safety/labor and working conditions of employees, including contractor employees, during construction, operation and decommissioning of project facilities; the capacity of both EPC and Operations & Maintenance contractors to manage their social, environmental and safety performance, and engage with project stakeholders; and management of community health and safety and emergency. These risks and impacts were examined during the project appraisal and appropriate mitigation measures have been described in the attached Environmental and Social Revie Summary and Environmental and Social Action Plan. *(IFC)*

INFRASTRUCTURE

Chinese companies to build infrastructure in three Angolan provinces

The government of Angola opened a public tender for Chinese companies to build infrastructure in the provinces of Luanda and Bié under the financial cooperation agreement signed with the China Development Bank, to fund Priority Public Investment Projects. The work will be carried out in Cacuaco (Luanda), Cuito and Cunje (Bié) and in the city of Uige. One of the clauses of the public tender requires that Chinese companies outsource Angolan companies to perform at least 20 % of the value of the work. Competing companies require “experience in contracts as a contractor, subcontractor or contract manager and works of a similar nature and complexity to this contract in the past decade,” according to the regulations. The government of Angola announced earlier this month it would open tenders for Chinese companies to compete for infrastructure projects in the development hubs of Menongue (Kuando Kubango), Malanje, Dondo (Kwanza Norte), Soyo (Zaire), Caala (Huambo), Negage (Uíge) and Porto Amboim (Kwanza Sul). *(Macauhub)*

Gabon signs infrastructure loans

Gabon has signed two new agreements with the Development Bank of Central African States (BDEAC) to finance the construction of a mineral port at Owendo and a road project. A loan of 51.6bn CFA francs ($86m) will finance the new ore port developed at Owendo (15 km south of the capital Libreville) by a partnership between the Gabonese government and agroindustrial group Olam International Singapore. The road project covers funding 75.6bn CFA francs ($126m) for enlarging of a portion of National Road 1. *(African Business)*

MINING

Diamond Diggers Show Other Miners How to Handle a Global Glut

A century of first-hand experience in the art of managing markets is helping diamond producers accomplish what the rest of the mining industry has been unable to during the commodity collapse: shut down supply. When diamond prices plunged 18 % last year, the most since 2008, a quarter of world supply disappeared as the biggest producers, De Beers and Alrosa PJSC, cut output and sales. That wasn’t true for mines unearthing everything from iron ore to copper, where companies like Rio Tinto Group and BHP Billiton Ltd. spent billions on expansions over the previous decade and were reluctant to respond to surpluses even during prolonged bear markets.

De Beers has been a dominant force in the diamond industry since the early 1900s, when it had a virtual monopoly on global supply. It now shares control with Russia’s Alrosa, the second-largest producer, and together they provided almost two-thirds of the world’s gems in 2014. Their moves to cut supply last year prevented an even bigger meltdown, according to RBC Capital Markets. And now, while base metals continue to slump, diamond prices have probably bottomed, Petra Diamonds Ltd. predicted this week. “You’ve got two producers which account for more than half the world’s production,” said Kieron Hodgson, an analyst at Panmure Gordon & Co. “It’s very easy to have a common ground. They realized that the industry was in dire straits and efforts needed to be taken.”

Diamond Prices

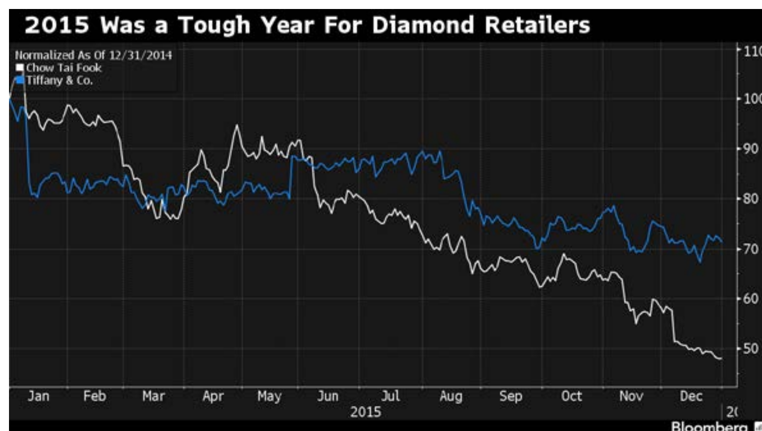
Over the past year, every commodity has been affected by the global economic slowdown, particularly in China, the world’s biggest user of many raw materials. The country is the second-largest jewelry market. Rough-diamond prices are the lowest in six years, data from U.K.-based WWW International Diamond Consultants show. Aluminum slid 19 % last year, copper and tin fell 25 %, zinc dropped 26 %, and iron ore plunged 39 %. As prices declined, diamond supplies were cut by 25 % last year with reduced production and mines withholding stones from the market, according to estimates by Panmure. At the same time, iron-ore output was reduced by just 10 %, while production of nickel, copper, zinc and aluminum fell even less, Morgan Stanley estimates. “There’s been a much swifter response in our industry in terms of supply than you’ve seen in other industries,” Johan Dippenaar, the chief executive officer of Johannesburg-based Petra, said in an interview. Prices may be firmer in the next six to 12 months, he said.

Market Control

De Beers, 85 % owned by Anglo American Plc, spent much of last century controlling supply and prices under the management of the Oppenheimer family. To maintain its market power, the company that began mining South Africa’s

vast Kimberley deposit in the late 1800s would buy up stones it didn't mine and stockpile them when demand softened. Its monopoly was challenged by new supplies found outside Africa and finally ended in 2004, when the company pleaded guilty to price-fixing following a decade-long legal battle with the U.S. "The diamond-trading market is relatively small and self-contained compared to other raw-material sectors," said Anish Aggarwal, a partner at Antwerp-based industry consultant Gemdax. "A release of too much product when demand was lower could have destabilized and devalued the product for a number of quarters. The main objective of producers was to create price stability." Jewelry retailers have been feeling the pinch. Tiffany & Co. last week lowered its full-year profit forecast after holiday sales fell. Chow Tai Fook Jewellery Group Ltd., the biggest jeweler, has slowed expansion plans amid a challenging retail market.

Output Cuts



De Beers, which says it matches production to demand, cut its output target three times in 2015, reducing the goal by as much as 15 % to 29 million carats. It mined 32.6 million carats in 2014. The 26 million carats forecast for this year will be the least since 2009. Alrosa, based in Siberia's Yakutia region, sold half the stones it mined in the third quarter. The company said that it sold 30 million carats of the 38.3 million carts it mined in 2015 There are already signs that cutbacks have started to tighten the market. De Beers last week sold $540 million of stones, exceeding market expectations. While the company cited firmer prices for polished diamonds and good U.S. demand over the holiday season, buyers also were attracted by price cuts of as much as 7 %. UBS AG said that while prices are likely to remain volatile, it expects prices to start rising towards the end of the year. Stockpiling diamonds rather than selling them only delays their arrival on the market. De Beers and Alrosa are holding more than $3 billion worth of stones that eventually will have to be sold, RBC estimates. The price of polished diamonds has started to stabilize, De Beers CEO Philippe Mellier told trade customers last week in Botswana. Alrosa CEO Andrey Zharkov said there's no reason for prices to fall in January and February, Interfax reported. While rough diamonds may drop another 5 %, they could steady by the second quarter, and shortages may emerge for some types, Panmure's Hodgson said prior to the latest sale by De Beers. "Those two have behaved in a rational fashion given they're the biggest losers if diamond prices fall," said Des Kilalea, an analyst at RBC in London. "If De Beers hadn't held production back last year, diamond prices would have been down a lot more." *(Bloomberg)*

Angola plans to double diamond production by 2018

The Chairman of the Board of Directors of Angolan national diamond company Endiama, Carlos Sumbula has said diamond production in Angola may double in the next three years. In an interview with UN Radio in New York, Sumbula recalled that Angola produced 8.8 million carats of diamonds making the country the world's third largest diamond producer. In 2015, Angola's revenue from diamond sales was US$1.1 billion against US$1.3 billion in 2014. Sumbula also called for internationally concerted marketing to balance market prices and said negotiations were underway in this regard with the world's largest diamond producers including South Africa, Australia and Botswana. *(Macauhub)*

Richards Bay Coal Terminal sets new 75.4Mt export record

The Richards Bay Coal Terminal (RBCT) last year exported 75.4-million tonnes of coal to set a new record and exceed its target. The 5.7% increase over 2014's 71.2-million tonnes is seen as a strong achievement at a time of low coal prices. "We have managed to break our record in a tough market environment," RBCT CEO Nosipho Siwisa-Damasane told Mining Weekly Online, which took part in a media visit to the terminal, where 6% of the R1.34-billion to replace ageing shiploaders has been spent so far. The private-sector port, which is working well with State-owned Transnet Freight Rail and Transnet National Port Authority to boost South Africa's export revenue, expects to remain at the 75-million-tonne coal export level in 2016, which has begun with coal prices down at a low $48/t. RBCT chairperson Mike Teke said that coal had maintained its position as the commodity generating the most export revenue and the coal mining industry, which had just secured a two-year wage agreement, was stable. "But the coal price is very low. We'd like to see the price north of $90/t," Teke commented. The equipment-replacement project, which is on track for completion in January 2018, has not been impacted by the decision of the contract winner, Sandvik Mining Systems, to disinvest from South Africa, RBCT engineering and project manager Bill Murphy assured journalists. The low coal price has resulted in a slow take-up of the four-million tonnes allocated to 23 junior coal miners under the RBCT's Quattro scheme. Of the total exports, 59% went to Asia, which was 7% lower than in 2014, and 19% to Europe, which was 6% down on 2014. On the rise were coal exports to Africa, which increased 7%. On average, 27 trains a day served

the terminal, 3.8% more than in 2014, with 73.9-million tonnes railed, and 925 ships were loaded, 17.7% more than in 2014. Forty-two countries received coal from the South African terminal, which cut costs in order to maintain its staff complement at 504 employees. Stockpile levels averaged 4.7-million tonnes, well below the eight-million-tonne capacity at the terminal, which currently 28.29% black owned with black women is holding 3.11% of its shares. Because RBCT's 91-million-tonne capacity is still far from being taken up, talks with Transnet on the Phase 6 expansion have been discontinued for the time being. *(Engineering News)*

De Beers sells $540m worth of diamonds in first of sale of the year

De Beers, the world's largest producer of rough diamonds by value, said it sold $540m worth of diamonds in its first of sale of the year, more than doubling the value of the sales achieved in the final sale of last year. De Beers holds 10 sales events a year — called sights — for hand-picked buyers called sightholders. In the final of 10 sights last year, De Beers recorded sales of $248m. "A positive holiday season in the US from a retail perspective, low levels of diamond purchases by the midstream in fourth quarter 2015 and a subsequent reduction in manufacturing saw polished diamond stocks pull through the pipeline," De Beers said. The midstream is an industry term for cutting and polishing of rough diamonds to produce diamonds for jewellery makers. "Rough diamond demand broadened across the entire product range as cutting and polishing factories began to increase their activity," it said.

The US is the single largest market for diamond jewellery and De Beers pumped tens of millions of dollars into advertising diamonds over the year-end period, when a third of the world's diamond sales are made in a six-week period in that country. The intention was to increase demand for polished diamonds and unblock the pipeline in the cutting and polishing segment. Prices for rough diamonds were weak last year because of an oversupply of diamonds in the cutting and polishing segment, forcing companies such as De Beers and Alrosa, the two largest companies, to curtail their supply of stones to the market to restore equilibrium and prices. De Beers has said it will change the way it operates its sights to become more flexible and responsive to its clients. *(BDLive)*

French Billionaire Xavier Niel Invests in Guinean Bauxite Mine

French telecommunications billionaire Xavier Niel acquired a minority stake in Alliance Miniere Responsable, which is exploring for bauxite in Guinea, the company said. Niel, the founder of Iliad SA, used his private investment vehicle NJJ Capital SAS for the purchase, Alliance Miniere said in an e-mailed statement. He becomes the latest shareholder in AMR, joining former Areva SA Chief Executive Officer Anne Lauvergeon and Edouard Louis-Dreyfus, president of the shipping company that bears his name, according to the statement. Investment in Guinea's bauxite mines is key to unlocking faster economic growth in the West African country which holds more than a quarter of the known reserves of the ore that gets processed into aluminum. AMR plans to apply for a production license this year. The election victory of Guinean President Alpha Conde for a second term last year, the "ambition" of new Minister of Mines and Geology Abdoulaye Magassouba and the appointment of Prime Minister Mamady Youla, a former executive at a bauxite mining company, were "instrumental" factors that convinced Niel to invest, Alliance Miniere said in the statement. *(Bloomberg)*

Ex-Rio Diamond Unit in Zimbabwe Targets Fourfold Output Gain

Murowa Diamonds Pvt Ltd., a former unit of Rio Tinto Group in Zimbabwe, wants to expand output of the gems fourfold this year, officials said. "Our plan is to produce more than a million carats this year," Lovemore Chimuka, a spokesman for the company, said in an interview at the Murowa mine, 348 kilometers (217 miles) southeast of the capital, Harare. Production was 250,000 carats in 2015, he said. The company will inject $60 million into the mine over the next four years as part of expansion drive, he said. Rio sold its 78 % stake in Murowa in June last year to RioZim Ltd., its former local unit. Prices for the stones are at six-year lows after slumping 18 % in 2015, the most since the 2008 global financial crisis, according to data from WWW International Diamond Consultants. Demand in China, the biggest market after the U.S., has shrunk along with a slowing economy and a crackdown on corruption that's discouraged open displays of wealth. The investment will go ahead despite the decline in prices, Chairman Lovemore Chihota said. "Some mines are closing due to low prices of diamonds, but we believe as the sun rises and sets, it will come back soon," he said. Managing Director Zebra Kasete will be leaving at the end of this month and will be replaced by Ellah Muchemwa. Mining is the biggest source of foreign exchange for Zimbabwe, which has the world's largest platinum reserves after South Africa and also has chrome, gold and iron ore. Murowa, which produced 450,000 carats in 2014, intends to be the biggest diamond miner in the country, Chimuka said. "With this new capital injection we want to increase mine life and also increase our operations," he said. "Last year was a bad year, but we want to do well this year." Production of diamonds in the nation fell to 420,000 carats in the first five months of 2015 from 660,000 carats a year earlier. *(Bloomberg)*

OIL & GAS

Tullow Oil to pump crude in West Africa

Amid one of the deepest oil price crashes in history, Britain's Tullow Oil is sending one of the world's biggest floating deep-water oil production platforms to West Africa to pump crude for at least 20 years.

The 340-metre long production vessel, named after late Ghanaian president Prof John Evans Atta Mills, was converted in Singapore from a very large crude carrier super-tanker, and is expected to set sail this weekend to Ghana, where it is scheduled to gradually ramp up production from the TEN deepwater oilfield from July/August this year, the company's chief operating officer Paul McDade said.
With costs (operating plus capital expenditure) of around $20 per barrel and an expected production life of 20 years or more, London-listed and Africa-focused Tullow hopes it can weather a storm which has seen crude prices tumble over 75% in 18 months to under $28 per barrel, levels not seen since 2003.
Despite its low production costs, McDade said the current downturn was causing the industry huge pain, and he added that he didn't expect a sharp rise in oil prices as happened in 2009 after the last crash during the global financial crisis. "It feels more like a 1986 than a 2008. It's a more fundamental shift. 2008 was a financial crisis, today is very different. We have oversupply – that's structural and takes longer to adjust to," he said in reference to low oil prices in the decade following the price crash of 1986.
Despite the outlook for excessive global output, McDade said the John Evans Atta Mills Floating Production, Storage and Offloading vessel was going ahead as scheduled. "We are very much on schedule for a July/August gradual start of production. The aim is to hit peak production in early 2017," McDade told Reuters in Singapore.
The TEN oilfield off the coast of Ghana lies at a water depth of 1,000-2,000 metres and has a maximum capacity to produce 80,000 barrels per day (bpd) of a light sweet crude quality close to Brent, and Tullow plans to operate at full production. Tullow already produces similar grade crude from the offshore Jubilee oilfield, also in Ghana, and the company said once TEN and Jubilee were at full production, combined output would reach 100,000 bpd in early 2017.
In the midst of a huge production overhang, which sees 1-2 million barrels of crude pumped every day in excess of demand, West Africa is one of the few regions that is expected to see production increases and further investment this year.
Analysts at AB Bernstein said they expected "Africa … as the most active basin in 2016," in terms of developments and investments of potential offshore projects. "In Ghana, we're kind of blessed with high quality, low cost assets," McDade said. He said that Tullow's overall cash operating costs were around $15 per barrel.

Take-over target?

Because of the low prices, McDade said Tullow would have to be flexible with its next investment decisions, including expansion of the Jubilee field, for which Bernstein estimated to see a final investment decision in the second quarter of 2016. He also said the firm would only develop its East African oil assets in Uganda if it managed to farm out a significant part of its production in order to re-invest the money made from such a sale back into those developments.
"Ideally, you'd want to invest in the current environment as services are cheap and likely to become cheaper still. In the last 8-10 years we may not have seen a better time to invest than now," McDade said, but added that this would depend on Tullow's financial and equity position. Tullow's share price has fallen by around 70% over the last year, giving the company a market capitalisation of less than 2-billion pounds. The firm's low share price and market capitalisation meant that Tullow was potentially a take-over target. "As a smaller company, you're always going to be a take-over target," he said, adding that Tullow was not up for sale and warned any bid would also be challenging as its partnerships in Africa would entail clearances from regional governments. Despite this optimism, ship builders and industry analysts are less enthusiastic about the immediate future for other new floating deepwater production vessels. *(Engineering News)*

Lusophone Africa faces commodities challenge

Angola and Mozambique have been two of the fastest-growing economies in the world over the past decade. Recovering from long, bloody civil wars, the two biggest Lusophone countries in Africa are at different stages of developing their huge natural resources. Yet weakening demand for commodities – particularly in China – threatens their ability to continue growing at the same pace. Much depends on their ability to diversify their economies but that is easier said than done.
The biggest threat to the Angolan economy is the low oil price. In December, the price of a barrel of Brent crude was hovering around $40, well below the $100/bbl level that had become standard in recent years. This poses a huge threat to the government's investment plans and to further oil and gas exploration. Although onshore and shallow water fields in Cabinda Province continue to account for 500,000 b/d of oil production, the bulk of the country's 1.9m b/d output comes from deepwater and ultra-deepwater fields, where production costs are much higher.
While Angola is an established hydrocarbon exporter, Mozambique is only just about to embark on life as a liquefied natural gas (LNG) producer. Although it already exports gas via a pipeline from the Pande and Temane fields, which have combined reserves of 5 trillion cuft, to South Africa via an 865km pipeline, the planned LNG plant in Palma, in the far north of Mozambique, is of an altogether different order. Offshore reserves are estimated at 180 trillion cuft less than a decade after the first discovery was made, suggesting that further fields are still to be identified. The discoveries to date are controlled by consortia led by Eni of Italy and US firm Anadarko. The two firms are to supply gas to the jointly owned LNG plant, which will initially have four liquefaction trains – or production units – giving combined production capacity of 20m tonnes a year.
However, the 18,000 acre site is being developed with the capacity to process 50m tonnes a year in the longer ter. It will also house a range of other energy-intensive industries that would be able to take advantage of the plentiful nearby

supplies of natural gas. A new pipeline to South Africa has been suggested but the reserves in question lie in the Rovuma Basin, about 2,000km from the South African border, and so may not be commercially viable.
The most obvious option is therefore LNG production, particularly given Mozambique’s location on the western shore of the Indian Ocean, opposite the world’s biggest established and emerging LNG markets in India, China, South Korea, Taiwan and Japan. In late November, Eni and Anadarko announced that they had selected their Mamba and Prosperidade fields respectively to supply the first four trains. However, falling oil prices have had a knock-on effect on the LNG market, as the price of liquefied gas is often tied to oil prices.
At the same time, other LNG projects are due to come on stream over the next decade in the US and Australia in particular. The first Palma trains are now due to be completed in 2020, four years later than the original target date, and further slippage is possible.
If sustained, this trend could threaten the expansion of the Mozambique LNG industry, at the same time as prospects for the country’s coal sector are nose-diving. Falling coal prices and delays in developing transport infrastructure have hit the country hard. Rio Tinto has pulled out of the country because of a write-down in the value of its Mozambican coal assets but also as a result of the firm’s wider withdrawal from the coal industry. At the same time, while Indian imports are expected to continue rising, China is putting the brakes on its coal consumption and the international mood is certainly moving against coal because of its role in global warming.
However, Mozambique still has massive potential as an exporter of both thermal and coking coal in the long term. New coal export terminals are finally being developed at the ports of Nacala and Beira, which are being connected by rail to the mines in Tete Province in the far northwest of Mozambique.

Other options

As a result of the problems in the oil, gas and coal sectors, it is vital that Angola and Mozambique seek to diversify their economies. Luanda has used some of its oil income to fund construction and infrastructure projects but a lack of transparency and the domination of companies owned either by the state or members of the political elite mean that opportunities for private sector enterprise are limited. In the immediate future, however, there will continue to be opportunities for construction, power, water and telecoms companies.
Moreover, the rehabilitation of the country’s three main railways – each of which run from the Atlantic ports of Luanda, Namibe and Lobito eastwards – should encourage the re-emergence of the agriculture sector, as well as enabling some mining in eastern provinces. A great deal of farmland was abandoned during the civil war. In addition, the expansion and construction of container terminals at all three ports will improve their ability to act as transhipment hubs. They could also attract export-orientated businesses if the government puts the necessary incentives in place.
Maputo has less scope to fund new infrastructural projects but other sectors could benefit from rapid improvements to Mozambique’s port and rail infrastructure. Nacala is the deepest natural harbour on the east coast of Africa and both it and Beira will benefit from new rail services to landlocked states in Southern Africa, including Malawi and Zambia.
However, it is Maputo that may be best placed to help economic diversification. With improved transport links and increased domestic supplies of gas, it is well placed to attract industrial and manufacturing investment, as well as resuming its historic role as an entrepôt for South Africa’s economic heartland around Johannesburg. Bilateral trade between the two reached R43.9bn ($3bn) last year, while road and rail links between Johannesburg and Maputo have been improved. *(African Business)*

Murray & Roberts subsidiaries win oil and gas contracts

Murray & Roberts says its Clough and the CH-IV International subsidiaries have secured contracts in the oil and gas sectors in South Korea and the US. The construction and engineering group said that Samsung Heavy Industries had awarded Australia-based Clough a contract for "hook-up services" between the well and flow line on the giant Ichthys liquid natural gas (LNG) project in Australia. Ichthys is operated by Japanese energy group Inpex. "We are very pleased with these awards, considering the low oil price and current pressure on the global oil and gas market," Murray & Roberts group CE Henry Laas said.
The scope of work includes the preparation and execution of offshore hook-up activities. Project management will be executed from Clough’s office in Perth, with the technical support of Clough’s South Korean joint venture. "The Ichthys LNG project follows on a strong relationship with Inpex over many years and Clough’s investment in developing its hook-up capability and implementing key productivity tools and processes to reduce cost and deliver greater certainty of project outcome for clients," Mr Laas said.
Meanwhile, CH-IV International, which is based in the US city of Baltimore, has been selected as owner’s engineer for Eagle LNG Partners’ production and export facility in Florida, in the US, responsible for the engineering completion of the US Federal Energy Regulatory Commission application. "The CH-IV project may not be material from a contract value point of view, but it’s another successful bid in the owner’s engineering space in the US", Mr Laas said. CH-IV International president Jeffrey Beale said the project would help provide a new source of clean-burning natural gas for the island nations in the Caribbean. *(BDLive)*

Libya's $60 Billion in Lost Oil Highlights Risk of Failed State

Libya's rival political factions must quickly form a unity government to stop the country with Africa's largest oil reserves from collapsing into a "failed state," National Oil Corp. Chairman Mustafa Sanalla said. Libya has lost $60 billion in production and exports as a result of disruptions at oil ports and fields over the last three years, and attacks by Islamic State militants have caused "tremendous" damage to the oil industry in the last two weeks, Sanalla said in an e-mailed statement. "Their objective is to prevent the new government from stabilizing the economy," he said of the militants. "They are not trying to occupy oil facilities, only to disable them. Their attacks have been very targeted, and they have managed to achieve a considerable level of damage with very few people. We should expect more such attacks." Libya produced about 1.6 million barrels a day of crude before the 2011 rebellion that ended Moammar Al Qaddafi's 42-year rule. It's now the smallest producer in the Organization of Petroleum Exporting Countries, pumping 362,000 barrels a day, Sanalla said in an in interview in London. Since Qaddafi's ouster and death, Libya has split into two separately run regions, one in the west and an internationally recognized government in the east. Various armed militias also compete for control of oil facilities.

Dueling Administrations

The National Oil Corp. in the west, headed by Sanalla, is recognized by traders such as Glencore Plc and Vitol Group as the official marketer of Libyan oil. The eastern government has set up a separate NOC administration, which represents Libya in matters relating to oil including OPEC. Representatives of the nation's two dueling administrations took a tentative step toward easing the turmoil when they agreed on Jan. 19 to form a 32-member cabinet, in talks backed by the United Nations. However, the eastern government's parliament voted to reject the proposed unity cabinet, Esam al-Jihani, a member of the eastern House of Representatives, said from the city of Benghazi. The parliament was concerned that the cabinet contained too many ministers, he said. "Without a single government, there will be neither security nor stability," Sanalla said in the statement. "Extremists will step into the vacuum, and Libya will decline further to lawlessness and chaos."

Biggest Port

The Petroleum Facilities Guard, a force loyal to the government in eastern Libya, has failed to protect the nation's oil facilities, and attacks by militants have cost the country more than half of its storage capacity for oil, he said. The NOC could double production within days if the petroleum guard "left us in peace," Sanalla said in the interview. The company is currently exporting 260,000 barrels a day, and it expects the loss of storage capacity at the oil ports of Es Sider and Ras Lanuf to curb future shipments, he said. Islamic State fighters attacked storage tanks in Es Sider, Libya's biggest oil port, and nearby Ras Lanuf earlier this month. Both terminals have been closed to oil exports since December 2014. The NOC has also lost 100,000 barrels a day of capacity due to disuse at the El Feel, or Elephant, and Sharara oil fields, he said. The company plans to sit down "soon" for talks with international oil companies, Sanalla said. "The international oil community has remained patient and supportive of Libya and the National Oil Corporation," he said. "We must act now to repay that trust, by creating a safe environment for all to operate under. This can only be achieved through a unity government." *(Bloomberg)*

TELECOM

Maroc Telecom wins operating licence in Ivory Coast

Maroc Telecom has won a telecoms licence in Ivory Coast and has paid a first instalment of 50 billion CFA francs ($82.54 million), Ivory Coast's presidency said in a statement without announcing the total fee. The announcement made followed a meeting between Ivorian President Alassane Ouattara and the Moroccan company's Chairman and CEO Abdeslam Ahizoune in the West African nation's commercial capital Abidjan. The statement said that the licence would open the way for Maroc Telecom to invest in 3G and 4G technology as well as Ivory Coast's expanding fibre-optic network. Ivory Coast's mobile telecoms market has nearly 22 million mobile customer subscriptions and is dominated by France's Orange and South Africa's MTN. ($1 = 605.7400 CFA francs) *(Reuters)*

Smart Africa: Smartphones pave way for huge opportunities

What the railway was to Victorian England, the mobile networks are to Africa

The mobile phone is to sub-Saharan Africa what the steam train was to 19th century Europe: the mechanical workhorse driving social and economic transformation. Seizing the opportunity provided by the first near universally available infrastructure, hundreds of technology start-ups have sprung up across the continent to plough new trade routes and seek breakthrough innovations.

In parallel there is mounting competition between global tech companies — IBM, Google, Facebook, China's Tencent-for a slice of what are some of the world's fastest growing IT markets. The ethos pervading this new ecosystem — centred in Nairobi, Lagos and Johannesburg but with offshoots across Africa — was encapsulated recently by Mark Essien, creator of one of the first hotel booking websites in Nigeria. Far from being a handicap, the deficit in physical infrastructure such as landlines and indeed railways, provides Africans with a unique chance to step ahead, he argued at a recent Lagos conference. "The future of technology for Africa is not in playing catch-up. But in looking at the things we lack and using each of those gaps as an opportunity for us to invent something we can use to leapfrog the rest of the

world," Mr Essien said. The first big leap came with the adoption of mobile phones. The next wave of technological advances are occurring as high speed internet and smartphone handsets become more accessible.

By 2025 half of sub-Saharan Africa's billion strong population will have internet access, 360m via smartphones according to McKinsey, the consultants. Two years ago their research identified this burgeoning connectivity as providing huge opportunities for IT businesses in healthcare, education, finance, agriculture, retail and servicing government.

Already there is an African app out of the starting blocks for almost everything: herding cattle in Kenya (i-Cow), private security in Ghana (hei julor!), remotely monitoring patients in Zimbabwe (Econet) and in Uganda, an Uber-like service (Yoza) connecting dirty laundry to mobile washerwomen. Married to this explosion of creative endeavour are the continent's demographics — over 70 per cent of the fast urbanising population are under 30. "The first thing they want is a phone and the next is information," says Aly Khan Satchu, a Nairobi-based investment analyst.

Armed with both, Africa's youth are hooking up to networks far beyond their immediate communities, creating new outlets for music, TV, fashion and social comment. Nor can the politicians afford to ignore the ramifications. The social media campaign unleashed when Boko Haram terrorists kidnapped more than 200 schoolgirls rebounded to help deprive Goodluck Jonathan of a second term as Nigeria's president. "What the Great Western Railway was to Victorian England, the mobile networks are to Africa," says veteran Africa investor, Miles Morland.

For all the excitement, however, there is a caveat: the easy fortunes were made in the last decade. Then, private equity investors like Mr Morland made five or ten times their money. They did so by backing African entrepreneurs who recognised the scale of pent up demand and jumped in to build telecoms companies while their global counterparts hesitated (convinced that most Africans were too poor to afford either handsets or airtime). Price wars and slowing growth in near saturated urban areas have since thinned their margins. So, some of the latest innovation is being driven by commercial necessity. Products like M-Pesa, the mobile money system pioneered by Kenya's dominant telecoms operator Safaricom, raise fresh revenues and help the company retain subscribers.

More broadly, the start-up terrain is treacherous, fragmented, and only a few companies have yet proved an ability to scale up regionally and become commercially viable. "If I had a Martini for everyone who comes into my office with a new mobile payment system, I would be drunk from now to the next millennium," says Mr Morland. "The problem is that for every two that work 400 will struggle."

So far, the companies that have been most successful in attracting investment have tended to be those replicating western models such as the online retailers in Nigeria, Africa's most populous nation, Jumia and Konga. Many tech companies developing consumer apps lack the finances to market their own products and are obliged to work directly with the phone operators. Ayisi Makatiani, the Kenyan who created pan-African media aggregator Africaonline and now runs his own private equity fund, says the first wave of venture capitalists backing more innovative start-ups were mostly burnt. However, more experienced players are now arriving, he says, helping to marry international expertise with local knowledge. "I haven't seen so many Americans arriving in 20, 30 years."

At the same time, in more advanced markets, the spread of mobile money systems and developments in logistics (such as Kenya's new motorbike courier service, Sendy) are combining with increased smartphone use to allow companies to sell everything from insurance to fresh fruit online. "The question is how do you now use the current digital platforms to disrupt the traditional businesses and offer services in a much more efficient way?" Mr Makatiani says. It has taken longer for most companies to find the answer than early enthusiasts for the sector anticipated. The constraints presented by data costs, regulation, and financing, have proved a drag. "We are in an evolutionary phase," says Aly Khan Satchu. "We have not yet found the ways of creating the kind of commercial value US companies have been so brilliant at doing. But we are moving in the right direction." *(Financial Times)*

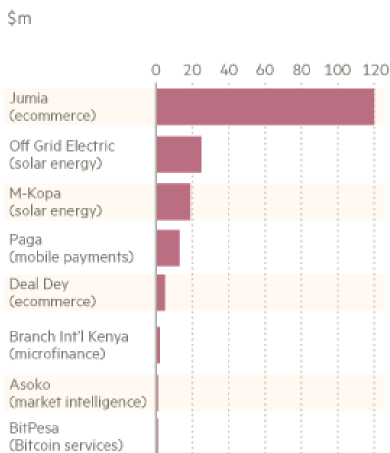
Venture capitalists aim to tap mobile tech wave

Venture capitalists are pouring hundreds of millions of dollars into Africa-focused start-ups as they look to tap into a second-wave of technological advances building on the rapid spread of mobile phones. From e-commerce to health and financial services, international investors are targeting fledgling companies in particular across Kenya, South Africa and Nigeria, three hotbeds for innovation. They are drawn by a flourishing start-up scene and burgeoning demand from the continent's youthful population for online products as higher speed mobile broadband becomes available and smartphone adoption accelerates. The development of mobile payment systems within Africa is meanwhile making it easier to sell both digital and physical products online.

The tech sector is a rare bright spot as many African economies come under pressure from falling prices for commodity exports and the slowdown in their biggest trading partner, China. The latest research by GSMA Intelligence, which collates data from mobile operators worldwide, projects that venture capital funding to the African tech sector will rise to $608m in 2018 from $414m in 2014. Disrupt Africa has recently tracked $185m of funding to African start-ups in 2015, including major deals such as the $25m secured by Tanzanian solar firm Off Grid Electric.

Top VC funding deals in Sub-Saharan Africa

$m

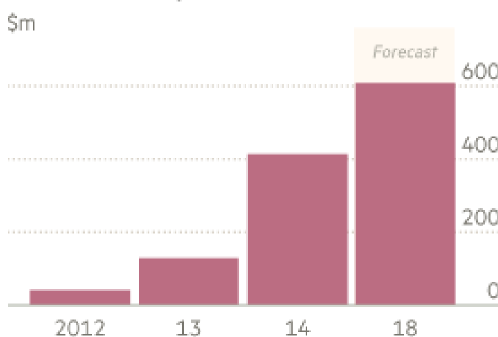


Sources: Disrupt Africa; FT research, Late 2014 to 2015

Although the amounts being raised are still tiny compared with the US or Europe, numbers are growing, and interest from global investors is helping to change the profile of start-ups. Joe Mucheru, who resigned as head of Google Kenya last month to become the country's technology minister, estimates there is "close to $20bn looking to invest in African tech". "If we organise the businesses well there's at least $10bn worth of value we can get out of Kenya," he said. "But at this stage we'd be hard pushed to get even $1bn because we're still keeping our businesses in a sense to ourselves. We still haven't seen the culture and ability to create the value and networks that we need." Among the most successful fundraising has Been by Nigerian companies mimicking western models for e-commerce and online booking. Nigeria's online streaming service, IrokoTV announced $19m of new investment.

Venture capital funding in Africa tech start-ups

$m



Source: GSMA

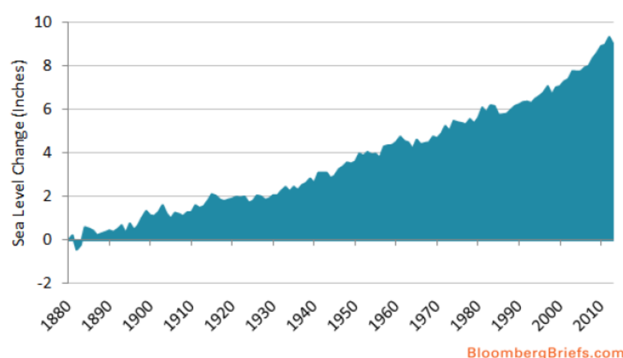
In the east of the continent start-ups focused on creating infrastructure solutions specific to Africa's poorly served markets are also drawing growing interest. Kenyan technology start-up BRCK, which manufactures routers and modems allowing users to access WiFi internet in remote areas, earlier this month said it had secured $3m in funding from a group of international investors to help expand its operations in the region. Investors included former AOL executive Steve Case. Keet van Zyl, a partner at tech-focused South African venture capital firm Knife Capital, said the pace of growth, combined with a lack of domestic funding sources was "opening the door for international investors" despite barriers such as protective intellectual property laws which can act as a deterrent. *(Financial Times)*

AGRIBUSINESS

Seychelles Plans Blue Bonds for Sustainable Fisheries

Seychelles, an Indian Ocean archipelago off the East African coast, plans to offer socalled blue bonds, which fund the development of sustainable fisheries, to investors later this year. The country's Treasury is in talks with multilateral agencies including the African Development Bank and the World Bank to facilitate the sale of $10 million of the government-backed debt, Finance Minister Jean-Paul Adam said in a phone interview Jan. 22 from the capital, Victoria. The securities are modeled on green bonds, which channel their proceeds to projects that save energy, curb pollution and recycle resources.

"If you're going to finance a fishing business it will be generally seen as a risky business and will be costed accordingly," Adam said. "We hope to absorb this risk. And the involvement of the multilateral agencies will help reduce the cost so we get an affordable interest rate."



Source: U.S. EPA, CSIRO
This graph shows cumulative changes in sea level for the world's oceans since 1880, based on long-term tide gauge measurements, according to information on the U.S. Environmental Protection Agency website. The data, available on the EPA's website, is sourced from Australia's Commonwealth Scientific and Industrial Research Organisation.

Seychelles is considering the debt as its $169 million of bonds due January 2026 outperform other sub-Saharan African nations, returning 2.6 % this year compared with an average loss of 2.9 % among 17 countries on the continent tracked by Bloomberg. The commercial fishing industry in Seychelles, which has Africa's biggest tuna-canning factory, is dominated by companies including Thai Union Group Pcl, Thailand's largest seafood exporter. Fisheries account for about 1 % of the country's $1.4 billion economy, World Bank and African Development Bank data show. The government is developing sustainable ways of expanding Seychelles' fishing industry as part of an initiative to deal with the impact of climate change. "The innovation in this bond is that you get a very secure facility which will also have a good impact," Adam said. "We're going to be targeting impact investors who want to show that it's possible and that their investment is making a difference."
The sale of the blue bonds will be linked to a fisheries-management plan to develop the country's semi-industrial and artisanal fishing sectors, Adam said. "If we look at the existing trend in that sector, it's a very strong growth sector for us," he said. "The fisheries-management plan will encourage fishermen to look at the entire value chain — from catching, to how the fish are stored on vessels, to how it's processed and how it's exported. *(Bloomberg)*

Nigeria Cocoa Midcrop Harvest Seen Down 60% on Harsh Weather
Nigeria's cocoa midcrop output may decline by as much as 60 % as prolonged dry weather takes a toll on the trees, the country's cocoa association said. "The heatwave is so severe now that flowers and buds are falling off cocoa trees in the farms," Sayina Riman, president of the Cocoa Association of Nigeria, which groups farmers, traders and grinders, said by phone from the southeastern cocoa hub of Ikom. "The 2016 midcrop may drop by about 60 % as a result of the ravaging effect of the long harsh harmattan weather."
Farmers in the southwestern cocoa belt that accounts for about 70 % of Nigeria's production say the crop isn't faring well, with the last rains in the area falling in late October. "We will be lucky if we get up to half of last year's midcrop cocoa harvest," Kola Adeboyejo, a farmer in the cocoa-growing town of Idanre, said by phone. Nigeria's two cocoa harvests include the smaller midcrop from April to June, and the main crop from October to December. The midcrop normally accounts for about 30 % of Nigeria's cocoa output.
Black Pod
Nigeria is the world's largest cocoa producer after Ivory Coast, Ghana and Indonesia, with a government-estimated output of 350,000 tons in the 2013-14 season. The International Cocoa Organization estimates Nigeria's output at 240,000 tons for the same period. Ghana's cocoa growing region received less than 5 millimeters of rain since Dec. 3, compared with the normal amount of 50 millimeters, according to a Speedwell Weather statement e-mailed last week. Global cocoa production totaled 4.2 million tons in 2014-15, about 1 % higher than previously estimated, according to a report published by the ICCO on Nov. 27. Adverse weather conditions and an outbreak of black pod disease cut Nigeria's output by about a fifth to 190,000 tons, according to the report. Cocoa farmers in Nigeria reported a poor main-crop harvest with the start of the 2015-16 season in October after major growing areas were ravaged by floods and disease in the preceding months, according to the cocoa association. The dry spell that ensued afterward wasn't broken by intermittent rains that would've helped the development of buds for the midcrop, according to farmers. "Even if the rains start today, it will require a period of regeneration for the dying cocoa trees to develop fruits again," Riman of the cocoa association said. *(Bloomberg)*

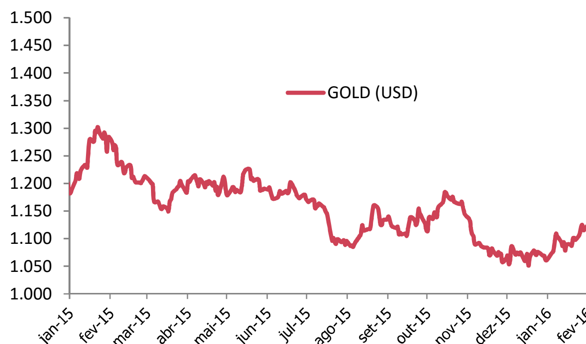
Rice factory in Malanje, Angola, starts production in mid 2016
The Angocentric Malanje Industrial rice mill, in the Angolan city of Malanje, is expected to start operating in the first half of this year, with a husking and packaging capacity of 40 tons of rice a day, according to Angolan state news agency Angop. José Marcos, the head of the factory, said Angolan development bank Banco de Desenvolvimento Angolano had funded the US$8 million project. Production of "Arroz Betu" rice, is initially intended for Malange but there are also plans to distribute it to other Angolan provinces and regions based on production levels. The factory will create 100 jobs. *(Macauhub)*

Zambia's maize deficit seen at 200,000 T: government
Zambia has a maize deficit of 200,000 tonnes in the current 2015/2016 crop season after drought damaged the crop in many parts of the country, a government spokesman said. A prolonged drought threatens crops across the Southern African region where the United Nations has warned that 14 million people face hunger. Zambia is considering asking

MARKET INDICATORS
01-02-2016

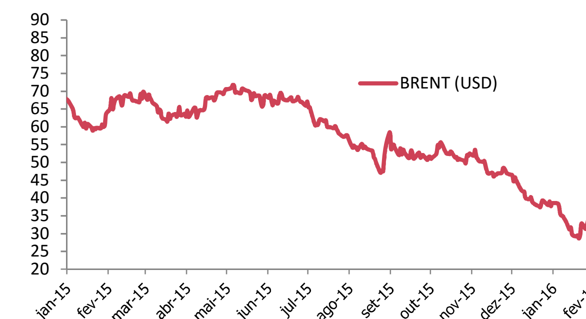
STOCK EXCHANGES		
Index Name (Country)	**01-02-2016**	**YTD % Change**
Botswana Gaborone Domestic Index (Botswana)	10.440,28	-1,53%
Bourse Régionale des Valeurs Mobilières (Ivory Coast)	289,24	-4,83%
Case 30 Index (Egypt)	5.906,92	-15,69%
FTSE NSE Kenya 15 Index (Kenya)	174,24	-6,64%
Morocco Casablanca Stock Exchange CFG 25 (Morocco)	19.067,40	0,35%
Nigerian Stock Exchange All Share Index (Nigeria)	23.826,76	-16,81%
FTSE/JSE Africa All Shares Index (South Africa)	48.869,21	-3,60%
Tunindex (Tunisia)	5.434,66	7,78%

Source: Bloomberg and Eaglestone Securities



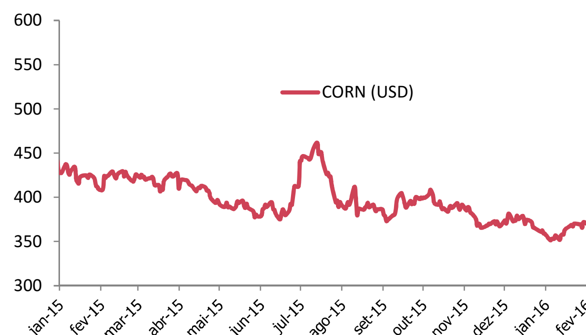
METALS		
	Spot	**YTD % Change**
Gold	1.126	6,08%
Silver	14	3,37%
Platinum	873	-2,22%
Copper $/mt	4.561	-3,06%

Source: Bloomberg and Eaglestone Securities



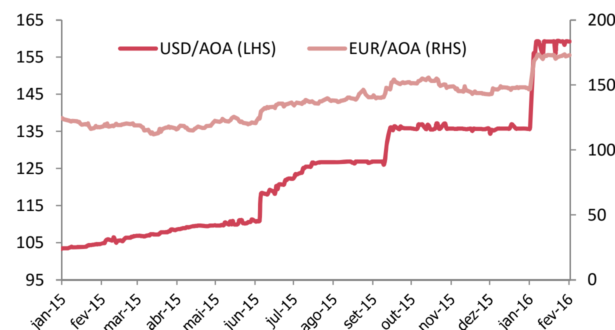
ENERGY		
	Spot	**YTD % Change**
NYMEX WTI Crude (USD/barril)	32,5	-12,37%
ICE Brent (USD/barril)	35,1	-5,82%
ICE Gasoil (USD/cents per tonne)	311,5	-6,81%

Source: Bloomberg and Eaglestone Securities



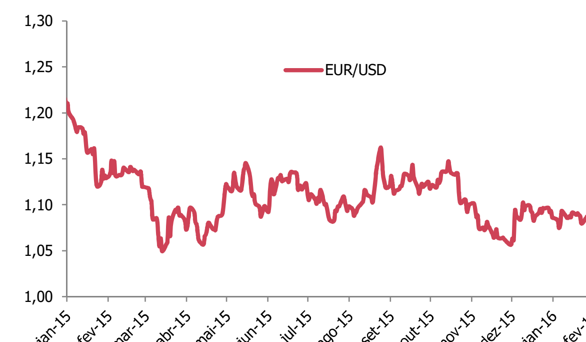
AGRICULTURE		
	Spot	**YTD % Change**
Corn cents/bu.	369,3	2,93%
Wheat cents/bu.	474,3	0,90%
Coffee (KC) c/lb	117,1	-7,58%
Sugar#11 c/lb	13,1	-13,85%
Cocoa $/mt	2806,0	-12,61%
Cotton cents/lb	61,2	-3,27%
Soybeans c/bsh	878,3	1,62%

Source: Bloomberg and Eaglestone Securities



CURRENCIES	
	Spot
KWANZAS	
USD	158,738
EUR	172,956
GBP	227,183
ZAR	9,880
BRL	39,616
NEW MOZAMBIQUE METICAL	
USD	46,460
EUR	49,328
GBP	65,638
ZAR	2,892
SOUTH AFRICAN RAND SPOT	
USD	16,067
EUR	17,505
GBP	22,996
BRL	4,007
EUROZONE	
USD	1,09
GBP	0,76
CHF	1,11
JPY	131,91
GBP / USD	1,43

Source: Bloomberg and Eaglestone Securities



farmers to grow irrigated maize, buy up local stocks in remote parts of the country or import maize from South America to plug the deficit, Presidential spokesman Amos Chanda said. "Assuming that farmers are unable to grow irrigated maize to produce the 200,000 tonnes, then we may have to import the maize from South America," Chanda told journalists. "The good news is that the Millers Association of Zambia and the Zambia National Farmers Union think there is sufficient maize on the local market and we may just have to mop it up." Zambia's current 2015/2016 maize crop is expected to be a third lower than the previous year due to the severe drought in many parts of the country. Zambia's maize harvest dropped 21 % to 2.6 million tonnes in the 2014/2015 season versus the previous season. Domestic maize prices in South Africa, the region's top producer of the staple grain, have scaled record peaks in recent days because of the drought. *(Reuters)*

AFRICAN COTTON GETS EXPORT BOOST
Cotton-producing countries in Africa – mainly Burkina Faso, Benin, Chad and Mali – can now export their cotton to developed countries duty-and quota-free following a global deal at the WTO Conference. The agreement includes three key elements on market access, domestic support and export competition. It also mandates developed countries to prohibit cotton export subsidies immediately and for developing countries to do so at a later date. All cotton subsidies are to be stopped in 2017. The subsidies have driven down prices, making it hard for small farmers in poor countries to compete in international markets. China is the largest exporter of cotton and the US the second. *(African Business)*

UPCOMING EVENTS

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

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

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

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

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

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

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

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

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

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

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Additional information is available upon request.

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

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

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

LISBON - Av. da Liberdade, 105, 3rd Esq. - T: +351 21 121 44 00

LONDON - 48 Dover Street - T: +44 20 7038 6200

LUANDA - Rua Marechal Brós Tito n° 35/37 - 13th Floor A - Kinaxixi, Ingombotas - T: +244 222 441 362

MAPUTO – Avenida Vladimir Lenine – Edifício Millennium Park, Torre A, nº 174, 4º andar S - T: +258 21 342 811

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

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EAGLESTONE SECURITIES

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

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

Guido Varatojo dos Santos
(+351) 211 214 468
guido.santos@eaglestone.eu