2 February 2015

INSIDE AFRICA

Now is the time to invest in Africa

EAGLESTONE SECURITIES

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In-depth:

Sustainable economic growth and peaceful elections should be Africa's focus in 2015

African Development Bank President Donald Kaberuka on Friday, January 16 expressed optimism that 2015 holds an opportunity for the African continent to achieve progress in economic growth depending on the political will of African Governments. "It will depend on the policy stance of the countries, and the choices that they make or do not make," he said.

The President was addressing diplomats accredited to the Bank's host country, Côte d'Ivoire, the Bank's senior management staff, and local and international media at an annual luncheon in Abidjan.

Kaberuka said although 2014 presented many challenges, including headwinds in the global economy, slowdown in the large emerging markets, and sharp declines in commodity prices, Africa remained resilient, maintaining its dynamism, at 5.5 % growth.

"We know that given our demographics, 5 % growth is strong but not stellar. It is 7 % we must target," he emphasised.

He said the outlook would even be better if faster progress was made in the areas of integration, especially removal of non-tariff barriers, and infrastructure development. "Those parts of the continent making faster progress on both areas are able to see higher growth, even when commodity prices are weakening," he added, citing lack of jobs, inclusion, and effective safety nets as the giants holding back Africa's full potential.

The challenge for 2015, he said, was not only in ensuring economic growth, but securing growth that is strong, sustainable, creates jobs, and one that benefits the broad categories of the population, not just few elites. Of the Bank's importance is the ability of Africa to rebuild shock absorbers in the light of global uncertainties like commodity price volatility and altered conditions in the capital markets.

President Kaberuka reiterated the need for a global epidemic management system, pointing to the Ebola crisis, which had exposed the cracks in Africa's primary health care systems. Even though disease or epidemic management is not a core business of the Bank, Kaberuka said the Ebola outbreak necessitated the institution to mobilise every resource to counter the problem.

Up to now, the Bank has committed close to US $220 million including budget support to the three affected countries of Sierra Leone, Liberia and Guinea. The outbreak interfered with businesses. "At the beginning of the outbreak, regional solidarity was put to test as neighbours closed borders and supply chains were disrupted. Yet it was clear that more needed to be done," he observed, prompting African countries to strengthen their disaster preparedness.

2015 is significant as at least 15 African countries will hold legislative or presidential elections. Kaberuka's concern is for these countries to retain or at least not undermine investor confidence "by ensuring elections are not times of shedding blood or generating instability."

The AfDB President regretted the instability caused jihadists, presenting a new challenge on the continent. He cited recent attacks by Boko Haram in Northeastern Nigeria, where hundreds were killed, and Al-Shabaab attacks on a shopping mall in Kenya in which about 70 people died in 2013.

Kaberuka underlined that these were attacks on the whole of Africa, and they greatly undermined development.

"The risks posed by these outlaws and their backers are a major issue for Africa's development prospects, perception, risk profile, investment climate and the Africa brand." He noted: "Fighting these jihadists diverts our resources, which could be used otherwise to build infrastructure." He called on the nations of the world to come together and battle against jihadists and their offshoots everywhere.

During the luncheon, Kaberuka lauded the Bank's growth from US $3.6 billion 11 years ago to now about US $8 billion, a growth he describes as in line with the expectations of an emerging Africa. The Bank recently moved back to its headquarters in Abidjan, Côte d'Ivoire, after 11 years of relocation to Tunisia.

Albert Toikeusse Mabri, Côte d'Ivoire's Minister for Planning and Development, expressed confidence in the Bank's activities, welcoming its relocation back to Abidjan. "We are proud to have the Bank back. We are proud of the Bank's services to the continent of Africa," he said. *(AFDB)*

South Africa: Country Outlook

<u>POLITICAL STABILITY</u>:

The ruling African National Congress (ANC) will remain the dominant political force during the forecast period. Jacob Zuma will serve a second (and final) five-year term as president, 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. The ANC's share of the vote slipped in the May 2014 general election but was strong enough to limit the risk of a drift towards more radical and populist measures (such as widespread nationalisation).

ELECTION WATCH:
The next test of voter preferences will be the municipal elections in 2016. These will show if the ANC can halt the steady erosion in its support base 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 2014 and to 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). However, the DA, which is mainly backed by minorities, may struggle to make significant inroads, despite its growing appeal to some urban black voters.
INTERNATIONAL RELATIONS:
South Africa, with the most advanced economy in Africa, will continue to play an important role in regional and world affairs. The country will remain deeply engaged with Africa, particularly Southern Africa, and will continue to support peacekeeping operations in the continent's conflict zones. Alongside fellow members of the Southern African Development Community, South Africa will also seek to build closer "South-South" ties, especially with China, India and Brazil, as well as with other African trade blocs. South Africa will also prioritise the maintenance of close relations with the EU and the US. Gaining a permanent African seat on the UN Security Council will remain a key aim.
POLICY TRENDS:
The key task facing policymakers will be to facilitate growth while avoiding macroeconomic imbalances. The authorities will employ a fiscal stimulus and targeted industrial incentives to boost activity and employment, but will also 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 skills shortages and inadequate infrastructure, which are preventing limited growth in 2014, such as strikes, power shortages and rising interest rates, will persist to some extent in 2015. We expect growth to accelerate to 3.5% in 2016 and 4.1% in 2017, helped by a further modest increase in world growth, an expansion of regional trade and a steady improvement in power supplies. Stronger business activity will give a small boost to job creation, thereby supporting household spending. Rising wages and the expansion of the black middle class will reinforce this trend, by spurring consumer outlays on durable goods and services such as telecommunications and banking. However, structural constraints will persist, including skills shortages, crime, corruption and inefficient parastatals, while unemployment will remain high. We expect growth to weaken slightly to 3.8% in 2018, owing to greater political and policy uncertainty ahead of the 2019 election. In addition, fiscal consolidation and rising interest rates, in line with expected global trends, will dampen consumption and investment. Growth will resume an upward trajectory in 2019, underpinned by the completion of key infrastructure projects, including new transport networks and power stations, which will boost energy-intensive sectors. A negative external balance will continue to weigh on economic growth throughout the forecast period.
INFLATION:
We forecast that average annual inflation will remain within the 3-6% target range, set by the South African Reserve Bank (the central bank), in 2015-19, helped by prudent monetary policy and lower oil prices, and that breaches will be temporary. We estimate that inflation averaged 6.2% in 2014, slightly above target, because of the impact of the weaker rand on import costs.
However, we expect the rand to depreciate more slowly in 2015-19, which will help to contain inflation, especially in combination with lower world oil prices. Moreover, the expected phased tightening of monetary policy during the forecast period will constrain price growth. Efficiency gains arising from infrastructure investment and stricter competition policy will have a similar impact. Nonetheless, inflationary pressure will come from rising electricity tariffs, which will increase by 12.7% in April 2015 and by at least 8% in April 2016. Tariff rises for 2017-19 have still to be determined but will probably be close to 10% a year. Costlier power will feed through into most other price categories. Higher real wages, driven in part by labour militancy, will be another source of price pressure. We forecast that average annual inflation will remain within a range of 5.4-5.9% in 2015-19.
EXCHANGE RATES:
The rand depreciated for a fifth successive month to R11.46:US$1 in December, and averaged R10.85:US$1 in 2014,
12.6% weaker than in 2013 and the weakest annual average on record. Rand weakness continues to reflect a mix of global and local factors, including a stronger US dollar, the ongoing retraction of US quantitative easing and lower mineral prices. In addition, South Africa's slow growth, large trade deficit and strikes by militant trade unions will continue to weigh on the currency. We expect the rand to stage a modest recovery from its current levels, but the rebound will be relatively modest—and the currency will continue depreciating on an annual basis—given the constraints affecting the domestic economy and global volatility. As a result, we have revised our exchange-rate forecast for 2015 downwards to R11.23:US$1 (from R10.72:US$1) and made similar adjustments to our projections for 2016-19. South Africa's current-account deficit, and the reliance on volatile foreign portfolio investment to plug the shortfall, will continue to pose a significant threat to currency stability. We expect the rand to drift to R12.5:US$1 in 2019, although exogenous shocks or unwelcome policy shifts could lead to a faster decline.

EXTERNAL SECTOR:

We have revised our estimate of the current-account deficit for 2014 upwards to 5.6% of GDP (from 5.1% of GDP), informed by data for the first three quarters, showing an increase in both the visible and the invisible trade deficits. We still expect the current-account shortfall to narrow to 4.8% of GDP in 2015, underpinned by faster global growth and rand weakness, which will boost export demand.

In addition, an expected fall in world oil prices and fairly subdued growth in the local economy will help to contain import costs. Nonetheless, exports will remain at risk from strike action, especially in mining, which accounts for more than 50% of export earnings. We forecast that exports and imports will both grow at a moderate pace in 2016-18, but that the latter will slightly outpace the former, thereby pushing up the merchandise trade deficit. Capital equipment for infrastructure projects will underpin import demand, although consequent improvements in logistics capacity and power supplies will facilitate exports. The far larger invisible trade deficit (on services, income and current transfers) will also show an upward trend in 2016-19, driven by income payments to foreign investors and transfers to fellow members of the Southern African Customs Union; these will outweigh growth in tourism inflows and income earned by outward investors. As a result, we forecast that the current-account deficit will widen gradually during the forecast period, from 4.6% of GDP in 2016 to 5.2% of GDP in 2019. *(Economist Intelligence Unit)*

Angola economy: Quick View - 2015 budget to be revised

Angola is revising its budget and expects to cut its benchmark oil price to US$40/barrel.

Details of the expected budget revision have emerged via a statement on the Ministry of Finance website announcing that the benchmark price would be more than halved from the US$81/b initially contained in the planned 2015 budget. According to the finance ministry statement, projected revenue will be US$14bn lower than was forecast under the previous reference price.

No details of planned spending cuts have yet been revealed, and copies of the revised budget-the Orçamento Geral do Estado (OGE)-do not yet appear to be in circulation. According to the finance ministry, however, the new OGE must be submitted to the National Assembly by the end of February.

A public-sector hiring freeze has already been announced, but that will not be enough to compensate for the projected revenue loss, and it is likely that some planned infrastructure projects will either be slowed down or put on hold. However, this will only deliver short-term respite because Angola badly needs to invest in power generation and electricity distribution networks, and neglecting to do so will hold back the country's non-oil growth, which is crucial given how little is now expected to come from the hydrocarbons sector.

The ongoing shortage of foreign exchange is another problem that is not just putting downward pressure on the kwanza. Some overseas suppliers have reported not receiving owed money because of a deliberate decision by government to suspend payments and protect foreign-exchange supplies. This will worsen Angola's already poor reputation for doing business, and may also lead to significant arrears that as time goes by will become harder and more expensive to pay. *(Economist Intelligence Unit)*

SOVEREIGN RATINGS

North and South America - Asia

	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
02-02-2015	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
ARGENTINA	Ca	Sdu	RD	NR	Sdu	RD
AUSTRALIA	Aaa	AAAu	AAA	NR	A-1+u	F1+
BRAZIL	Baa2	BBB-	BBB	NR	A-3	F2
CANADA	Aaa	AAA	AAA	NR	A-1+	F1+
CHINA	Aa3	AA-	A+	NR	A-1+	F1+
COLOMBIA	Baa2	BBB	BBB	NR	A-2	F2
INDIA	Baa3	BBB-u	BBB-	NR	A-3u	F3
JAPAN	A1	AA-u	A+	NR	A-1+u	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-3	F3
VENEZUELA	Caa3	CCC+	CCC	NR	C	C
USA	Aaa	AA+u	AAA	NR	A-1+u	F1+

Sources: Bloomberg, Eaglestone Advisory

Region - Africa/Middle East

02-02-2015	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Angola	Ba2	BB-	BB-	NR	B	B
Bahrain	Baa2	BBB	BBB	NR	A-2	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	Caa1	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	BB-	BB-	NR	B	B
Ghana	B2	B-	B	NR	B	B
Iran	NR	NR	NR	WR	NR	NR
Israel	A1	A+	A	NR	A-1	F1
Ivory Coast	B1	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	B1	B	B+	NR	B	B
Namibia	Baa3	NR	BBB-	NR	NR	F3
Nigeria	Ba3	BB-	BB-	NR	B	B
Oman	A1	A	NR	NR	A-1	NR
Qatar	Aa2	AA	NR	NR	A-1+	NR
Republic of Congo	Ba3	B+	B+	NR	B	B
Republic of Zambia	B1	B+	B	NR	B	B
Rwanda	NR	B	B+	NR	B	B
Saudi Arabia	Aa3	AA-	AA	NR	A-1+	F1+
Senegal	B1	B+	NR	NR	B	NR
Seychelles	NR	NR	B+	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

Eurozone

02-02-2015	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Austria	Aaa	AA+	AAA	P-1	A-1+	F1+
Belgium	Aa3	AAu	AA	NR	A-1+u	F1+
Cyprus	B3	B+	B-	NP	B	B
Estonia	A1	AA-	A+	NR	A-1+	F1
Finland	Aaa	AA+	AAA	NR	A-1+	F1+
France	Aa1	AAu	AA	NR	A-1+u	F1+
Germany	Aaa	AAAu	AAA	NR	A-1+u	F1+
Greece	Caa1	B-	B	NP	B-	B
Ireland	Baa1	A	A-	P-2	A-1	F1
Italy	Baa2	BBB- u	BBB+	P-2	A-3u	F2
Latvia	Baa1	A-	A-	NR	A-2	F1
Luxembourg	Aaa	AAA	AAA	NR	A-1+	F1+
Malta	A3	BBB+	A	NR	A-2	F1
Neherlands	Aaa	AA+u	AAA	P-1	A-1+u	F1+
Portugal	Ba1	BBu	BB+	NR	Bu	B
Slovakia	A2	A	A+	NR	A-1	F1
Slovenia	Baa3	A-	BBB+	NR	A-2	F2
Spain	Baa2	BBB	BBB +	P-2	A-2	F2
United Kingdom	Aa1	AAAu	AA+	NR	A-1+u	F1+

Sources: Bloomberg, Eaglestone Advisory

IMF, WORLD BANK & AFRICAN DEVELOPMENT BANK

BOAD's PPP FOCUS

BOAD (West African Development Bank) will provide medium and long-term loans of XOF1,100bn ($2m) over 2015-18, focusing on co-funding, financing arrangements and promotion of public-private partnerships, and approving a total amount of XOF44bn: ($79.3m). The Board also approved these proposals:

• Equity investment by BOAD in the capital increase of Orabank Cote d'Ivoire, $18.7m.

• Granting of a second line of credit to BOAD by China Development Bank (CDB). Totalling €100m, this will be split into two tranches.

Cabo Verde’s Growth and Competitiveness Fund analysed by World Bank

The government of Cabo Verde (Cape Verde) and the World Bank (WB) have started the process of restructuring the Growth and Competitiveness Fund (FCC) to offer the “best responses” to the needs of private companies in the archipelago, said pan-African news agency Panapress citing corporate sources in Praia.

The Windward Chamber of Commerce (Barlavento) said in a statement that the restructuring of FCC was one of 10 proposals submitted to Prime Minister José Maria Neves by the Association of Young Entrepreneurs (AJEC) in 2014, in order to improve the business environment for micro, small and medium enterprises in Cabo Verde.

AJEC also asked the government to restructure the FCC in terms of objectives, beneficiaries, coverage areas, intervention tools and its management mode.

The FCC is allowed to fund various activities that “help the company to take a leap” ranging from marketing and businesses plans to software, employee training and certification of companies and products in the agribusiness area.

The maximum value of funding for micro-enterprises is 500,000 escudos (about US$5,200) and for small and medium enterprises the maximum is 1 million escudos (US$10,400) and groups of companies can get 2.5 million escudos (about US$26,000).

This fund is specifically designed to offset the problems Cape Verdean entrepreneurs face due to the market structure in which they operate, to increase the competitiveness of the private sector and promote development of the financial sector. Management of the FCC was assigned to the Cabo Verde Chambers of Commerce based on a Memorandum of Understanding signed by business associations and the government. *(Macauhub)*

African Development Bank and MasterCard Broaden Financial Inclusion in Africa

On Thursday, January 22 in Davos, Switzerland, the African Development Bank (AfDB) and MasterCard announced a broad collaboration that aims to expand financial inclusion across the African continent. The collaboration seeks to develop solutions that drive inclusive growth in Africa by broadening access and usage of digital financial services.

MasterCard brings proven expertise to design and scale inclusive financial services solutions and infrastructure. The AfDB actively promotes sustainable economic growth and poverty reduction in Africa. Together they will work with African governments and local private sector companies to develop and deliver affordable services that meet the needs of a wide consumer base, especially the traditionally unbanked.

Specifically, the collaboration will seek to:

- Build cohesive African financial systems that drive inclusion at a country level and enable service delivery to traditionally excluded populations;
- Invest in a curated set of innovative financial services companies and solutions targeted at addressing barriers that hinder financial inclusion; and
- Share knowledge across academic, policy and commercial sectors to create thought leadership on financial inclusion and economic development.

Donald Kaberuka, President of the AfDB, commented: “Despite the phenomenal economic growth in Africa, this has not translated into shared prosperity and better livelihoods for the majority. Growth has to be inclusive to be socially and politically sustainable. One key component of inclusive development is financial inclusion, an area in which Africa has been lagging behind other continents. Broadening access to financial services will mobilize greater household savings, marshal capital for investment, expand the class of entrepreneurs, and enable more people to invest in themselves and their families.”

Ajay Banga, President and CEO at MasterCard, said: “Less than one adult out of four in Africa has access to an account at a formal financial institution. While many of our industry partners have been active in this space, we believe that through our payments expertise, and the AfDB’s 50 years of experience in financing Africa’s economic transformation, we can achieve scaled impact and lasting transformation. This can only be accomplished when the public and private sectors combine resources and act together.”

Bank Group and JICA hold talks to push co-financing programmes forward

The African Development Bank Group, on Friday, January 30, 2015 in Abidjan, received Hiroshi Kato, Japan International Cooperation Agency Vice-President, on a courtesy visit to the institution. Vice-President Kato and his delegation – which included JICA’s Representative in Côte d’Ivoire, Yonezaki Eiro; and Kojima Umi, Programme Director for Côte d’Ivoire – held talks with AfDB Infrastructure Vice-President (OIVP) Solomon Asamoah.

The meeting explored areas of cooperation and how best JICA and the Bank Group would push forward co-financing of infrastructure, transport, ICT projects through private-sector operations.

“There are many private sector opportunities and interests in terms of financing projects in Africa,” Vice-President Asamoah told the delegation. “The sustainable development of Africa is one of the common concerns of the Bank Group and JICA. It is thus imperative for the two parties to join hands, with a view to developing the African private sector to accelerate economic growth and create jobs.”

JICA Vice-President Kato, who has recently moved from heading JICA’s Research Institute to the Vice-Presidency in charge of the Africa Department, recalled that he knows Abidjan very well, having served in Côte d’Ivoire earlier in his career. He expressed his willingness to contribute to pushing discussions on EPSA forward.

“The Bank and JICA share a long history of friendship and partnership based on common values and mutual interests,” he said. “My deep personal connection to Côte d’Ivoire makes today’s meeting especially meaningful to me."

The Bank’s principal engagement with JICA falls under the Enhanced Private Sector Assistance (EPSA) Initiative. EPSA loan components funded by JICA include the Accelerated Co-financing Facility (ACFA). Under ACFA, JICA co-finances projects with the Bank’s public sector, with the Transport and Information Communication Technologies (ICT) and the Energy, Environment and Climate Change departments, and in African Development Fund (“green light”) countries on ADF terms. JICA lends to the Bank Group on concessional terms for on-lending through the non-sovereign window.

In October 2014, the Bank Group received a delegation, led by the Japanese Finance Ministry, with the specific objective of identifying the pipeline of ACFA candidate projects for 2015-2016, in order to reach the $2 billion second-phase target by year-end 2016. The mission was successful for both sides and in excess of $1 billion of projects have been identified. Friday’s technical meeting included AfDB Private Sector Department Director Kodeidja Diallo, Energy, Environment and Climate Change Director Alex Rugamba and OIVP Adviser Alassane Ba, and their respective teams.

INVESTMENTS

Why Zanzibar Can Be Africa’s Dubai

Lying off the East African coast in the Indian Ocean, this country, which is the semi-autonomous part of Tanzania, is interesting for a number of reasons. It is an Archipelago that has a number of small islands attached, the most notable being Unguja, which houses the capital city, and Pemba. Zanzibar may just be one of the oldest regions in Africa with respect to human habitation as empirical evidence suggests humans have lived there for some 20,000 years beginning from the time of the later Stone Age.

The country has had a unique cultural heritage from as far back as the year 1503 when it was totally owned and controlled by the Portugese, around which time slave trade had flourished greatly, till the 19th century when the British took over. Eventually, the islands gained independence from the United Kingdom as the year 1963 was drawing to a close and merged with mainland Tanganyika to form what is today known as Tanzania (a portmanteau of both merging entities). Zanzibar remains, till date, a semi-autonomous part of Tanzania and is run by the Revolutionary Government of Zanzibar made up of the Revolutionary Council and House of Representatives.

Like Dubai, Like Zanzibar

Zanzibar and Dubai share some resemblances so striking that Zanzibar could become Africa's equivalent of Dubai. Geographically, both lie on coastal areas surrounded by giant masses of water, this makes both regions excellent hubs for shipping exports and imports. Also, both areas have significant tourism potential still because of their geographical setting which supports all sorts of marine activities including fishing and recreation. They are both limited in land size and are interlinked in their oceanic role as trade hubs.

Furthermore, both nations share histories dating back to the early years of human civilization. Dubai was first inhabited by nomadic cattle herders and came under the control of other regions, mostly caliphates, from which it acquired the Islam religion. Sometime in 1833, Dubai gained some form of independence and started exploring various means to thrive economically. This middle eastern region once thrived on exporting pearls, but after the collapse of the international pearl market due to the innovation of artificial pearls, alternative income streams were, once again, sought. Oil was discovered in 1966 but the nation has successfully diversified its economy from being totally dependent on oil by developing its tourism and services sector. Today, less than 5 % of its revenues come from oil.

Tourism growing fast

Zanzibar, which recently marked 51 years of independence, may be following this same trajectory. Tourism has been the fastest growing sector in the country and now accounts for somewhere between 25 to 27 % of the island's GDP as well as 70 to 85 % of foreign earnings. Most businesses in the country, including fishing, entrepreneurship, banking, and entertainment, rely almost solely on tourists.

Developing this sector has created ripple effects that echo in virtually every other sector. The Ministry of Labour and Public Service estimates that 40,000 people may be indirectly employed by the tourism sector while half that number are directly employed. When these figures are analyzed vis-a-vis the total population of the country, which is just a little above one million, this sector alone accounts employs about 5 % of the total population.

In a bid to attract more tourists, the government continues to invest in roads, airports, hotels, medical services and other similar services, this also impacts on the quality of life of the inhabitants. According to Mr Saleh Ferouz, Executive Secretary of the Zanzibar Tourism Commission, a total of about 114 tour operators have been registered to serve the increasing number of tourists. Also, there now exists 7,313 rooms in more than 7,995 hotels including guest houses. These include 26 five-star hotels, nine four-star, 43 three-star, 6 two-star and other hotels.

"Tourism is good for us. The number of tourists who visited us in 2007 was 143,282 up from only 29,211 in 1986 when efforts to promote tourism started with a lot of obstacles including little knowledge about tourists and wrong perception on the industry at that time. We just need to advertise, and improve services including security," he said.

Beyond boosting tourism, however, the government continues to make other strategic moves, including the introduction of free education at all levels, the abolition of classes in the school system, free medical care and water supply to all. The government has also ensured better housing options for the people by constructing massive blocks of flats in various parts of Unguja and Pemba while also encouraging the citizenry to build their own modern houses.

The last 51 years could be said to be years of economic reconstruction, which will serve as a sure foundation for greater things to come. Authorities have reportedly started exploring ways of transforming the archipelago into a regional hub where business people from across East, Central and Southern Africa can do their wholesale shopping; this is very much the Dubai strategy. With plans to build a bigger and ultramodern terminal at the Zanzibar International Airport, this can happen in the next few years. With these fundamentals in place, the nation must now focus on scaling up, leveraging its enterprising people and infrastructure to turn all its proposed plans into physical reality. *(Ventures Africa)*

Ethiopia: Enters the space age

Ethiopia has joined a handful of African countries that have space observatories and are developing space science seriously. There are several tangible and intangible benefits of space science, not least promoting a scientific culture that can finally break the vicious circle of poverty.

In the Entoto Mountains strewn with eucalyptus forests overlooking the Ethiopian capital, Addis Ababa, stands Ethiopia's first space observatory. It opened officially on 10th December 2014 and another observatory is already planned for construction at Lalibela, home to Ethiopia's famous rock-hewn churches.

"Space science technology is often considered a luxury only for developed countries, but it's actually a basic and vital need for development," says Solomon Belay, director of the Entoto Observatory and Research Centre. "Eventually you can sell the science in areas like consulting and training."

Belay points out how space science technology and research can also be applied to many basic necessities of life such as health, and energy and food security, after which come applications in more advanced areas such as environmental management, urban development and multiple fields of business.

Ethiopia's highland topography – the Entoto Observatory sits at 3,200m – and the ideal climate, which includes thin air and minimal cloud cover most of the year, make it an ideal site from which to observe the stars and galaxies. The Lalibela observatory will be even higher at about 4,200m. The observatory was initiated by the Ethiopian Space Science Society (ESSS), founded 10 years ago to address the lack of space science activity and interest in Ethiopia.

At ESSS's inception, "Most Ethiopian politicians were not ready for space science," says Abinet Ezra, communications director for ESSS. Initially, ESSS had to import telescopes from the US until that proved too difficult due to unfavourable foreign exchange rates. Eventually those at ESSS managed to get their message to hit home. "Ethiopian politicians have recognised the role space science can play in helping Ethiopia's development, and are supporting investment in the country's new observatories and space programme," Ezra says.

The $4m Entoto Observatory houses two 1-metre class telescopes, each of which weighs six tonnes and cost about $1.5m. About 85% of funds came from Mohammed Hussein Al Amoudi, a Saudi Arabian-Ethiopian businessman and billionaire who lives in Ethiopia and Riyadh, Saudi Arabia. The remaining funds came from the likes of the Ethiopian government, private banks and corporations. "This is exciting for the region because other African countries have to send people to observatories in South Africa and Europe – but now they will be able to send them here," says Josef Huber, a systems engineer with the German-based Astelco Systems that built and installed the Entoto Observatory's telescopes. Ethiopia is not alone in Africa when it comes to playing catch-up in the realm of space science technology. So far only a handful of African countries – such as South Africa, Nigeria, Egypt and Morocco – have fully functioning space programmes. "Science development is not easy in Africa," Belay says. "Science needs political visibility otherwise it is not deemed important enough or allocated a budget." Too often in the past, he explains, the economic strategies of African countries weren't linked to science and technology with attention instead given to small-scale agriculture. "But now developing countries are pushing to start space programmes," Belay notes.

The Entoto Observatory also seeks to change the fact that currently very little astronomy is taught in sub-Saharan Africa outside South Africa. It has already started facilitating Master's and PhD training in astronomy and astrophysics, space science and earth observation. "When I was a child I got interested in space science but couldn't find anywhere to study it," says 24-year-old Eyoas Ergetu, a mechanical engineer graduate student at Addis Ababa University, and part of the observatory's team. "So it's very exciting to be working here."

Fallacious argument

There are those, however, who don't share the enthusiasm. Recent media criticism has focused on the fact that Ethiopia remains a major recipient of foreign aid and say it cannot afford to embark on aerospace adventures while much of its population continues to reside in urban slums and deprived rural villages. But this is a fallacious argument – it is based on the mistaken notion that national income is a permanently fixed amount and any slice taken for one activity, means less to go around for other activities. In fact, only the application of knowledge can increase the size of the national cake and therefore reduce poverty and break the cycle of poverty.

Developed countries have been doing this for centuries but this discredited old saw keep reappearing whenever any developing country tries to emulate the knowledge-based economies and invest in science. There is clear evidence that the application of space science technology and research is critical for the development of Ethiopia, and Africa at large, both when it comes to improving basic necessities of life and more intangible long-term benefits. "Astronomy gets the young to embrace science and technology and a space programme is an important tool to inspire students to enjoy physics and chemistry," Belay says. "It's good for the image of Ethiopia, which is known by many for only its problems. And locally it will impact and increase people's science awareness, and that leads to development technology." Out of the few African countries that have space programmes, even fewer have managed to successfully launch satellites into space – although the impact has been notable. Since 2010, satellite capacity across the continent has nearly tripled. Nigeria has five satellites orbiting the globe. Those countries that have successfully launched satellites may not have to wait too much longer for new company. ESSS is trying to persuade the Ethiopian government to focus on getting Ethiopian satellites in space within the next decade. Ghana and Uganda recently established space research programmes but are thought to be several years away from putting satellites into space.

African space policy

Satellite technology can help improve telecommunications and the monitoring of activities such as mining and farming and construction of major infrastructure projects like Ethiopia's Renaissance Millennium Dam. Ethiopia is already using foreign-owned satellites for such purposes, Belay notes, and having to pay to do so. "If Ethiopia is to launch satellites it will need experts to design the project– I want to be one of those people," says Ergetu, adding he plans to start a graduate degree in aerospace engineering to enable him to participate in Ethiopia's next space science technology quest. The augers well for the lofty ambitions those at ESSS are encouraging: next year a small satellite, designed and constructed at Addis Ababa Institute of Technology (AAiT) will become the first Ethiopian satellite in space, sent with another 49 satellites from various international organisations in a single rocket launch as part of the European-based QB50 project.

This initiative aims to achieve sustained and affordable access to space for small-scale research space missions and planetary exploration. AAiT was the first African institute selected to participate. And in 2014 the International Astronomical Union (IAU) signed an important agreement with Ethiopian partners to host an East African regional node of the IAU Office of Astronomy for Development. This is the first regional node to be established on the African continent as part of the IAU's strategy to realise global social benefits of astronomy. Interest in what lies beyond African's terrestrial boundaries doesn't stop there. "The African Union is developing space policy for Africa," Huber points out. "This observatory will help."

Once the Entoto and Lalibela observatories are up and running they will provide training and research facilities for students at 33 of Ethiopia's universities, Belay says, as well as serve to attract international academia and scientists for the same purposes. It is hoped that Ethiopia could one day become the African version of Chile, a global hub for astronomy and research, and which benefits from important research and development, as well as space tourism dollars. There's clearly still a long way for Ethiopia to go – but that's part of the reason for the excitement about the journey being embarked on and where it might lead to, as well as the wide-reaching effects it might have. "Development is not always sustainable," Belay says, "but if it comes through science and technology it is sustainable." *(African Business)*

Simba Corporation, Salvador Caetano, Launch Three Renault Models In Kenya Plant

Kenyan conglomerate, Simba Corporation has announced its partnership with Portugal based Salvador Caetano in the rolling out of French maker's, Renault vehicles in Kenya.

The new company called Simba Caetano Formula has therefore put together a showroom introducing three models of the multiple formula1 world champion. These include; the Renault Duster, the Renault Fluence and the Renault Koleos.

Nashir Kassam, General Manager Simba Caetano Formula/Renault Brand, Simba Corporation in a press briefing addressed the purpose and prospects of this collaboration.

According to Kassam, the fusion of these remarkable organisations is ideal in several ways. All represent the very best in terms of long-standing success, reputations for professionalism, and ambition to grow. Salvador Caetano from Portugal is one of the top best Europe's leading automotive retail groups in Europe also known for bus manufacturing, IT development and industrial equipment sales. The group has worked its way stretching its business ties from Europe to China to Africa. "We are proud to partner with Caetano in launching the Renault brand in several African countries including our very own – Kenya," said Kassam. He also noted that the vehicles are all competitively priced and offer a 3-year manufacturer's warranty. An attractive finance scheme for those preferring outright purchase will enjoy a considerate finance plan, not leaving out a fair leasing and hire purchase scheme in order to help as many Kenyans as possible. Speaking at the launch of Renault passenger car brand in Kenya Mr. Andre Pinheiro Chief Operating Officer, Africa Salvador Caetano said "We are optimistic that our presence will play a larger role in this market in not only our strategic growth, but also enabling us to be a relevant contributor in Kenya's growing automotive industry."

With the heavy funding allotted to technical expertise, After Sales Service and a full range of Renault Genuine Parts, Renault will steadily introduce their full range of vehicles in 6 African countries after Kenya namely – Tanzania, Uganda, Mozambique, Zambia, Zimbabwe and Malawi. *(Ventures Africa)*

M&A

Mansard Insurance Concludes 60% Acquisition of Penman Pensions Ltd

Nigeria's fourth largest insurer, Mansard Insurance, has notified The Nigerian Stock Exchange that it has completed its acquisition of 60 % of Penman Pensions Limited. The Company stated that this acquisition increases its subsidiaries to four (4), considering the fact that it has already made significant inroads into Health Insurance, Asset Management and Property segments through its wholly owned subsidiaries (Mansard Investments Limited and Mansard Health Limited). In December last year, Mansard Insurance announced that it would be acquiring 60 % of the issued and paid up share capital of a Pension Fund Administrator (PFA) known as Penman Pensions Limited. This acquisition gives Mansard the opportunity to run and operate it as its subsidiary in the Pension Industry. The transaction has therefore been completed with the necessary regulatory approvals from the Pension Commission, the National Insurance Commission and the Securities and Exchange Commission. This marks yet another positive development for Mansard, especially since French group, AXA acquired 77 % stake in the insurance firm recently. *(Ventures Africa)*

Ethos buys controlling stake in South African auto firm

Ethos Private Equity has acquired a controlling stake in South African car-parts seller AutoZone for an undisclosed amount, it said, after selling a tyre retailer in November. Private equity investors are ramping up activity in sub-Saharan Africa to tap into rapid economic expansion and growing consumer spending on the continent. The purchase is the fourth through Ethos' 7.9 billion rand ($682 million) Fund VI. Ethos will take up the stake held by RMB Corvest, the private equity arm of Rand Merchant Bank and Zico Capital, which they jointly acquired in 2010. AutoZone has 151 wholly-owned retail and wholesale outlets, and nearly 40 franchises in five southern Africa countries. Under the deal, Ethos, Autozone's senior management and black empowerment investors will own 100 % of the company, the private equity firm said, without giving a more details. South African companies are required to meet targets on black ownership and hiring under the government's policy of black economic empowerment, or "BEE", designed to address the inequalities of the apartheid system that ended in 1994. ($1 = 11.5790 rand) *(Reuters)*

Indian consortium ICVL announces investments of US$2 billion in Mozambique

Indian consortium International Coal Ventures Limited (ICVL) plans to invest US$2 billion in Mozambique, including construction of a power station, said the Director-General of IVCL Mozambique.

Nirmal Chandra Jha told The Indian Express the amount includes a project to transform coking into liquid fuels, in addition to mining within next three years of 13 million tons of coal annually.

The consortium was formed in 2009 as a “special purpose vehicle” for state-owned steel companies, Steel Authority of India (SAIL) and Rashtriya Ispat Nigam Limited (RINL), the largest producer of iron ore, National Mineral Development Corporation Ltd and Coal India with a registered capital of 100 billion rupees (US$1.62 billion).

In July 2014, the consortium signed an agreement with Anglo-Australian group Rio Tinto to buy a 65-% stake in the Benga mine and 100 % of the Zambezi and Tete Oriental mines in Tete province, Mozambique for a total of US$50 million. ICVL has already sent three shipments of coal mined at Benga for SAIL and the RINL, and has plans to send five shipments this year. To achieve economies of scale, the consortium decided to build a factory for transforming coking coal into liquid fuels, a thermal power station with a capacity of 300 megawatts and gradually increase coal mining up to 13 million tons in 2017. Saying that the state-owned steel companies in the consortium would soon no longer have problems with coal supply, Jha said the amount of coal contained in three mines in Mozambique would feed those companies for 35 years. Nirmal Chandra Jha also said that on 12 January current a request was put out for “expressions of interest” for the project to transform coking coal into liquid fuels and for the power station, “which has already received feedback from some companies.” *(Macauhub)*

BANKING

Banks

AfDB Board approves revised Resolution establishing Bank’s Independent Review Mechanism

The Board of Directors of the African Development Bank Group (AfDB) approved on Wednesday, January 28 in Abidjan the revised version of the Resolution establishing the Independent Review Mechanism (IRM) and its operating rules and procedures. These procedures simplify the process of filing complaints from persons adversely affected by a project or programme financed by the Bank. They also enable the IRM to provide advisory service to the Bank.

Administered by the Bank’s Compliance Review and Mediation Unit (CRMU), the IRM gets involved when two or more affected persons submit a complaint on the ground accusing the Bank of failing to comply with any of its policies and procedures. As a result, such failure threatens to affect them adversely.

Under the approved resolution, the IRM is to undertake problem-solving, compliance review and advisory functions. The CRMU is to disseminate information about the IRM to Bank staff, civil society organizations, affected communities and the general public. The Bank’s management is required to mainstream information about the IRM in Bank policies and project documents.

The IRM’s problem-solving function will be applicable in cases where complaints or grievances can benefit from techniques that try to address underlying issues. These techniques will include independent fact-finding, mediation, conciliation, and dialogue facilitation, taking into consideration best customary practices for handling complaints.

The compliance review function will focus on issues of non-compliance by an institution within the Bank Group.

The advisory function shall come into play after the President and/or the Board shall have been provided with sufficient information detailing how the Bank Group can benefit from IRM’s role to strengthen the social and environmental impact of Bank-funded projects. *(AFDB)*

Angolan parliament approves financial legislation

Angola’s parliament approved, in general, the proposals of the Financial Institutions Act and the proposal approving the Securities Code, according to Angolan news agency Angop.

The proposed Financial Institutions Act regulates the establishment process, exercise, supervision, intervention process and penalties, and financial institutions that are registered as public companies and subject to the standards of the proposed Act, without affecting the Public Enterprise Sector Framework Law.

This legislative initiative is intended to lay the foundations of the financial and banking system, in the form of the Financial Institutions Basic Law. It is also intended to respond to the innovations made in the world and domestic financial system and provide technically appropriate instruments to ensure the stability robustness of the financial system, based on the guidelines of the 2012 Basel international regulatory framework.

The draft Law on the Securities Code is intended to reform the basic legal framework of the securities and derivatives market, regulating stock and shares, public offerings, as well as the regulatory regime, which highlights the role played by the securities market regulator. Presented by Finance Minister Armando Manuel, the proposal aims to protect investors, ensure efficient, smooth operation and transparency of the securities markets, prevent systemic risk and promote the development of securities and derivatives market. *(Macauhub)*

UBA Plans Angola, South Africa Moves as Nigeria Hit by Oil Price

United Bank for Africa Plc, the lender operating in 19 countries on the continent, plans to expand to Angola and South Africa as the economy of Nigeria, its largest market, is pummeled by falling crude oil prices.

The lender will move to the southern African nations as part of its next "phase of expansion," Chief Executive Officer Phillips Oduoza said in an interview with Bloomberg TV Africa's Eleni Giokos in Davos. Oduoza said he didn't expect oil prices or the Nigerian currency to continue their decline.

Nigerian companies and the Lagos-based bank are "adequately protected" against a drop in the value of the naira and the price of oil, Oduoza said. The currency of Africa's largest economy and crude producer probably won't be devalued further and loan defaults are unlikely to increase, he said. Angola is the continent's second-biggest oil producer. Nigeria is struggling to cope with crude prices that plunged by more than half in the past six months. Policy makers responded by devaluing the currency in November, increasing interest rates to a record 13 % and proposing spending cuts. "We have done quite a lot of hedging and we have applied various financial products to make sure that the bank is adequately protected," Oduoza said. "The naira is finding its realistic value," he said. "I do not think you are going to see any major devaluation, if at all it is going to happen." *(Bloomberg)*

Standard Bank Mozambique finances investments of US$500 million in 2014

Standard Bank Mozambique granted credit worth US$500 million for investment in various economic sectors over the past year, the bank said in a statement sent to Macauhub in Maputo. The telecommunications, construction, agri-industry, manufacturing, mining and infrastructure sectors were the main areas for which the bank granted loans, according to its Director of Corporate and Investment Banking, André du Plessis, cited in the document.

Noting some of the biggest investment projects supported, Standard Bank Mozambique referenced the expansion of the Sena railway line in the centre of the country, currently the main vehicle used by mining companies operating in the Moatize district, Tete province, to export coal and with an annual cargo capacity of about six million tons, managed by the Mozambican port and railway company CFM. The bank also co-financed with about US$32 million construction of Nacala International Airport, in Nampula province, which cost a total of around US$200 million, which opened in December and currently has a capacity to handle 500,000 passengers a year.

For the energy sector, the bank said it provided funding of US$170 million to support the construction of a thermal gas-fired power station, with an installed capacity of 118 megawatts in the town of Ressano Garcia, in the south of Mozambique, which is managed by Gigawatt Moçambique, SA. Standard Bank Moçambique also has mentioned completion of the Macroeconomic Study of Liquefied Natural Gas in Mozambique, which analyses the economic potential for hydrocarbon exploration in the Rovuma sedimentary basin in northern Mozambique, where reserves of about 200 trillion cubic feet of natural gas have been discovered, and which was based on data provided by US group Anadarko Petroleum, which operates the Area-1 concession. *(Macauhub)*

Bank of Mozambique wants to increase number of banks and branches

The Bank of Mozambique will continue to carry out activities to increase and diversify the number of financial institutions operating in the country and to extend the scope of the services offered, said the governor Ernesto Gove.

Gove said in 2014 52 new bank branches opened across Mozambique, bringing the total to 572 and four branches of micro banks, which now total 37.

In addition to these branches, a further 8 branches of credit unions opened, totalling 617 branches of credit institutions present in all provincial capitals, municipalities and 69 districts. Also 52 new microfinance institutions opened in the market, bringing the total to 285, according to Mozambican news agency AIM.

Gove was speaking at the opening session of the 39th Consultative Council of the Bank of Mozambique, which brings together staff from the central bank for a three-day meeting to take stock of previous Council recommendations, prepare the strategic plan for the 2015-17 period and reflect on the policy measures taken by the central bank in the 2010-14 period. Gove said the bank began in 2014, the effective implementation of Basel II, the criteria of which imposed a number of challenges on the banking system in terms of organisation and classification of information for the purpose of prudential reporting. The governor also highlighted the launch of the Financial Education Programme, to ensure greater knowledge of financial institutions, their products and services, and thus ensure greater protection for consumers from unfair business practices. *(Macauhub)*

Banco de Fomento Angola first company trading on the Angolan stock exchange

Banco Fomento de Angola (BFA) has been the first trader on the Angola Debt and Securities Exchange (Bodiva), Angolan news agency Angop reported. This status gives the BFA the possibility of working with regulated markets in its own name and as an intermediary in the implementation of third-party orders. This new status also makes it possible to activate immediately the Treasury Bonds Registration Market, opened in December 2014, which allows bond holders, who previously acquired them from the State, to sell them to banks and register them with Bodiva.

This registration process gives all market participants access to the same information, allowing full transparency of prices for those wanting to resell Treasury Bonds. Bodiva manages regulated markets and is responsible for trading government securities, corporate bonds, shares, units of investment funds and other securities on the secondary market. *(Macauhub)*

BGFI Bank of Gabon Expands to Dakar as Senegal Builds Economy

Gabonese lender BGFI Bank SA, which operates in 10 countries, plans to open in Senegal in June after winning a banking license in the West African nation.

"Senegal authorities have a strategic plan to make the country an emerging nation, and we want to make our contribution to the development of its companies and basic infrastructure," BGFI Chief Executive Officer Henri-Claude Oyima said by phone from Libreville, Gabon's capital.

Oyima said his bank was particularly interested in gaining corporate clients in the electricity, water and construction industries. BGFI's Senegalese branch will be in Dakar, the capital of the biggest economy in the eight-member West African Economic and Monetary Union after Ivory Coast. The countries in the union share a currency and mostly have French as an official language and the grouping excludes Nigeria and Ghana.

BGFI's need for new markets has been underscored by the drop in crude oil prices, which account for more than two-thirds of government revenue in Gabon, where the bank has 40 % of its operations. Oil slid almost 50 % last year as the U.S. pumped at the fastest pace in more than three decades and the Organization of Petroleum Exporting Countries resisted calls to cut supply. "In the years to come, falling oil prices will probably lead us to make some adjustments," Oyima said. Aside from Gabon, BGFI operates in the Republic of Congo, Equatorial Guinea, the Democratic Republic of Congo, Madagascar, Cameroon, Ivory Coast, Benin, Sao Tome and Principe and France.

BGFI also plans to expand in the insurance industry in two Central and West African countries in 2015, he said, without elaborating. The Gabonese lender acquired three insurance companies in Togo, Benin and Ivory Coast last year, he said. BGFI is considering having its shares trade on the Libreville stock exchange by 2020, Oyima said. The bank may later explore a listing on the West African bourse based in Abidjan, the commercial capital of Ivory Coast, he said. *(Bloomberg)*

Is a physical presence necessary?

There is a debate over whether investment banks need to have operations on the ground of the national markets they serve or even on the African continent at all, as some banks serve African customers from elsewhere in the world.

South Africa's Standard Bank is one company that certainly is seeking a physical presence across the continent. Its offshoots in Angola, Botswana, Kenya, Mozambique, Rwanda, Tanzania, Uganda and elsewhere are well established in their local markets, particularly in the oil, gas, mining and infrastructure sectors. Yet many of those investment banks that are establishing a physical presence are banking on long-term gains rather than short-term returns.

Goldman Sachs Group and Rand Merchant Bank are both expanding their operations in South Africa, while Morgan Stanley and Deutsche Bank also have significant market share if not a strong corporate presence in the country itself. This pattern is replicated across the continent, with the biggest global international banks mainly serving local markets from further afield. It remains to be seen whether this approach will continue as African economies remain strong economic growth. For those committed to a local presence, the big question is whether to expand via organic growth or takeovers.

Rothschild South Africa will seek to serve the entire continent from Johannesburg, either by flying in to do deals, or by using local partners. The company's chief executive, Martin Kingston, said: "There is a huge amount of money being mobilised for Africa and there's going to be significant opportunities to provide support and advice. Where we have clients that see opportunities in Africa, we'll work with them; where we have particular expertise, like ratings advisory work, we will fly in and out."

Rothschild advised the government of Cote d'Ivoire on its first Eurobond issue, worth $750m; plus Morocco's OCP Group on its corporate bond issue. The company is already active on mining and telecoms deals, and is seeking more business in financial services, retailing and infrastructure projects.

Some of the world's biggest private equity firms, such as KKR and Carlyle, are now investing in the continent alongside more niche, emerging markets' private equity companies. Russian investment bank Renaissance Capital specialises in emerging markets and handled the acquisition of Zimbabwean steel company Zisco by Essar of India in 2010. It will be interesting to see how local firms, such as Dyer & Blair in Nairobi and Afrinvest in Lagos, manage to compete with this wide range of international firms. *(African Banker)*

Markets

Bonds:

- Rwanda's newly issued Rwfi5bn ($21.5m) Treasury bond started trading on the Rwanda Stock Exchange (RSE), bringing to five the number of government debt papers listed on the secondary market.
- The West African Development Bank (BOAD) launched a bond loan issue of FCFA40bn ($71.3m) as part of its annual programme. The funds raised in this new operation will enable BOAD to increase its efforts in support of merchant public sector and private sector projects in the West African Economic and Monetary Union.

- Ghana opened its books for a third global sovereign bond, looking for up to $1bn.
- Ethiopia raised $1bn in a debut international bond issue to fund electricity, railway and sugar-industry projects. It was 260% oversubscribed.
- Zimbabwe plans to start a bond market by the end of June to diversify the avenues through which entities can raise capital, offer investors a wider range of investment choices and usher in new revenue inflows for the ZSE.
- According to Standard Bank, a record $15bn of Eurobonds were issued in 2014 by issuers including Ghana, Kenya, Senegal and Cote d'Ivoire. *(African Banker)*

New Blood Energises bond market

The focus on infrastructural investment sweeping Africa has injected more life into the continent's bond markets.
The value of African sovereign and corporate bond sales increased from $6.04bn in 2012 to $9.68bn in 2013. Yields on African bonds are certainly a great deal lower now than they were even five years ago as confidence in African economies increases. However, the corporate bond market is more limited. Although some Nigerian banks have issued debt, South Africa is by far the most common source of corporate bonds, including from parastatals, such as Eskom and Transnet, both of which opted for Absa Capital to handle their deals.
The biggest domestic bond markets are South Africa, Nigeria, Kenya and Ghana, in that order. Stanbic Kenya managed Kenya's $2bn Eurobond, which was the most ever raised from a debut African sovereign bond, while other countries to have issued their first Eurobonds over the past two years include Namibia, Nigeria and Rwanda.
Ever more African governments are issuing treasury bills in order to raise funds. Kigali issued three bonds in 2013, for RWF12.5bn ($17.7m), RWF15bn ($21.3m) and RWF15bn ($21.3m) respectively, while Ethiopia has raised $lbn from its first ever sovereign bond to fund infrastructural projects. Deutsche Bank and JPMorgan handled the Ethiopian issue. Although foreign investment in Ethiopia is subject to a wide range of restrictions, Addis Ababa secured a relatively low yield of 6.625% over 10 years for its bond because of its high rate of economic growth and low debt, thanks to debt cancellation in recent years. The issue was 2.6 times oversubscribed.
According to reports in Ethiopia, none of the money will be used to fund the Grand Ethiopian Renaissance Dam. The Minister of Finance and Economic Development, Sufian Ahmed (above), said that the money raised will fund the development of new industrial zones, the construction of new power transmission lines and investment in the sugar sector. Critics argue that recourse to the capital debt markets will yet again place too heavy a debt burden on developing countries, while the governments involved insist that the investment made will generate sufficient returns to repay the debt. *(African Banker)*

Central Bank of Kenya to implement settlement system for bonds

Kenya's central bank has adopted a single clearance window in a bid to streamline transactions at the Nairobi Securities Exchange (NSE).
The trading of equities and corporate bonds at the NSE will now be routed through the central bank’s Real Time Gross Settlement system under the Kenya Electronic Payment and Settlement System (KEPSS).
The move by the bank, which is in line with international standards, has positioned Kenya as a regional investment destination and is seen as a ‘major milestone in the history of capital markets’. “The launch of this key initiative comes at a time when the prestigious Fortune magazine has named Kenya among the seven countries around the globe recommended as the most attractive investment destinations, due to political stability and sound macroeconomic management,” said Paul Muthaura, acting chief executive of Kenya’s Capital Markets Authority (CMA). “Having been singled out on the continent, we should expect a significant increase in portfolio inflows in the short to medium term. In this regard, clearing and settlement efficiency and integrity will take on increasing importance, reinforcing that this initiative has come at a most opportune time.” The launch of the single clearance window for equities and corporate bonds will also enable traders to settle payments promptly and to receive frequent audit trails of their investments.
In addition, the robust settlement model will further boost foreign and domestic investor confidence in the Kenyan market and promote greater liquidity in the Nairobi bourse. “I would urge the National Treasury to continue spearheading the consolidation of the two domestic Central Securities Depositories as we position ourselves towards integrating the capital markets infrastructure within the EAC,” Muthaura said.
According to Rose Mambo, Central Depository & Settlement Corporation (CDSC) chief executive, the number of successful transactions through the system is testament to its security, and will allow smooth settlements and transactions in the wider East African region. “I am happy to note that CDSC will be joining this settlement community to enable cross border payment and transfer of value within the region in an easier, safer and more efficient way.” *(CNBC Africa)*

Ivory Coast to Sell Eurobond in February

Ivory Coast, the world’s biggest cocoa producer, will sell debt on the international market for the second time in two years as it plans to issue a Eurobond, Finance Minister Niale Kaba said. “We will go back on the international capital market with another offer of Eurobonds as early as February,” Kaba said in an e-mailed copy of a speech. She didn’t give further details about the amount of debt the West African nation plans to sell.

The money raised will fund "government activity" and "improve living conditions" of the Ivorian population, Kaba said. Ivory Coast returned to international debt markets last year, raising $750 million of 10-year Eurobonds, with demand exceeding supply by more than six times. This happened less than four years after the country defaulted on more than $2 billion of notes amid a disputed presidential election that sparked five months of violence in which more than 3,000 people were killed. "The first challenge of our ministry in 2015 will be to mobilize significant resources on the regional and international markets to fund the great works for the emergence of our country," she said.
The biggest economy of Francophone West Africa is turning the page on a decade-long conflict with economic growth above the sub-Saharan African average. The economy is estimated to have expanded at "about 9 %" last year, Kaba said, more than the 8 % forecast by the International Monetary Fund. Ivory Coast's economy grew 9.8 % in 2012. The country will hold a presidential election in October this year. President Alassane Ouattara has said he will seek a second term in office. *(Bloomberg)*

Bank of Mozambique keeps key interest rates unchanged

The Bank of Mozambique has decided to keep benchmark interest rates unchanged, namely the marginal lending facility, which was maintained at 7.5 %, the central bank said in a statement issued last week. The bank's Monetary Policy Committee also decided to keep the interest rate on the liquidity absorption facility at 1.50 % and compulsory reserves at 8.0 %. The committee also decided to intervene in the interbank market to ensure that the money supply does not exceed 54.689 billion meticais at the end of January. The Monetary Policy Committee of the Bank of Mozambique recorded good macro-economic results in 2014, notably inflation – which stood below the established goal – and GDP growth which, based on information available to date, remains in line with projections.
It noted with concern, however, flooding in the centre and north of the country, and re-stated a commitment to prudent monetary policy and closer coordination of policies needed to achieve the macroeconomic targets set for 2015, including annual inflation of 5.5 %, annual GDP growth of 7.7 % and international reserves to cover four months of imports of goods and services. *(Macauhub)*

Stanbic Bank Uganda Gets $85 million Debut Syndicated Loan

The largest commercial bank by asset in Uganda, Stanbic Bank Uganda (SBU) Ltd, member of the Standard Bank Group Limited, South Africa, signed an $85 million 18-month term loan facility with a group of lenders in Dubai, United Arab Emirates. The loan is aimed at funding its general business activities, including trade-related financing.
"This is the first syndicated loan from Uganda into the Middle East and we expect many more, because of strong investor interest from the Gulf for African credits," said Dr Rassem Zok, Chief Executive of Standard Bank of South Africa, MENA according to Reuters.

Loan raised unexpected

The financing was oversubscribed from the initial launch amount of $ 75 million, with the SBU to be paying an interest rate of 250 basis points over the London interbank offered rate (Libor). Emirates NBD Capital was the sole co-ordinator and bookrunner of the financing, while Al Ahli Bank of Kuwait KSCP, Kuwait and Standard Chartered Bank joined the transaction as mandated lead arrangers alongside Emirates NBD Bank PJSC, while Al Khalij Commercial Bank Q.S.C. and The Commercial Bank of Qatar QSC participated as lead arrangers. Patrick Mweheire, CEO, Stanbic Bank Uganda Limited said "As a debut borrower in the international loan market, I am extremely impressed that such a sizeable amount has been raised for the bank in an 18 month tenor".

Funding confirms increasing investor interest in Africa

According to Dr. Rassem Zok, CEO Standard Bank of South Africa, MENA the "very positive" response from investors, for the oversubscribed facility, from the Middle Eastern and international banks confirms increasing interest in Africa. It also speaks volume of the trust endorsed to Standard Bank Group's strong financial position and highlights the Uganda growth story. *(Ventures Africa)*

Fund

Ascent Africa private equity fund eyes $60 million by mid-2015

Ascent Capital wants to increase its East Africa fund to 60 million dollars by mid-2015 from 50 million dollars it has raised so far. The private equity firm also plans to announce completion of its first investment in about two weeks, a partner said.
Ascent is one of several private equity firms to launch in recent years in the region, seeking to take advantage of swift growth rates and expanding populations.
The Ascent Rift Valley Fund, domiciled in Mauritius, launched in February last year with about 40 million dollars aiming to invest between two million dollars and 10 million dollars with each investment in companies seen benefiting from expanding consumer demand. Guy Brennan told Reuters that Ascent aimed to increase the fund to 60 million dollars, which would probably be its upper limit. "We would like to have this done before the middle of the year," he said. "We feel the right size of the fund is probably 60 million dollars." The fund's first investment would be 2.5 million dollars in an Ethiopian healthcare services provider, giving Ascent a roughly 50 % stake, Brennan said, adding that completion of the deal would be announced "in a week or two's time".

Ethiopia is Africa's second most populous nation with about 96 million people and has one of the fastest growing economies, expanding at 8 % or more a year, although banking, telecoms and retail are off limits to foreign investors.
Ascent has offices in the three East African economies where it will invest, namely Kenya, Uganda and Ethiopia. Sectors it will focus on include services and distribution firms, as well as manufacturers. Investors include the Norwegian Investment Fund for Developing Countries (Norfund), Development Bank of Austria (OeEB), Kenyan pension funds and institutions, such as Kenya Power and Lighting Company (KPLC), and other private investors. *(CNBC Africa)*

Tech

Swift Announces Expansion Plans To Support Vibrant Business Growth in Sub-saharan Africa

SWIFT will open two new offices in 2015 – in Accra, Ghana and Nairobi, Kenya – as a crucial part of its pan-Africa growth plans. From these offices, SWIFT will manage an expanded presence across the West and East Africa regions.
Christian Sarafidis, Deputy Chief Executive, EMEA, SWIFT, says: "These plans will be a significant milestone for our sub-Sahara business. They recognise Africa's vibrant economic growth and future potential, and reflect SWIFT's ongoing commitment to get closer to its customers in these crucial markets."
SWIFT's sub-Saharan Africa business, with its head office in Johannesburg, was established more than 30 years ago. In that time, Africa's economies have changed beyond recognition and there is a growing need for SWIFT to expand to meet new client expectations and business opportunities. Hugo Smit, head of Sub-Sahara Africa, SWIFT, says: "The fact that Africa is rising is evident in various key economic indicators such as GDP growth, FDI and infrastructure investment growth. It is also corroborated by the growth in SWIFT traffic volumes. Such growth requires sound financial systems, securities systems and regulatory compliance. These are all areas where SWIFT can make an important contribution. "SWIFT's collaborative approach and ability to offer solutions that benefit the entire community makes it a unique organisation. By opening offices in West and East Africa, we will not only be able to further improve our solution and services offering to customers but will be better placed to support local communities and the development of regional initiatives."
Six of the ten fastest growing economies in the world are in Africa and economic growth in the sub-Saharan region is expected to rise from 4.7% in 2013 to 5.2% in 2014. Moreover, recent World Bank figures show that capital flows to sub-Saharan Africa have continued to rise, reaching an estimated 5.3% of regional GDP in 2013, significantly above the developing-country average of 3.9%.
Recent data from SWIFT supports this trend and demonstrates that its business in Africa has outperformed the total growth of the SWIFT business globally. In 2014 eleven countries in Africa experienced traffic growth of above 20% and six countries saw traffic grow by more than 30%; in the same period. As a reflection of the strong economic growth across the continent, the rise in payment traffic over the SWIFT network has been very strong. Volumes rose by almost 22% in Africa versus 8% total growth worldwide.
"Payments remain a major focus for SWIFT in sub-Saharan Africa and there is great support from policy makers, central banks and commercial banks for further development of financial market infrastructures. These help to make the intra-regional payments space more competitive, open the way for new products and services to be offered by participating financial institutions and reduce the need for foreign financial intermediation," says Smit.
SWIFT has been working closely with the Southern Africa Development Community (SADC) on its development of the SIRESS payment system. The third phase went live in September, meaning that almost 70 commercial banks in nine countries are now participating in the system. Transaction volumes as well as values over the system are exceeding expectations and continue to rise. SWIFT is also working with other regions towards their plans for regional payment systems, including the West African Monetary Zone and the East African Payment System.

Another crucial area for SWIFT is the securities markets

Outside a handful of countries such as South Africa, Nigeria and Kenya, most national securities markets are at a relatively early stage of development. There is huge potential to unlock greater local and intra-regional investment through the use of standardised and harmonised financial market infrastructure.
"With the right financial infrastructure in place and through industry collaboration, Africa has a great opportunity to improve the liquidity and efficiency of its capital markets, leading to cheaper equity funding and greater risk sharing for the continent's expanding corporates. Robust and efficient securities markets will continue to support foreign investment but also encourage higher levels of intra-African investment. This is good for companies and investors," says Ian Bessarabia, Head of Business Development, Sub-Sahara Africa, SWIFT. Sarafidis concludes: "The Sub-Saharan Africa region continues to outpace SWIFT's global business in terms of traffic volume growth. This fully supports our plans to expand SWIFT's presence on the continent. Most importantly, we are excited about the potential to grow our business here and further increase the African region's contribution to the global organisation." *(Times of Africa)*

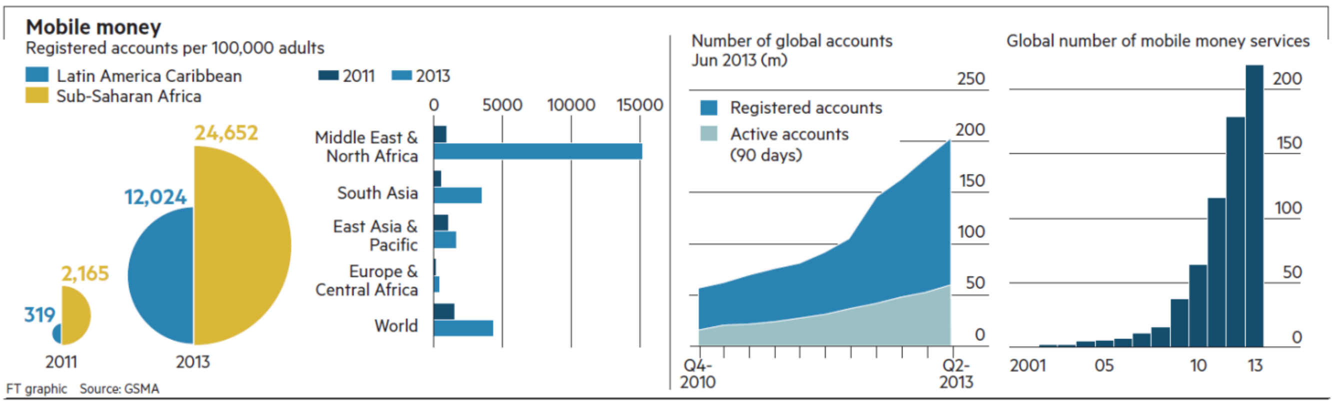
New Banking Card Technology To Complement Vodacom's Mobile Money Service

Leading digital security company, Gemalto has announced the deployment of prepaid EMV banking cards to complement Vodacom's m-pesa mobile wallet service in South Africa.

The card is certified by the major international payment schemes and accepted at any of the 240,000 EMV-compliant payment terminals and over 27,000 ATMs throughout the country, which will significantly extend the reach of the leading South African operator's services.
Gemalto's off-the-shelf solution for Vodacom encompasses design and production of the card, as well as automatic packaging and point-of-sales delivery. The card links seamlessly to m-pesa accounts, and gives users the freedom to make payments for goods and services without the need to carry cash. "Gemalto offered us the convenience of a fully packaged solution," said Herman Singh, Managing Executive of m-commerce at Vodacom. "By expanding our m-pesa mobile wallet offering with the banking card, we've been able to add an entirely new level of functionality which we think is critical to the success of m-pesa in South Africa." With efficient distribution network a prerequisite for success in the prepaid market, the m-pesa card will be made available through 8,000 Vodacom agents and enrollment with the company's secure system is now a hitch-free process. Users can check current balances via the mobile wallet app and receive SMS alerts when funds are running low. Furthermore, because it is a PIN-protected virtual account, the user's credit remains safe even if the card is lost or stolen. "With this new project, Vodacom becomes the first mobile operator to initiate the large-scale rollout of an EMV banking card that is accepted anywhere," said Thierry Mesnard, Senior Vice President for Africa at Gemalto. "This innovative deployment highlights just how quickly the worlds of banking, retail and mobile communications are changing. Positioned at the very heart of these converging trends and technologies, Gemalto is glad to offer its support to this endeavor aimed at offering greater convenience, security and social inclusion". *(Ventures Africa)*

The future is a convergence between banking and telecoms

The simple technology behind mobile payments is revolutionising access to finance for millions of people in emerging markets. Africa—where less than a quarter of people have a bank account but more than 80 % have access to mobile phones—is leading the charge. Ruth Wamaitha Ngotho no longer loses time and money travelling to the market every day to buy car accessories one at a time. Thanks to a loan, the 37-yearold seller of air filters and oil at a small road side shop in Nairobi can stock up. "Now I can buy stock by the carton rather than in [single] pieces, so I get a better margin," says the mother of three, who employs two people. Both the loan and the business are tiny. The business turns over Ks50,000 ($550) a month and MsNgothois repaying the $1,100 loan over six months at an 18 % annualised interest rate. But her experience is indicative of a remarkable trend that has revolutionized finance — and daily life — for millions of people in the east African hub. Provided by Safaricom, Kenya's $6bn mobile operator, it shows how technology is providing access to finance in even the most remote communities. After launching its landmark mobile money transfer and payment service M-Pesa in 2007, Safaricom last year announced that it had joined forces with KCB, the country's biggest bank, to provide unsecured loans ofuptoKs5m. "The future is a convergence between banking and telecoms," says Joshua Oigara, KCB chief executive. Unlike any other part of the world, Africa is bringing about this convergence. The development of the simple technology, combined with regulatory backing that is lacking in other jurisdictions, has provided anecessary leap. The vanguard is Kenya,now classified as a middle-income country. While only 22 % of the population have formal bank accounts, more than12mpeople, or29% of the population, regularly send money via M-Pesa (pesa is Swahili for money). It was introduced only seven years ago; but M-Pesa users now send an average of $44m daily, via 6.8m transactions, adding up to 31 % of the country's annual GDP. Users can pay bills and school fees, buy eggs in shops or flights online, all with their phones. "Deepening the market via digital finance is the best way to go," says Njuguna Ndung'u,Kenya's central bank governor. He helped spark Africa's mobile-phone explosion by giving regulatory backing to mobile finance in Kenya, rather than defending banking monopolies as has happened elsewhere. Kenya remains the world's most well known adopter of mobile payments, with a network of 139,000 M-Pesa agents. But the system is catching on. It is being emulated globally, including in India and Romania. It provides a solution in some postwar countries including Sierra Leone and DR Congo, where infrastructure has been shattered. A bank-telecoms tie-up in South Sudan, currently in the midst of a civil war, is planning to launch it soon.



Although the Safaricom initiative has so far made only 1,000loans, it is aiming for 1m loans by the end of this year. “SMEs account for about 40 % of the country’s GDP,” says Bob Collymore, Safaricom’s chief executive. “If you can start to empower [them] you can really start to get this economy running.” *(Financial Times)*

If Cash Is King In Africa, Mobile Money Is Heir Apparent

For most African businesses and the populace at large, cash is king, owing to the continent’s developing electronic funds transfer systems and the slow uptake of technology-based remittance and payments platforms. But experts believe that the growing integration of telecommunications and banking in most African countries, as well as the continued revamping of platforms enabling electronic funds transfers, is helping mobile money to catch up to cash in terms of popularity.

Although still seen as king by most business people on the continent, carrying out transactions and buying goods and commodities using cash presents many challenges and pitfalls, including the risk of theft and armed robbery. Innovative application developers have come forward with applications aimed at reducing these and other cash associated risks. Most of these applications ride on mobile phones and are propped up by the fast-growing idea of mobile money. A recent study by Gartner shows that mobile payments globally will top $720 billion a year by 2017 – a significant increase from the $235 billion that was processed through such platforms during 2013. Gartner added that the potential upside is immense, as consumers made $15 trillion worth of retail transactions in 2013.

BitCoins to Shillings

BitPesa is a digital remittance company focused on changing BitCoins into African currencies. Bitcoin is a decentralised digital and internet-based currency that is used for online purchases and payments as well as money remittances. Bitcoins use peer-to-peer technology to operate with no central authority or banks. The value of the BitCoins is paid straight into the mobile wallet of recipients in Africa. The company is currently operating in Kenya and hopes to expand into the rest of Africa soon. Elisabeth Rossalio, co-founder and senior executive at BitPesa, says there are various problems to consider when operating a cash-based business or travelling with cash, which has necessitated the development of new platforms. “We have even gone beyond that, as we are among the first to bring usage of digital currencies in Africa through BitPesa,” she said, adding that further advantages of digital currencies are that they are Internet-based and also decentralised. “The technological advancements behind digital currencies and mobile financial services will drive down costs of remitting money, even for the traditional money remittance and money transfer service players,” said Amy Ludlum, the head of trading and risk management at BitPesa, in a presentation at the Mondato Africa summit on mobile financial services. Efforts are now underway to further develop and integrate it into a deal with major airlines and hotels to offer a pre-payment facility.

Mobile money growing, but retail sector lagging in adoption

Mobile money is one of two areas, including data, that industry executives see aspresenting immense growth opportunities for telecom companies in light of declining volumes from the voice telephony category as well as fast developing tech trends that are likely to lead to increased usage of plastic money and digital currencies. Mobile network operators in Zimbabwe are significantly shifting their attention to mobile money and are instituting new innovations such as credit cards that allow mobile money users to withdraw money in their e-wallets from Automated Teller Machines (ATMs). Nkosinathi Ncube, the head of mobile money for Telecel Zimbabwe said his company is now focused on driving up transaction volumes on its Telecash platform and also revamping it so that it can be useful for retail shoppers.

Andrew De Wet, the CEO of SA price comparison website, PriceCheck – which has since expanded into Nigeria under a partnership with MTN – said that 40 % of buying happens on mobile devices and underscored that using mobile money and electronic-based transactions enhances convenience as well as the safety of shoppers and travellers.

Retailers in Zimbabwe, including Pick n Pay and OK Zimbabwe – the two biggest operators alongside TM Supermarkets which is 49-% owned by Pick n Pay – mostly rely on cash purchases by shoppers. “Mobile money has been struggling to make a mark on the retail sector,” Ncube said when the company launched its credit card for the Telecash mobile money platform. Econet Wireless, which operates the EcoCash mobile money payment platform, launched a credit card in partnership with MasterCard at the end of July. CEO Douglas Mboweni said that his company is revamping its strategy to tap into mobile and e-commerce.

Research company Frost and Sullivan said in July in a new research report that Ethiopia and the Democratic Republic of Congo (DRC) stand to benefit greatly from the strong potential that mobile money presents for African telecommunications sectors. “Mobile money will grow in prominence as the number of Ethiopia and DRC’s unbanked populations have prompted their respective governments to place financial inclusion at the forefront of their socio-economic plans,” said Frost and Sullivan ICT analyst, Lehlohonolo Mokenela.

Mobile money key to increasing financial inclusion

Mobile money is set to play an even bigger role for most African economies, especially with the skilled population of Diaspora Africans abroad who want to send money back home. Judah Levin of Mondato Africa believes that the mobile financial services market in Africa is still a “very multi-tiered market which provides opportunity for both niche providers and those looking to achieve scale through network effects”. Raadhika Sihin of MasterCard says remittances from international destinations are becoming larger than foreign direct investments in Africa. “Investments in most

African countries contribute to education and poverty alleviation," he said. Traditional money remittance services such as MoneyGram and Western Union are said to be expensive, taking up to 12 % of the money sent in charges. "Mobile money seems to be a platform that can go across barriers in financial inclusion, although cash is still king in most of Africa today," Sihin said. Platforms offered by MoneyGram and Western Union are, however, not likely to disappear sooner as they still play a vital role in the cash-based money transfer sector across the world, though they may be forced to adapt their services to encompass receipt of cash on mobile phone wallets.
It is not all smooth sailing, however, and there are a few hurdles to overcome before mobile money can take-off in full force and be wholly embraced by the African populace. According to Sihin, "a lack of trust in using a mobile device" was cited as one of the reasons for sluggish growth of such platforms. And it may not be long after all before mobile money – the heir apparent to king cash – takes over. *(Ventures Africa)*

ENERGY

How to fund Africa's energy sector

Africa needs $288bn to transform its II energy outlook and reach the goal of universal access to electricity by 2030.
But what's deterring investors? Deloitte's report Addressing Africa's infrastructure challenges suggest negative stereotypes and the misconception that "Africa is a country" are obstacles. The World Bank suggests the development of other infrastructure - transport and information technologies – would encourage investment in energy.
But is foreign investment needed? African governments have more capability to fund energy projects than they realise or make apparent, the UK's Guardian newspaper argues. countries keep billions of dollars in foreign reserves. This could be used to plug the finance gap in Africa's infrastructure projects but instead they act as a deterrent to foreign investors.
Africa's current investments have limited developmental benefits. Most of the equity that comes in is private equity. Investors extract raw materials, process them abroad and then sell them back to Africa. Africa is still locked in colonial economic models.
A first step would be to assess aid's contribution to the negative stereotypes of the continent. second, civil society should hold all stakeholders to account and ensure that investments in Africa's energy sector don't enrich the few at the expense of the many. But the most significant player remains African governments. Rwanda is an example of a country that has developed its energy sector successfully and attracted investment. *(African Business)*

Boosting Solar Energy Capacity in Africa

Sub-Saharan Africa is rich in energy resources but its potential remains mostly untapped. Despite the abundance of sunlight, solar projects have been developed slowly and often inefficiently.
Weak competition and high transaction costs are some of the obstacles that hamper the progress of the technology.
In a continent where most people live without electricity, expanding the supply of energy has become an imperative that cannot be delayed. To meet projected demand, Africa needs to increase its power-generation capacity by 7,000 megawatts each year—equivalent to the capacity installed in Ireland, and seven times the current rate. That gap hinders economic growth and deters much-needed foreign investment.
Increasing access to power in Africa has long been of critical importance to IFC. We are the leading financier of independent generation projects, having supported not only the continent's first private distribution company, in Uganda, but also its private integrated utility, in Cameroon.
IFC has recently launched an initiative to expand the market for solar power in Africa. Known as Scaling Solar, it provides an integrated package to project developers, incorporating all of the distinctive capabilities available within the World Bank Group. The initiative aims to reduce the time it takes to deliver solar installations to the market, stimulate competition, and lower tariffs to customers.
Scaling Solar will allow smaller African countries to enjoy the purchasing power of bigger and more developed economies—allowing several African countries that still rely on diesel-fired power to finally benefit from recent dramatic cost reductions in solar-power technology.
In the past two fiscal years alone, IFC has invested and mobilized over $2 billion in financing to support more than 1,500 megawatts of new generation capacity in Africa. Besides investing in debt and equity, we facilitate connections between viable investment opportunities and the financiers that can support them.
IFC take innovative approaches to their investments, supporting large, potentially transformative projects. They also help developing countries expand the use of cutting-edge technologies, such as concentrated solar power—which uses mirrors to reflect and concentrate rays of sunlight to heat steam that power turbines. For instance, IFC helped launch two landmark concentrated solar projects in South Africa in 2012 that will help diversify the country's electricity from coal-fired power.
In addition, IFC continues to support off-grid projects that bring power directly to unconnected households in rural and remote areas. IFC has organized a debt facility for Off Grid Electric, a company that provides solar home systems in a "solar as a service" model. Combining mobile payment technology with solar technology, the system allows customers

to pre-pay for energy just as they would for using a cell phone. The facility will provide the working capital the company needs to connect about 100,000 homes. *(World Bank IFC)*

Japan funds construction of electrical substation in Mozambique

Japan will donate US$18.5 million for the construction of a new electrical substation in Namialo, Meconta district, in Nampula province, northern Mozambique, the Japanese International Cooperation Agency (JICA) said in a statement.The JICA statement said the amount to be donated includes funding for improvements to the existing substations in the city of Nampula, including Nampula 220 and Nampula Central.

This project to boost the power transmission network is intended to introduce reliability and redundancy to the power supply along the Nacala Corridor, where energy demand is increasing rapidly.The donation will pay for engineering, construction of the Namialo substation, equipment acquisition and installation, including new transmission towers and supply of transformers for electrification of the two secretarial posts, also located in Nampula province.In the statement, JICA said that in this way the Japanese government is contributing to economic development in the region and improving the lives of people living in the Nacala corridor. JICA is a Japanese government institution responsible for implementing programmes to support developing countries. It opened an office in Mozambique in 2003. *(Macauhub)*

Mozambican power company EDM invests in construction of power transmission lines

Mozambican state electricity company EDM will invest US$600 million in the construction of a second power transmission line to the central and northern regions of the country, said company chairman, Gildo Sibumbi.

The chairman of EDM, speaking recently in Mocuba, Zambezia province, told daily newspaper Notícias that the line would be 700 kilometres long and start at the Chimuara substation, and go through Nampula to Nacala. Sibumbi gave assurances that cash was available for the work and added that work was underway to select a contractor through a public tender launched for this purpose. The new line will have a capacity of 400 kVolts, against the current 220 kVolts, and make a real contribution to improving the stability and reliability of the energy supplied in the two regions, once completed. The chairman of EdM noted that upon completion of the work, the two regions will be fed by two power lines simultaneously and can avoid a cut or a blackout when, for example, maintenance work is carried out.

Sibumbi acknowledged that the current situation that led to a blackout for two and a half weeks in central and northern regions was a lesson for the company, which had already outlined a strategy to make use of existing potential. *(Macauhub)*

Utility-scale solar field to lift Rwanda's energy capacity by 6%

An 8.5 MW solar field due to be officially launched in Rwanda next week, is set to boost the Central African State's energy generation capacity by 6%, solar project developer Gigawatt Global has revealed. The landmark $23.7-million project is built on land owned by the Agahozo-Shalom Youth Village, whose mission is to care for children orphaned before and after the Rwandan genocide. The village is leasing land to house the solar facility, the fees from which would help pay for a portion of the village's charitable expenses. Norway-based Scatec Solar – one of several multinational companies to inject equity into the intitiative – said the project would become an important source of clean and reliable electricity for the next 20 years and beyond. “The people of Rwanda should be proud to host the first utility-scale solar power plant in East Africa, and we hope that the pioneering spirit of Rwandan authorities may serve as an inspiration to other countries in the region,” commented Scatec Solar executive VP Torstein Berntsen. The solar field was the first Power Africa project of its size to reach completion since the launch of the initiative by US President Barack Obama in July 2013. US-based Power Africa worked with African governments, the private sector and other partners to add more than 30 000 MW of cleaner, more efficient electricity generation capacity in sub-Saharan Africa.

Project cofunder Overseas Private Investment Corporation (OPIC) president and CEO Elizabeth Littlefield said the project was a clear demonstration that solar would become a key part of Africa's energy solution, while Gigawatt Global cofounder and MD Chaim Motzen said it would serve as a catalyst for “many more” sustainable energy projects in the region. “Throughout the process, we had the full cooperation of the Rwandan government and its agencies, and we are looking forward to bringing additional sustainable energy solutions to more African and developing countries,” he said.

The Rwanda solar project brought together an international consortium of financing partners, which saw debt provided by the Netherlands Development Finance Company, as well as London-based Emerging Africa Infrastructure Fund.

Additional mezzanine debt was provided by the Norwegian Investment Fund for Developing Countries (Norfund), while equity was provided by Scatec Solar – which also served as the engineering, procurement and construction contractor – Norfund and KLP Norfund Investments. Grants were received from the US government through OPIC's Africa Clean Energy Finance grant and from Finland's Energy and Environment Partnership. London-based law firm Norton Rose Fulbright served as international legal counsel. *(Engineering News)*

EDF Energies Nouvelles Starts First Wind Farm in South Africa

EDF Energies Nouvelles SA, a unit of Electricite de France SA, today said it started its first wind farm in South Africa. The Grassridge wind farm located in Eastern Cape province comprises 20 turbines for a total capacity of 61.5

megawatts, EDF said in a statement on its website. The facility is the first of three awarded to EDF in 2012 under a competitive tender for clean-power projects held by the government, it said. *(Bloomberg)*

Sustainable Energy for All Africa Hub gathers partners in Abidjan to advance initiative across the continent

The African Development Bank (AfDB), as host of the Sustainable Energy for All (SE4ALL) Africa Hub, organized on January 26 and 27 a workshop in Abidjan with representatives of African countries and partner institutions. The workshop was organized in collaboration with the Global Facilitation Team headed by Kandeh Yumkella, the Special Representative of the UN Secretary General on SE4ALL. Since its launch, more than 90 Governments from around the world have formally engaged with the initiative, including 43 African countries.

The workshop was attended by the SE4All Africa Hub partners: the African Union Commission (AUC), the NEPAD Planning and Coordination Agency, and the United Nations Development Program (UNDP), as well as by representatives of the European Commission, World Bank, US State Department, UN Foundation, International Renewable Energy Agency (IRENA), Energy Efficiency Hub, OPEC Fund for International Development, Agence Française de Développement, Practical Action, Africa-EU Energy Partnership, the ECOWAS Center for Renewable Energy and Energy Efficiency (ECREEE), and country focal points from several African countries, including Ghana, Rwanda, Tanzania and Uganda.

The workshop was opened by Solomon Asamoah, AfDB Vice-President for Infrastructure, Private Sector and Regional Integration, who highlighted the opportunity presented by SE4ALL to initiate the required step change from business as usual to achieve the SE4ALL global targets of universal access, doubling the share of renewables and doubling the rate of improvements in energy efficiency. Some of the first draft African SE4ALL Action Agendas – strategic and holistic national documents looking at the three SE4ALL objectives in an integrated manner and intervening as an umbrella framework for the energy sector development until 2030 – were presented at the workshop, which allowed for the identification of lessons learnt and best practice. The workshop also agreed on steps to ensure that the outcome of the SE4ALL Action Agenda and Investment Prospectus processes will yield the envisaged results in terms of policy reforms and mobilization of investments.

The workshop came soon after the launch of the African Energy Leaders Group (AELG) at the 2015 World Economic Forum in Davos, Switzerland. The AELG brings together political and economic leaders at the highest level to drive the reforms and investment needed to end energy poverty and sustainably fuel the continent's economic future. The Bank, in conjunction with its role as Africa Hub, will provide Secretariat support to the AELG. *(AfDB)*

INFRASTRUCTURE

Railroad remains the backbone of Africa's economy

Despite the shift to road use, railroad remains the most viable catalyst to economic growth on the continent This is according to delegates speaking at the Johannesburg Chamber of Commerce and Industry's (JCCI) Inaugural 'Africa on Track 2014' Rail Summit in Johannesburg. "Growth in rail along the African transport corridors makes the continent one of the greatest investment regions in railroad history," said Fay Mukaddam, president of the JCCI. "As emerging markets continue to look to rail infrastructure improvements to further their own growth, access to improved technology and manufacturing processes continues to grow in importance." She added that modern and reliable transport is therefore essential to ensure Africa's corridors are fully operational. Not only is railroad critical for commuter transport, but it plays a significant role in import and export as the continent's number of resource hot spots continues to grow.

A challenge however, she added, is that operational costs are rising while commodity prices are declining, which directly impacts the traditional import/export model for supplying rail technology to domestic customers.

The summit also focused on how governments can look to the railroad industry in terms of job creation, strategic growth and industrialisation.

As a result, the Development Bank of South Africa has a mandate to finance bulk infrastructure in Africa and support private and public sectors in rehabilitating and expanding rail infrastructure across the continent.

"Questions are being asked as to what needs to be done to shift bulk transportation to rail and this sentiment has been consolidated into Transnet's national plan but ironically, spending money does not guarantee results," explained Mukaddam. "Decisions need to be made on growth priorities, environmental considerations and investment needs to be adequate to cover the cost of not only maintenance and upgrading of existing rail infrastructure, but strategic expansion as well. It requires unconventional business approaches." *(CNBC Africa)*

Qalaa Invests in East Africa Cargo as China Builds Rail Link

Egyptian private-equity company Qalaa Holdings SAE is investing $70 million to accelerate the movement of rail cargo carried from East Africa's busiest port, as it faces competition from a new Chinese-backed link. Qalaa controls Rift Valley Railways Ltd., the operator of a railway built almost a century ago running from Kenya's Mombasa port to neighboring Uganda. It covers a portion of the same route as a new rail line under construction from Mombasa, designed to speed up freight-transit times, cut transport costs and boost mining and agricultural exports. It isn't yet clear who will operate the second railway. Qalaa "is investing heavily in a new subsidiary, which will complement RVR by handling cargo at the port of Mombasa in Kenya," Karim Sadek, managing director of the company's transportation division, said in an interview from Nairobi. In neighboring South Sudan, Qalaa, through its Nile Logistics arm, plans to acquire additional handling equipment for its river-transport and marine-port businesses, he said. Its service, operating a fleet of barges between the north and south of the oil-producing nation, was disrupted in December 2013 when a power struggle in the ruling party sparked civil war. Tens of thousands of people have died and almost 2 million others have been driven from their homes as the violence continues, according to the United Nations. About 1.5 million people are receiving food aid, less than a quarter of those in need, amid funding shortages and due to bad roads, which are inaccessible in the wet season, according to the UN.

Aid Movement

"We are moving cargo for the World Food Programme and International Committee of the Red Cross from Juba to the north," Sadek said on Jan. 13. "Depending on how that goes, we may expand our fleet in South Sudan." Spending by Qalaa this year in South Sudan will probably reach $35 million, he said. Qalaa, formerly known as Citadel Capital SAE, in April bought the 34 % stake that Kenyan-based Transcentury Ltd.'s Safari Rail Co. owned in RVR, raising its shareholding to 85 %. Citadel first acquired a minority interest in RVR in 2010. Since then, it's led investments to upgrade hundreds of kilometers of tracks, rehabilitate rolling stock, and restore service on a rail section in Uganda that was idle for two decades. RVR said in September it agreed to borrow $20 million from Standard Bank Group Ltd. and other lenders to buy 20 locomotives, which should all be delivered from General Electric Co. (GE) by April.

Road Cargo

Currently, more than 90 % of cargo is ferried by road from Mombasa. Kenya is the largest economy in the five-nation East African Community, also comprising Tanzania, Uganda, Rwanda and Burundi, which formed a customs union in 2010 to strengthen intra-regional trading. South Sudan is seeking to join the EAC. "Kenya remains the pivot state in East Africa and the route to the sea and the world markets for a lot of countries in East Africa," Aly-Khan Satchu, chief executive officer of Nairobi-based Rich Management Ltd., said in an e-mailed response to questions. "RVR has devised a good strategy of integrating the railway with a door-to-door delivery service."

An estimated 23.5 million metric tons of freight was expected to pass through the Mombasa port last year, up about 5 % from 2013, according to the Kenya Ports Authority. Durban, Africa's busiest port according to the Port Management Association of Eastern and Southern Africa, handled 44.8 million tons of cargo in 2013-14.

China Rail

Qalaa's planned spending on RVR in the 12 months through June comes as construction gets underway on a $3.8 billion railway linking Mombasa to Kenya's capital, Nairobi, being 90 % financed by the Export-Import Bank of China. It's expected to take 42 months from October to complete, and the link will eventually continue to Uganda and the landlocked states of Rwanda, Burundi and South Sudan.

Kenyan President Uhuru Kenyatta said that project will help meet East Africa's growing freight demands. "The railway will improve the investment climate of the region and allow us to exploit our resources together," Kenyatta said.

The "high capacity" standard-gauge railway will enable locomotives to travel as fast as 120 kilometers (75 miles) per hour for passengers and 80 kilometers per hour for cargo, according to the government. "Our rates should be more competitive, even when the new railway is complete because of a lesser debt burden," Sadek said. "The agreement we signed with the governments provides for compensation for any business lost as a result of a new railway. But it has not yet been worked out how." ***(Bloomberg)***

Zuma outlines progress on African infrastructure projects

Commenting in his capacity as chairperson of the Presidential Infrastructure Championing Initiative (PICI), President Jacob Zuma this week provided an update on the progress of several cross-border and regional infastructure projects championed by the heads-of-State cluster and aimed at accelerating regional trade.

The PICI served to link African heads of State to specific infrastructure corridors to ensure strategic political leadership in the championing of cross-border infrastructure projects.

These were projects that were aimed at ultimately unlocking the economic potential of the continent and providing development opportunities for communities, cities and regions, Zuma explained.

Addressing the thirty-second summit of the New Partnership for Africa's Development (Nepad) Head of State Governments and Orientation Committee, he said South Africa continued to ensure the advancement of multimodal infrastructure in the cross-border North-South Corridor; including road, rail, border posts, bridges, ports, energy and other related infrastructure.

The corridor passed through 12 countries, namely Tanzania, Congo, Malawi, Zimbabwe, South Africa, Zambia, Botswana, Mozambique, Kenya, Ethiopia, Sudan and Egypt. "Through this initiative we are leading the charge in infrastructure development across the continent and these projects form the nucleus of the implementation of the broader Programme for Infrastructure Development in Africa," he commented.

Commenting on the "missing link" of the Trans-Sahara Highway – a road corridor aimed at improving and easing border formalities on an existing trade route across the Sahara Desert – Zuma outlined that the construction of the remaining 100 km stretch across Algeria would start early this year. “The construction of this highway is expected to be completed by 2017,” he noted.

Meanwhile, the roll-out of a fibre-optic network from Algeria to Nigeria through Niger was also set to start later this year, while the PICI’s objective to connect five capital cities through broadband links had been completed in 2013. “All the five countries are now interconnected and linked to the submarine cables at Mombasa and Dar es Salaam.This brings this particular PICI project to successful completion within three years as planned and is a flagship successful project for the PICI,” he noted. Zuma further revealed that the West African Economic and Monetary Union had agreed to finance all technical studies related to the Dakar¬–Ndjamena–Djibouti road and rail link, which were expected to be completed at the end of November. The project implementation phase was due to start before 2018.

Meanwhile, the execution of contracts for the early gas phase on the Nigeria–Algeria gas pipeline, known as the TransSaharan gas pipeline, were in progress. Moreover, two workshops were planned for 2015 to finalise the detailed design stage of the Kinshasa–Brazzaville Bridge road and rail project, after which the project would move to the tender process for construction of the bridge – envisaged to be completed by 2025.

Further, Zuma said the prefeasibility study for the establishment of a navigational line from Lake Victoria to the Mediterranean Sea via the River Nile project, in Egypt, was now expected to be completed by the end of May.

“The project would also embrace an intermodal transport system… and to enhance data collection, missions to Sudan, South Sudan and Uganda are planned for February. The project is expected to be operational by 2023,” he noted.

“Significant progress”, meanwhile, continued to be made with the North–South road, rail and related infrastructure corridor, managed by South Africa. “In addition, a number of hard and soft infrastructure issues and projects are in progress and are being addressed. To date, there are various projects in various stages of the project lifecycle, including road, rail, bridge, border posts and energy projects,” he said.

Among these, South Africa and Zimbabwe continued to work together to improve operations at the Beit Bridge border post. The PICI Ministerial Working Group had also, at a January 16 meeting, recommended that a number of energy projects be developed. These would include the Strategic North–South Transmission Line, the Sahel Desert Tech Solar Project and the Central Power Transmission Line. The Ministerial committee had, in addition, recommended that South Africa champion the manufacturing and production of locomotives and wagons as part of a “deepened industrialisation drive”. Zuma emphasised the importance of infrastructure as a means to ensure sustainable development, stating that Africa was “on the right track”. Further, he stressed that, in addition to regional infrastructure plans, countries on the continent also had to invest in national infrastructure. *(BDLive)*

African Union Seeks Investors for Infrastructure Repairs

African nations plan to target more private investment in key regional projects to help address a lack of infrastructure that’s curbing growth and regional integration, a unit of the African Union said.

Priority projects under the Programme for Infrastructure Development, which began in 2012, need $68 billion by 2020 and an additional $300 billion for those planned to 2040. The initiative, known as PIDA, has assisted in developing 16 priority trans-national projects so that they are now “bankable,” New Partnership for Africa’s Development Chief Executive Officer Ibrahim Mayaki said in an interview in the Ethiopian capital, Addis Ababa.

“Fundamentally we need to attract the private sector,” said Mayaki, a former prime minister of Niger. “They were not interested in Africa 10 years ago, but even if the risk is a bit higher the returns can be much higher than what they’re getting.” The investment drive seeks to address deficiencies that leave 62 % of Africans without access to electricity, less than 10 % able to use the Internet and only a quarter of the road network paved. The result is “expensive infrastructure services, constrained industrial productivity, limited participation in global trade and holding back the competitiveness of production,” according to Nepad, a technical body of the AU leading efforts to improve transport, power and communications.

Zimbabwe Chairing

The union will be encouraged to focus on infrastructure and PIDA during Zimbabwe’s one-year chairmanship that began in February, President Robert Mugabe said in an acceptance speech. “We need to continue and perhaps redouble our current collective efforts in this sector,” he said in Addis Ababa at the AU. “The road and power projects that we’re developing are a positive step in our quest to improve the African infrastructure.”

The African Development Bank will conduct feasibility studies for the 16 projects African leaders agreed in June. The Abidjan-based lender plans to attract an initial $3 billion in equity capital for the program using a fund known as Africa50. Well-prepared African infrastructure deals may be attractive to investors including U.S. pensions funds looking for high returns, Mayaki said.

The top five projects outlined by Nepad are the Ruzizi III hydropower plant between the Democratic Republic of Congo and Rwanda; expansion of the port in Dar es Salaam, Tanzania; construction of the Serenje to Nakonde road in Zambia; a gas pipeline from Nigeria to Algeria; and an upgrade of the railway from Senegal’s capital, Dakar, to Bamako, the capital of Mali.

Accord Signed

During its annual summit at its headquarters in Ethiopia this week the African Union signed an accord with China for it to support efforts to improve transport links and industry as part of the organization’s 50-year strategy to transform

Africa by 2063. “This is a very grand and ambitious project but it’s also a feasible project,” Zhang Ming, China’s vice foreign minister, said at the Jan. 27 signing in Addis Ababa.

The deal to improve rail, roads and aviation will enable China to access the resources it needs from Africa over the next decades, said Christie Viljoen, senior economist at NKC Independent Economists in Paarl, South Africa. Enabling Exports “Any efforts to stimulate regional integration is surely aimed at enabling landlocked countries to export their commodities more easily,” she said in an e-mailed response to questions.

State-funded Chinese rail projects in Nigeria, Kenya, Ethiopia and Djibouti are current examples of the type of work it’s pledged this week to do with the AU, Zhang said. There are opportunities for all African nations and the continent, and other “international partners” can contribute, he said.

A reliable indicator of China’s future commitment to Africa’s infrastructure development will come at next year’s meeting of the Forum on China-Africa Cooperation, said Deborah Brautigam, the Director of the China Africa Research Initiative at Johns Hopkins University. “For quite some time the Chinese banks have been interested in financing cross-regional infrastructure projects, but these are difficult to coordinate,” she said in an e-mailed response to questions. “The AU can’t take out loans obviously, but it can provide a venue for discussions of interested stakeholders, who might be able to work out a cross-regional project and apply for funds.”

Road Work

PIDA’s work includes prioritizing developments, funding initial studies, and recommending regulatory improvements. “Which means when any region wants to develop its road transport infrastructure they know exactly what to do,” Mayaki said. A leaders summit in Addis Ababa was told that construction had begin on a road linking Dakar and Bamako, while Nigeria’s government is seeking consultants and contractors for the gas pipeline after raising $850 million for the project, said John Tambi, Nepad’s transport-infrastructure expert.*(Bloomberg)*

Joint venture set to broaden African rail leasing trade

A new partnership will soon provide cost-effective and inventive leasing solutions to the African rail industry.

Grindrod Freight Services (GFS) has partnered with Pembani Remgro Infrastructure Fund (PRIF) to form this joint venture. “The joint venture company will be instrumental in providing funding options for customers looking to buy or operate wagons and locomotives manufactured or refurbished by Grindrod, as well as other OEMs,” said GFS CEO Dave Rennie.

GFS is a subsidiary of Grindrod Limited, an integrated freight and logistics business in South Africa. PRIF invests equity in infrastructure and related opportunities across the African continent. The new company, which will be called GPR Leasing Africa Limited (GPR Leasing), will be based in Mauritius. It will be 55 % owned by GFS and 45 % by PRIF. In the world’s developed rail markets, up to 60 % of rolling stock is leased. GPR Leasing aims to replicate this on the continent through joint venture, targeting the local South African leasing market. GPR Leasing has so far secured orders for 31 locomotives, all of which have either been built new or refurbished by Grindrod. “Grindrod locomotives are 30 % to 50 % cheaper upfront than other diesel-electric locomotives in the market. The proven track record of the locomotives and their exceptional performance mean that funding institutions are keen to finance them,” said Rennie. “In addition to this, Grindrod’s track record of successfully maintaining our locomotives in Africa’s most challenging environments makes our offering robust.”

According to the statement, Gridrod’s rail customers will be able to access operating lease solutions through GPR Leasing for main-line locomotives, shunting locomotives and wagons. These will all be for the freight market. “We have been able to leverage the strong relationships of the stakeholders to access competitive funding. This translates to competitive lease rates for competitively priced locomotives. It’s an exciting proposition,” said Herc van Wyk, CEO of PRIF. “This transaction represents an integral part of PRIF’s strategy to be the infrastructure fund of choice for private companies looking for a partner with whom to invest in opportunities that have arisen as a result of Africa’s fast economic growth.” *(CNBC Africa)*

Mozambique uses European funds to rebuild roads

The government of Mozambique made a request to the European Development Fund, for funding of up to 10 million euros, to repair several roads damaged by the rains and floods in recent weeks, according to an announcement made in Maputo. At least 86 people died, 50,000 are displaced and close to 140,000 people were affected by the rains and floods in the last two weeks in Zambezia province, mainly in the districts of Mocuba, Namacurra, Nicoadala and Maganja da Costa. The EU cooperation chief in Mozambique, Enrico Strampelli said a decision had been made to mobilise the European Development Fund for urgent repairs on National Highway 1 between Mocuba and Nampevo, the Licungo bridge over the river Muluavi, the Nampevo pontoon and the bridge over the Namilate River.

The funds for this intervention are provided as part of Milange/Mocuba integrated corridor project, which began in 2010 and went into its second phase last year, in the amount of 81 million euros, in areas near those affected by the floods. *(Macauhub)*

MINING

Mining boosts world's poorest regions – ICMM

The global mining industry makes its biggest contribution in the world's poorest regions, an International Council on Mining & Metals (ICMM) study has found. The study, which became available in published form, finds that mining spurs the growth and development of national economies in general and impoverished economies in particular. Created to catalyze strong environmental and social performance in mining, ICMM shows in its latest report that it is both possible and essential to strengthen the contribution of mining to economic and social development to make the world an economically stronger place. Mining can account for as much as 60% to 90% of foreign direct investment (FDI) in low- and middle-income countries and 30% to 60% of total exports.

Like the first edition in 2012, ICCM's new report also assesses the different ways that mining brings growth to national economies, with the most important channels being FDI when foreign corporations invest in mining and metals operations and exports of the mining products. "This report increases our ability to strengthen the contribution of mining and metals to development," says Anthony Hodge, the president of ICMM, which has among its 21 major mining and metals members indigenous South African mining company African Rainbow Minerals, headed by executive chairperson Patrice Motsepe, Anglo American, AngloGold Ashanti, Antofagasta, Glencore, Gold Fields, Lonmin, BHP Billiton, Rio Tinto, Mitsubishi and Sumitomo. Taxes and other fiscal revenues from mining typically bring in only 3% to 20% of a government's total revenues in low-income countries.

Some very low-income countries, however, do rely heavily on mining for fiscal revenues, for example, the Democratic Republic of Congo, which relies on mining for 25% of its fiscal revenues, and Guinea, which relies on mining for 23%.

Botswana, a middle-income country, draws 44% of its revenues from mining. "If mining makes a major contribution to a small economy, national decision-making will be driven by the development opportunities that can flow from the mining and metals industry," Hodge adds.

Of the 35 countries most dependent on mining, all but Australia and South Korea are developing countries, and of the top 70 countries, 63 are low-income countries that stand to expand their national economies through mining-linked investment, exports, taxes and employment. The report notes that the critical focus is not on how mining can be sustainable, but on how mining, minerals and metals can contribute to sustainable development.

The traditional approach to understanding the economic importance of mining has been to focus on the percentage that any single country accounts for in total world mining production and, from that perspective, the five Brics countries of Brazil, Russia, India, China and South Africa have the biggest share of world production value, while Uzbekistan and Turkey are rising up the production value rankings to join emerging countries like Chile, Indonesia and Mexico.

The ancient mining industry has fostered economic development since the dramatic evolutions of humankind in the bronze and iron ages.

In contemporary society, the critical need for mining and metals across all societies is undisputed. But this report dramatically illustrates that mining in today's world is also a potentially powerful engine of development. The research underpins the priority of ICMM members to foster sustainable development based on a strong understanding of the role of mining and evidence of what works.

While global mining companies have the potential to generate significant economic benefits and also have disruptive economic, social and environmental impacts, the report says that positive impact is best assured by companies working together with governments and communities, using evidence and experience to plan well, and basing strategic decisions on long-term sustainability and the multiplier effects mining can have throughout the economy. *(Mining Weekly)*

Baobab to select Chinese partner to conduct Tete feasibility study

Mozambique-focused miner Baobab Resources was nearing the conclusion of the selection process of a Chinese partner to conclude a feasibility study at its Tete iron project, in Mozambique.

The company has been in detailed discussions with steel industry specialists Sinosteel Equipment & Engineering and The China Metallurgical Group Corporation, the Aim-listed company said in a statement.

The partner would also assist the miner in performing pilot scale test work and provide an engineering, procurement and construction contract proposal with industry standard process performance guarantees. "With the technical merits of the project well-established in the prefeasibility study and subsequent definitive feasibility study test work, Baobab's management team has been focused on investigating opportunities to reduce the initial capital expenditure required," MD Ben James said.

He added that, by adopting Chinese procurement, a more technically and commercially favourable path to production could now be pursued. "A process guarantee on the selected flowsheet will not only deliver enhanced project economics through improved capital efficiencies, but will also, by way of accessing associated financial institutions, significantly reduce the timeframe to financial close and subsequent project execution," James noted.

Baobab had also conducted bench scale test work on a 1.5 t iron-ore sample with Beijing Shenwu Environment & Energy Technology Company (Shenwu). Shenwu was one of the largest high-tech enterprises in China, specialising in research, development and marketing of energy-saving and emission reduction innovation technologies. The test work was trialling an alternative reduction technology to the well-established rotary kiln process. Results were expected in March, after the Chinese New Year holiday period.

Meanwhile, James pointed out that the company was also pleased to have the ongoing support of its joint venture (JV) partner in the Tete project, the International Finance Corporation (IFC). “The IFC is an ideal development partner for a project of this scale in Africa," he said.

The IFC elected not to contribute its 15% of project expenses towards the unincorporated JV for the 2014 calendar year. In terms of the provisions of the agreement between Baobab and the IFC, the IFC would incur a dilution in its percentage participation rights in the agreement from the current 15% to 12.88%. The IFC remained a 3% shareholder in the project. The IFC gave the company the necessary assurances of its long-term commitment to the development of Baobab's Tete project. It intended to contribute its 12.88% of project expenses in this year. *(Mining Weekly)*

Anglo American Warns of Commodity-Price Hit to Come

Mining Group’s Output Rises; Analysts Put Value of Asset-Impairment Charge at Several Billion Dollars

Anglo American PLC is set to write down the value of some of its biggest iron-ore and coal-mining assets when it reports results next month, reflecting the toll that slumping commodity prices are taking on the global mining sector.

Anglo American, the world’s fifth largest diversified miner by market capitalization, didn’t provide further details of the likely multibillion-dollar financial hit, but the warning echoes announcements by other large mining companies.

The impairment charges reflects how mining companies are having to reflect the declines in iron-ore, coal, copper, and oil prices in the past six months in their books. Prices of iron ore and copper are trading at more than 5-year lows.

Still, Anglo American demonstrated that it is sweating its assets harder in announcing higher fourth-quarter iron-ore, platinum and coal output, helping its shares to modest gains. “It is somewhat surprising to see the stock up despite flagging impairments but no one is necessarily surprised that they are flagging that risk,” said Macquarie Research mining analyst Jeff Largey. Anglo American’s Chief Financial Officer Rene Medori warned in December about potential write-downs to the company’s Brazilian Minas Rio iron-ore operations and metallurgical-coal assets such as its Canadian Peace River mine.

Anglo has written off the value of Minas Rio once before, taking a $4 billion charge in its 2012 accounts after the project fell three years behind schedule and costs ballooned to $8.8 billion from an originally estimated $2.7 billion. The full 2014 write-down of the iron-ore and coal assets could be worth several billion dollars, according to analysts. With the Brazilian operation in better shape, Anglo American has been ramping up production of iron ore, the main raw material used in steel making, even as sluggish economic growth, particularly in China, has weighed down on prices. Anglo produced 13.1 million tons of iron ore in the fourth quarter, a 16% increase from the same period in 2013.

Rio Tinto PLC and BHP Billiton Ltd. , two of the world’s three biggest producers, also released figures last week showing increased iron-ore, evidence that the market is increasingly well supplied and explaining why iron ore prices have halved over the past year to lows last seen in 2009. The big producers’ strategy has drawn criticism from within the mining industry. Glencore PLC Chief Executive Ivan Glasenberg has said rising production is overwhelming demand.

Mining executives have put the brakes on some expansion plans. Anglo American’s CEO Mark Cutifani has said the company won’t pursue any more iron-ore projects for the time being. “We’re not going to add to that problem,” Mr. Cutifani said last month. Anglo American’s rivals are also writing down the value of their assets.

Australian mining company Arrium Ltd. said it had closed one of its two iron ore mines, taking a 1.34 billion Australian dollar ($1.06 billion) write-down with the price of iron ore languishing at more-than-five-year lows. BHP Billiton also announced the need to write down the value of its petroleum business after the oil price more than halved since June. Anglo American, which is scheduled to report its full-year results on Feb. 13, said its output of copper, nickel and diamonds fell in the fourth quarter, declines which were broadly in line with market expectations. *(Wall Street Journal)*

Local geophysics company secures Angola contract

South Africa-based airborne geophysics company Xcalibur Airborne Geophysics, which will exhibit at this year’s Investing in African Mining Indaba, has been contracted to work on Angola’s National Geology Plan, the Planageo programme, which will produce credible, processed and mapped information to manage and use the country’s mineral resources. The Planageo programme is being executed by three main contractors, and Xcalibur has been subcontracted by two of the main contractors: UTE IGME-LNEG-Impulso (a Spanish-Portuguese joint venture (JV) and Consorcio Costa Negocios-Topocart (a Brazilian JV) to perform airborne magnetics and radiometrics mapping of a target area of about 940 000 km2 in Angola. Xcalibur representative Simon Bosch tells Mining Weekly that the company is committed to completing its Planageo commitments in the next 18 months, using its proprietary Mag-Rad fixed wing high-performance solutions (XAGMAG systems) to perform the magnetics and radiometrics surveys. Xcalibur will place between four and five systems for the executing of the project. Bosch also notes that Xcalibur has attended the Indaba since 2008 and that it has established new business contacts at the event each year. This year’s Investing In African Mining Indaba will be held at the Cape Town International Convention Centre from February 9 to 12. *(Mining Weekly)*

Mining companies in Angola plan joint promotion abroad

Angolan mining sector companies plan together to take part this year in major international mining fairs, with the launch this month of the International Promotion Platform for the Angolan Mining Sector (Angola Mining PPI), the Angolan press reported. This opportunity, in the hands of national private company Bumbar Mining, involves setting up a pavilion to promote the brands in the Angolan mining sector at Indaba Mining (South Africa), PDAC (Canada), Mine Africa (Canada and the UK) and Africa Down Under (Australia). "This initiative stems from the need to promote the Angolan mining sector at an international level, with a strategy of cost sharing by multiple entities," said Sebastião Panzo, Director-General of bumbar Mining. The first fair, in which the company expects to install a 9 square-metre pavilion, is Mining Indaba, which is due to take place from 9 to 12 February, in Cape Town. The event brings together over 7,000 participants, representing over 110 countries, 45 African and non-African government delegations (industry regulators and ministers) and over 2,300 companies and institutions linked to the global mining sector value chain. *(Macauhub)*

Glencore May Slash South African Coal Production
Cuts at Optimum Coal Mines Unit Would Affect About 1,070 Workers

Commodities company Glencore PLC may shut some of its South African coal operations as commodity prices continue to slump in a weakening global economy. Glencore said in a statement that its Optimum Coal Mines unit could reduce production in South Africa by at least 5 million tons a year, about half of the unit's annual production. The closures would affect about 1,070 employees, Glencore said. The company said it informed South Africa's mineral resources department and relevant unions of the potential closures.

Glencore said it plans to keep its underground coal-mining operations open. The company said it would consider reopening certain operations if conditions improve. "Glencore continues to review all coal operations in the prevailing economic climate," the company, which has its headquarters in Switzerland, said in a statement.

Coal prices and other commodities, such as copper and iron ore, have taken a beating in the past year amid a fall in demand from fast-growing economies such as China. Anglo-American PLC said that it plans to write down the value of some of its biggest iron ore and coal mining assets when it reports results in February. Prices for iron ore, a key steelmaking ingredient, hit a 5 ½-year low this week.

While Glencore has largely sidestepped the slump in iron-ore, which isn't part of its commodities-production portfolio, the company has suffered from soft prices for coal and copper. Two weeks ago, Glencore's stock fell to its lowest level since its 2011 public offering after copper prices tumbled to a roughly 5 ½-year low.

Coal represents one of Glencore's most significant exposures to the ebbing global economy. Some investors see coal as an "old" energy source "whose ultimate demand trajectory must be negative combined with a Chinese resource base whose extent reduces some of the geological constraints that act to support commodity prices," Sanford C. Bernstein analyst Paul Gait wrote in a Jan. 14 report on Glencore. *(Wall Street Journal)*

Angola expects important discovery of diamond deposits

The president of Angola's national diamond company Endiama, Carlos Sumbula, said recently in Luanda that a new discovery of a large diamond deposit was expected soon, "in view of previous studies." Sumbula noted surveys in Angola for kimberlite and alluvial diamond deposits in were underway, together with other partners. "We can say that the evidence we are finding indicates we will eventually discover an important deposit," said the chairman of Endiama, on the company's 34th anniversary. After oil, diamonds are a main source of revenue for Angola, providing income of US$1.2 billion between January and November 2014. "The certainty of finding an important deposit is growing, when we look at the study that Endiama did with Alrosa which showed that the Angolan subsoil has important and well mineralised kimberlites," he said. In 2013 Endiama signed an agreement with Russian group Alrosa to prospect for diamonds in Angola, given that initial estimates suggest that only 10 % of Angola's reserves are known. Global diamond industry data shows Angola is the world's fifth largest diamond producer, but production is only 8.1 % of total world value. *(Macauhub)*

Beacon Hill Resources defaults on loans, puts Minas de Moatize, in Mozambique, up for sale

Beacon Hill Resources, a company based in London, will have to sell Minas de Moatize, its coal asset in Mozambique due to its inability to secure financing, and its consequent failure to service its debts, the company said in a statement.

In the statement, Beacon Hill regrets that it failed to find any viable source of funding and that the crisis facing the company has been "exacerbated by the adverse conditions of the world coal market, which has led to a drop in price." Despite the problems, the chairman of Beacon Hill, Justin Farr-Jones, said "the Moatize mine continues to be an excellent project, with significant milestones achieved since the company took control of the mine in May 2010 therefore the buyer must be found to allow the management of this asset, to resume long-term mining operations." Adding that there is no guarantee that the Minas de Moatize, Limitada will be sold, Vitol Coal SA, Beacon Hill's main creditor said in the same document that everything would be done to find a buyer for the British company's only asset. *(Macauhub)*

Angolan diamond cutting operations resume in February

Angola's diamond cutting factory, restructured after the failed partnership with a foreign investor is due to start operating again on 4 February in Luanda, the chairman of Angolan state diamond company Endiama, Carlos Sumbula said. The factory run by Sociedade de Comercialização de Diamantes de Angola (Sodiam), a subsidiary of Endiama and representing an investment of US$10 million, previously involved a partnership with foreign investors. "The cutting factory did not go well because the partner was not well chosen," the Minister of Geology and Mines of Angola, Francisco Queiroz admitted last June. This first diamond cutting unit in Angola was announced by the Angolan government in 2005 as a "historic turning point" in the country's diamond industry allowing for a substantial increase in state diamond revenues, the second largest source of national wealth, after oil. The creation of this factory involved, at the time, Sodiam, a state-owned enterprise established in December 1999 with exclusive rights to sell diamonds produced in the country, British company LLD Diamonds and an Angolan consortium, to make up the Angola Polishing Diamonds company. Speaking at the ceremony to mark 34 years of the concession, Sumbula announced that the company would speed up diamond prospecting in order to discover existing kimberlites in Angola. Sumbula also said studies done that showed 90 % of mineralised kimberlites are still in the Angolan subsoil and the diamonds mined over the last hundred years represent only a small part of what there is. *(Macauhub)*

OIL & GAS

OPEC oil output rises in January as key members stand firm -survey

* Supply rises by 130,000 bpd, led by Angola
* Saudi Arabia, Gulf members keep output steady to higher
* Iraq exports dip after December surge
* Output 370,000 bpd above OPEC's 30 million bpd target

OPEC's oil supply has risen this month due to more Angolan exports and steady to higher output in Saudi Arabia and other Gulf producers, a Reuters survey showed, a sign key members are standing firm in refusing to prop up prices.

The Organization of the Petroleum Exporting Countries at a November meeting decided to focus on market share rather than cutting output, despite concerns from members such as Iran and Venezuela about falling oil revenue.

Supply from OPEC has averaged 30.37 million barrels per day (bpd) in January, up from a revised 30.24 million bpd in December, according to the survey based on shipping data and information from sources at oil companies, OPEC and consultants. At the Nov. 27 meeting, OPEC retained its output target of 30 million bpd, sending oil prices to a four-year low close to $71 a barrel. Crude since fell to a near six-year low of $45.19 on Jan. 13 and was trading above $49 on Jan 30.

OPEC Secretary General Abdulla al-Badri, speaking in London , defended the no-cut strategy and said prices may have reached a floor, despite oversupply. Other OPEC delegates have since echoed this message. "Prices are stabilising," said a delegate from a Gulf producer. "But the world economy is not very strong and stocks are too high."

The largest boost this month has come from Angola, which pumped 1.80 million bpd and exported about 57 cargoes, up 160,000 bpd from December. Output would have been higher without some cargo delays, including of new crude Sangos. OPEC's other West African producer, Nigeria, also managed to boost exports, the survey showed, although the increase was restrained by outages of the Forcados and Nembe Creek pipelines. Smaller increases have come from Kuwait, Qatar and the United Arab Emirates.

Output in top OPEC exporter Saudi Arabia has been flat to slightly higher, sources said. Saudi Aramco Chief Executive Khalid al-Falih said production was currently at 9.8 million bpd, although it was unclear if that was the daily rate or the January average. "Steady is what I'm seeing," said an industry source who tracks Saudi supply. "Exports are a bit lower and this is most likely offset by slightly higher refinery runs." The largest reduction this month has come from Iraq, where southern oil exports slipped from December's record high and flows from northern Iraq also declined, according to loading data and an industry source. Exports are likely to hit new records in coming months, technical problems and weather delays permitting. A loading programme schedules record southern exports in February. OPEC's other country with a notable decline in output this month is Libya, where ports and oilfields have been shut due to fighting and supply fell further in January to 350,000 bpd. *(Reuters)*

Africa Nations Must Cut Fuel Subsidies on Oil Drop

African nations should cut fuel subsidies and oil exporters curb spending as a slump in crude prices takes its toll on government revenue, International Monetary Fund Manging Director Christine Lagarde said.

An almost 60 % drop in oil prices since June has forced policy makers in Nigeria, Africa's biggest crude producer, to devalue the currency, raise interest rates to a record and consider shaving the 2015 budget by 8 %. As President Goodluck Jonathan seeks re-election on Feb. 14, he's avoided further cutting fuel subsidies that cost as much as $7 billion a year, after an attempt to do so in 2012 sparked protests.

Subsidizing countries "should think about reducing and phasing out the oil subsidies, taking advantage of the oil price and using public finance more wisely than in undifferentiated energy subsidies," Lagarde said in an interview in the

Rwandan capital, Kigali. “For the exporting countries that are clearly taking a hit on both accounts of reduced trade revenues and reduced public revenues, they have to be very cautious with public spending, and reduce what can be reduced and use whatever is left over as buffers.”

The IMF lowered its 2015 economic-growth outlook for sub-Saharan Africa to 4.9 % from a previous estimate of 5.8 % in October, citing “shocks” to oil-producing economies from falling prices. The growth forecast for Nigeria, the continent’s largest economy, was lowered to 4.8 % from 7.3 %.

Economic Reassessment

Nigeria should re-examine its fiscal and monetary policies immediately after elections to see if further action is needed, after the government took steps to rein in spending and adjusted interest rates in November, said Lagarde.

The country hasn’t asked for financial assistance from the IMF, which would be willing to extend further technical support to the country if requested, she said. “Shortly after the elections the authorities will have to reassess the situation in view of the continued decline of oil prices to see if more needs to be done,” said Lagarde. “They may have to take more measures.” Negotiations with Ghana over a loan program are continuing in order to resolve “a few issues” before a proposal can be submitted to the IMF board for approval, said Lagarde.

The West African nation is seeking as much as $1 billion in aid from the lender to help ease a crisis sparked by a depreciation in the currency and soaring public debt. The government expects to enter the loan program by the end of February, according to Deputy Finance Minister Cassiel Ato Forson. In the Ebola-stricken nations of Liberia, Sierra Leone and Guinea, the IMF will probably propose additional support valued at $130 million, along with considering debt relief through, at least in part, “re-purposed funding,” she said. A precautionary credit line for Kenya, East Africa’s largest economy, will probably be concluded by next month, said Lagarde. The IMF said in November it had reached a preliminary agreement with Kenya for a $750-million standby loan to help protect the economy against possible market shocks. *(IMF)*

Sasol Delays Decision on $14 Billion U.S. Plant on Oil Drop

Sasol Ltd. delayed its decision on whether to build the U.S.’s first gas-to-liquids plant as the South African company announced plans to mitigate against lower oil prices.

The facility, to be located next to an $8 billion ethane cracker in Lake Charles, Louisiana, was estimated in 2013 to cost $14 billion. The cracker that converts ethane into ethylene used to make chemicals that go into antifreeze and water bottles, was approved in October and the final decision on the GTL plant was expected to follow within two years. “Albeit at a much slower pace, we will continue to progress the U.S. GTL facility,” Chief Executive Officer David Constable said in a statement. “North America and our home base in southern Africa remain strategic investment destinations for Sasol.”

Producers are revisiting expansion and investment strategies after oil fell more than 50 % over the last six months. Some programs haven’t survived the decline, with Qatar Petroleum and Royal Dutch Shell Plc last week saying they’ve ended plans for a $6.5 billion petrochemical plant in the Middle East nation. Sasol’s revenue is linked to the dollar price of oil. Shell abandoned plans in 2013 to build a $20 billion GTL plant in Louisiana, which would have had a capacity to produce 140,000 barrels a day of liquid fuels. The project was capital- intensive and high-risk, Deutsche Bank AG said in a note at the time.

Cash Savings

Sasol’s response to lower oil prices includes identifying opportunities for cash savings over the next 30 months “over and above the current target” of at least 4 billion rand in sustainable savings by 2016 that it announced last year as part of its business performance-enhancement program. “The decision to delay the final investment decision should be commended,” Abdul Davids, the head of research at

Kagiso Asset Management (Pty) Ltd. in Cape Town, said by e-mail. While the GTL plant would not be viable at current oil prices, “the ethane cracker would still be viable albeit with much lower returns,” he said. Costs to produce ethylene have reached their lowest level in the U.S. in 25 years due to expanding supply, according to data compiled by Bloomberg. Since 2012, U.S. ethylene costs have fallen more than natural-gas prices.

Feedstock Prices

West Texas Intermediate crude fell 60 % from its 2014 peak to $44.20 a barrel on Jan. 13 on the New York Mercantile Exchange and was at $45.48 by 11:21 a.m. in London. Prices of natural gas haven’t dropped as sharply as crude oil used in conventional refineries, declining 36 % in the period.

“The amount of new ethylene supply is expected to be much lower given announced cancellations of ethane projects by some of Sasol’s competitors and this bodes well for pricing in the future,” Davids said.

Sasol derives about 50 % of its revenue and 75 % of its operating profit in South Africa, according to data compiled by Bloomberg. The company started its first GTL plant outside South Africa in Qatar in 2007. With Nigerian National Petroleum Corp. and Chevron Corp. it has built a similar facility in Africa’s biggest economy and is constructing one in Uzbekistan with Uzbekneftegaz and Malaysia’s Petroliam Nasional Bhd. The company has also planned a study with Eni SpA for a GTL facility in Mozambique. *(Bloomberg)*

Anadarko Petroleum moves ahead with new oila nd gas prospecting activities in Mozambique

US group Anadarko Petroleum will start prospecting for oil and gas in the Kifaru.1 well, located in the Rovuma onshore concession in northern Mozambique, according to Wentworth Resources, one of the partner companies in the consortium.

The presence of sands from the Miocene period, as well as the Oligocene and Cretaceous, will be the focus of research in Kifaru-1 well, which will be about 4,050 metres deep, if prospecting continues for at least 70 days.

According to Wenthworth Resources, which owns an 11.59 % stake in onshore Rovuma concession, led by Anadarko (35.70 %), which is listed on the alternative investment market of the London Stock Exchange, as well as in Oslo, the search will look for evidence of the presence of hydrocarbons similar to those found in the r natural gas fields of Msimbati and Mnazi Bay in southern Tanzania.

In the latter, whose concession is led by France’s Maurel & Prom, which has a 27.71-% share in Anadarko’s concession, Wenthworth Resources has a 31.94 % stake. According to the company the first natural gas extraction activities, which will be processed in Dar es Salaam, after transport through a pipeline that was funded by the Export-Import Bank of China (China Exim Bank) and developed by China National Petroleum Corporation, are expected by April. The Kifaru-1 well, located in the north of the Mozambican province of Cabo Delgado, will be the fourth to be analysed by the consortium’s research teams.

According to Wenthworth Resources, all four previous prospecting areas found evidence of hydrocarbons, such as oil and gas in Mocímboa-1. However, their exploration by the consortium, which is also owned by Mozambican state oil ad gas company ENH with 15 %, and Thailand’s PTT Exploration in Production (PPTEP), with 10 %.

In addition to this concession, Anadarko Petroleum (26.5 %) leads the Area-1 consortium, off the coast of Cabo Delgado province, which includes ENH (15 %), India’s ONGC Videsh (20 %) and BRPL Ventures (10 %), Japan’s Mitsui & Co (20%) and Thailand’s PTT Exploration and Production (8.5 %), where reserves of 50 to 70 trillion cubic feet of natural gas have been found.

In its initial phase, the plans for this project will require the construction of two natural gas liquefaction units in the Afungi Peninsula, Palma district, involving a collaboration with neighbouring consortium led by Italy’s ENI, in Area-4, since the two grants share a natural gas reservoir: Mamba (Area-4) and Prosperidade (Area-1). The development of these two units may involve investments of about US$16 billion, and its commissioning scheduled for 2018, according to the most optimistic estimates of local authorities. *(Macauhub)*

Angolan government authorises Italian group ENI to continue exploration of oil block

The government of Angola has authorised Italian oil company ENI to extend prospecting for oil in Block 15/06 in the Angolan sea for another three years, the group said in a statement issued in Milan. According to the statement, the block is located in ultra deep water off the coast of Angola 350 kilometres northwest of Luanda and is still under evaluation. Its original license expired last November. The group said it had asked the government for an “extension” of that period, to complete ongoing exploration operations, and the extension will allow it to extend drilling activities in three wells and conduct seismic surveys in an an area of of 1,000 square kilometres. “If the exploration proves successful, any discovery could be made use of quickly, using existing production infrastructure,” said the Italian group. This term extension, the oil company said, includes a block adjacent to area 15/06 covering the “Reco-Reco” reserve estimated at one billion barrels of oil. In block 15/06, over the past 8 years ENI has drilled 24 wells for oil exploration, which resulted in the discovery of more than 3 billion barrels of oil. *(Macauhub)*

Angola and DRC prepare joint oil exploration

Angolan state oil company Sonangol has established a preliminary trade agreement with its counterpart in the Democratic Republic of Congo (DRC) for joint oil production in the Common Interest Zone, the company said in a statement. The statement said the agreement with Congolaise des Hydrocarbures (Cohydro) was signed by directors of the two companies and “defines the terms of exploration activities and general principles that will govern the future production sharing contract.” The two countries have common interests, including in offshore production between northern Angola and the Angolan enclave of Cabinda, where much of Angola’s production is focused. Sonangol added that this understanding with Cohydro is a “significant development” of the contacts that were being made bilaterally under the Cooperation Protocol signed by Angola and DRC signed on 30 June, 2007, for the joint exploration of hydrocarbons in the Common Interest Zone, an area located in the corridor between the two countries. *(Macauhub)*

Spain Oils Angola’s wheels

Spanish bank Banco Bilbao Vizcaya Argentaria (BBVA) has handed Angola, an economy driven largely by oil, a $500m grant to sustain the country's economy in light of falling oil prices. The funding is earmarked for projects included in the Public Investment Programme. *(African Banker)*

TELECOM

WorldRemit builds bridges to Africa with MTN partnership

WorldRemit, a London-based tech start-up, has signed a deal with MTN, a move that will enable its customers to transfer money to the South Africa-based telecoms company's mobile payment customers. The partnership will add MTN's 22m mobile money customers in 16 countries across the continent to the group which is targeting the multibillion-dollar market in migrant remittances. The African remittance market is among the most expensive in the world, with average transfer rates of 12 % and excess fees costing the continent $1.8bn a year, according to the Overseas Development Institute, a UK think-tank. WorldRemit, by comparison, takes about 5 % slice of transactions. WorldRemit is one of several tech groups using smartphones and cloud-based technologies to make it cheaper and easier to send money, instead of relying on banks or third parties such as newsagents and corner shops.

The tie-up will help WorldRemit reach "millions of people who don't have bank accounts, giving them access to a variety of life-enhancing financial services including savings and insurance schemes", says Ismail Ahmed, WorldRemit's founder and chief executive. About $500bn in migrant remittances are sent around the world each year, according to the World Bank — three times the global aid budget.

Until recently, the sector has tended to serve the needs of wealthier western consumers. But a group of "financial technology" start-ups has spotted an opportunity of getting people into the financial system via applications such as money transfer, mobile wallets, new kinds of credit scoring and pre-paid debit cards. WorldRemit lets people send from more than 50 countries and receive in more than 110, in the form of bank deposits, money in mobile wallets, phone credit or cash. It facilitates about 200,000 transactions a month, and is expanding throughout the US, along with London-based rivals Azimo and TransferWise. Last year the company raised $40m in from venture capitalists including Accel Partners.

Partly thanks to a lack of traditional financial infrastructure, Africa is also pioneering the use of mobile money, such as with the rise of the MPesa scheme in Kenya. More than 50 % of all WorldRemit transfers to Africa are received as mobile money or phone credit, the company said. Globally in 2013, there were around 60m mobile money users worldwide, according to data from GSMA, a global telecommunications industry body. "The winner will be whoever delivers the sender's money cheapest, with an acceptable level of reliability," says Paul Makin, a mobile money specialist at Consult Hyperion, a UK-based consultancy.

The fact WorldRemit does not run a network of corner shops could help it lower prices but also be a weakness, Mr Makin adds. "Having a high street presence ensures brand recognition and confidence, and being internet-only can make a business aimed primarily at the diaspora — a proportion of whom suffer from limited literacy, at least in English, and limited internet access — more difficult to build," he says. "Accepting cards over the internet, with instant payout to the recipient, is a notoriously risky business, and will only succeed with strong fraud detection and prevention measures," he adds. Mr Makin says that while there are a large number of transfer operators that service specific routes — such as UK to Nigeria — and tend to be cheapest for moving money between those two countries, the lack of choice for destinations means "they will never be hugely successful", creating space for more general providers such as WorldRemit. *(Financial Times)*

Mobile growth should add $500bn a year

Sub-Saharan Africa will, over the next 11 seven years, experience the fastest growth in mobile usage globally, according to Frost & Sullivan's report Sub-Saharan African Mobile End-user Trends.

Mobile penetration is expected to increase from 52% in 2012 to 79% in 2020, presenting significant opportunities for telecoms companies, and devices and application providers.

The introduction of affordable smartphones, designed for the African market, has improved the scenario. Mobile broadband connections are now anticipated to quadruple from 2012 to reach 160m in 2016. This uptrend reflects the gradual change in consumer habits as they gain their first internet experience through a mobile device.

Today's record 1.8bn young people present an enormous opportunity to transform the future. But they can do so only if they have the education and skills they need, health and real choices in life. The demographic transition under way is resulting in a very large working-age population, which can be a powerful force for economic growth.

In East Asia, harnessing the demographic dividend transformed the economy and contributed to a 6% annual average growth in per-capita income between 1965 and 1995.

If sub-Saharan Africa drew on East Asia's experience, adapted it to the local context and made comparable investments in young people, the region could experience an economic miracle of its own, adding as much as $500bn to its economies every year for as many as 30 years. *(African Business)*

RETAIL

Kenyan retailer Uchumi plans 12 new stores in East Africa region this year

Kenya's Uchumi Supermarkets plans to open a dozen new branches across east Africa this year to capture the growing number of middle class spenders in the region, its chief executive officer said. Consumer demand is a motor of Africa's economic and investment surge, and analysts see middle class buyers with swelling disposable income as fuelling this boom across the fast-growing region. The retailer, which currently operates 37 stores in Kenya, Uganda and Tanzania, raised 895 million shillings ($9.77 million) through a cash call last month to boost its working capital and to support expansion. Uchumi will open five new branches in Kenya, one in Uganda and six in Tanzania by December, CEO Jonathan Ciano said, adding that the penetration of retail in the region was still very low. "Retail is a very underdeveloped sector in the east African region," he said. *(Reuters)*

AramShop Eyes Kenya With New Expansion Plan

New Delhi, India-based online retailer, AaramShop, is set to expand its business to Kenya by partnering with local players. These players will own the right to use the successful business model of the Indian start-up, which is to promote services of small consumer goods companies by allowing them sell products through its site.

“We would test the limits of our technology in new markets such as Nairobi in East Africa, Vietnam and Indonesia in South-East Asia and even the UAE through the franchise model,” Hindu Businessline quoted Vijay Singh, founder and chief executive of AramShop, to have said. Singh explained that there would be no equity participation and it would be an asset-light model run through franchises. A shopping list for goods is created by customers via AaramShop’s website, the company then directs these orders to local shops using e-mails or SMS, and have these orders delivered at the homes and offices of the customers. The Indian online retailer basically generates money by building analytics-based marketing. This they do by charging consumer goods companies for analytics generated from AramShop.com, and through advertising. AaramShop is number one on the 2011 Red Herring global top 100 start-ups, having been earlier awarded the same distinction for Asia. *(Ventures Africa)*

AGRIBUSINESS

AfDB committed to Africa’s transformation through improved agriculture

The African Development Bank (AfDB) expressed on Tuesday, January 27 its support to the African Union (AU) in implementing Africa’s commitments for an accelerated agricultural growth and transformation. Speaking at a high-level event during the 24th AU Summit in Addis Ababa, AfDB Vice-President Aly Abou-Sabaa said the AfDB would bring, with other partners, an innovative financial support to the implementation of the AU Strategy and Roadmap for the realisation of 2014 Malabo commitments on agriculture and food security. Agriculture, he said, has been and continues to be important for the AfDB. It plays a key role in AfDB’s Strategy 2013-2022 in fostering an inclusive growth. “However, while agriculture will contribute a significant share of the 8% growth Africa needs for its transformation, we have to do business differently – we need to focus on those areas and activities that can lead to the transformation of our economies,” he said.

The AfDB, he said, is committed to supporting initiatives aimed at promoting integrated agricultural value chains, improving market linkages and agri-business, supporting youth entrepreneurship in agriculture, encouraging a paradigm shift towards engaging in agriculture as a business. In his statement, Abou-Sabaa put a special emphasis on gender. “Africa's women farmers must be empowered and given access to productive assets including land and finance,” he urged.

The AfDB is also focusing on youth employment in agriculture. Of Africa’s unemployed, 60% are young people, only 2% of Africa's graduates are employed in agriculture, 40% of Africa’s population already lives in cities, and by 2100, almost 50% of the world’s youth will be African. Working with partners, the AfDB will invest in a flagship programme that supports graduate youth engagement in agriculture and agro-business. The program aims to empower over 800,000 youths in 20 African countries through training in proven agricultural technologies, among other things.

The AfDB will invest heavily in irrigation: 40 million hectares of agricultural land in Africa is physically suitable for irrigation, yet the percentage of irrigated arable land is 7% (barely 3.7% in Sub-Saharan Africa). An annual increase in irrigation investment of 3.6% would triple the irrigated area to 22 million hectares by 2050.

In addition, the AfDB will support regional integration that facilitates trade in agricultural produce on the continent. In an increasingly globalized environment, Africa’s participation in the global agricultural market remains limited, at only 2%. Vice-President Abou-Sabaa called on all development partners to strengthen cooperation for enhanced synergies.

“We must acknowledge that no one institution can meet the expanding investment needs for agricultural development on the continent. We will continue to reach out to both traditional and new partners and sources of finance for innovative solutions,” he said. *(AFDB)*

Uganda's Tea Production Seen Climbing to Record This Year

Tea production in Uganda may climb to a record on rising yields, according to the country's tea association. Output may reach 62 million kilograms (62,000 metric tons), bettering the previous high of approximately 61 million kilograms in 2013, George William Ssekitoleko, executive secretary of the Kampala-based association, said by phone. Last year's output may match 2013's, as a forecast for almost 57 million kilograms issued Jan. 19 is "partial," he said. "Yields will be boosted because we have had new plantings over the years," he said. The East African country has more than 31,000 hectares (76,600 acres) under the crop, Ssekitoleko said. Uganda, Africa's third-biggest grower after Kenya and Malawi, exports at least 95 % of its output, according to the association. *(Bloomberg)*

Mozambican company receives funding for fish farming

Chicoa, a Mozambican company that farms tilapia fish, has secured funding of US$4 million from Aqua-Spark, an investment company based in Utrecht, the Netherlands, the company said. Another project that will receive the remainder of the US$4 million is US company Calista, which is seeking to develop an alternative to conventional fish.

Chicoa, in turn, was selected to receive funding from Aqua-Spark "for their good practices and available potential for future expansion in sub-Saharan Africa." "Africa faces an annual deficit of protein of 1.6 million tons and we intend to help address this problem by supporting tilapia production units in captivity in various regions," said Mile Velings, founder and managing director of Aqua-Spark. Aqua-Spark, established in 2013, is the first global investment fund exclusively dedicated to the promotion of aquaculture. *(Macauhub)*

Canadian firm to open stevia plant in Rwanda

A Canadian-based Company, Stevia Life, is set to establish a Stevia processing plant in Rwanda. Stevia is a sweetener that comes from a plant and has no calories. Plans are in advanced stages, according to Bruce Irambona, the General Manager of Stevia Life Rwanda. Irambona said the proposed site for the plant will be either Rulindo District or Kigali Special Economic Zone. The plant is expected to produce 500 tonnes of stevia per year. Irambona said a kilogramme will cost $150. "Stevia is up to 300 times sweeter than sugar. A kilogramme can be used for up to two years by a family," he said, adding that the stevia does not have any side effects. Stevia is a green, leafy plant originating from South America, mainly Paraguay, used as a natural sweetener in drinks and meals. By November 2011, Rwanda's stevia production per hectare was 1.3 tonnes and now it has reached 2 tonnes per hectare every three months under the pilot projects in Ngoma Sector, Rulindo District, Northern Province. The pilot project now covers 42 hectares and employs 250 people. In 2014, 100 tonnes of Stevia were exported to China.

The price of dry stevia leaves in Rwanda is $1.5 to $2.6 per kilogramme, depending on the quality and quantity.

Jean Marie Vianney Munyaneza, Agriculture Diversification and Product Development Division Manager at the National Agriculture Export Board (Naeb), said for the stevia processing plant to be set up in Rwanda, there was need to increase the acreage to at least 1,000 hectares. "We want to increase stevia growing by 250 hectares every three months to reach the required 1,000 hectares for the plant to start operations," he said. SteviaLife has committed to provide all required inputs, including seedlings, fertilisers and nursery breeding, and Naeb will facilitate implementation.

According to Naeb and SteveLife figures, a stevia farmer can harvest about six tonnes per hectare per year. Stevia plant grows better in areas with reliable rainfall of 1,800 mm per year and alternate sunny and rainy seasons as well as at an altitude of 1,650 and above. Irambona said trials from 2013 showed that the quality of Rwanda grown stevia was high as it has 14 % of rebaudioside A at the very start while some countries have 12 %, the minimum percentage. The countries of origin of the plant, like Paraguay, can contain up to 17-18 %.

Authoritynutrition.com, a site that helps people make informed decisions about their health, states that Stevia reduces elevated blood pressure, a major risk factor for many serious diseases like heart disease, stroke and kidney failure. Stevia has blood sugar lowering effects which reduce risks of diabetes. As people become more conscious about the use of ordinary sugar, the use of stevia is gaining momentum. Irambona said more people will embrace Stevia within three years. *(Times of Africa)*

South Africa Plants Record Soybean Area as Oilseed Demand Surges

South African farmers are planting the biggest soybean area on record, using the oilseed as a substitute for corn, the nation's biggest grain crop, as demand for soy products rises.

The area growers will sow with soybeans surged 23 % to 620,300 hectares (1.53 million acres) for the season, while that for corn will decline 1.2 %, the Pretoria-based Crop Estimates Committee said last week. That's the largest area for the oilseed on record, the CEC's Marda Scheepers said.

Soybeans are consumed by humans and livestock and crushed to make oil, with the residue used to produce soymeal, a flour that's used as a filler in animal feed and is also known as oil cake. Local soymeal prices rose to a record in June, and white corn fell to a three-year low a month later. South Africa is the continent's largest corn producer, with the white variety used to make a staple porridge known as pap.

"There is a huge demand for soybean, but we don't produce enough to supply the demand," Wessel Lemmer, the senior economist at Grain South Africa, the biggest representative of commercial growers, said in an e-mailed response to questions on Jan. 30. "We need the cultivars to up production."

South Africa's soybean-marketing season runs from March through the end of February. The nation used 823,413 tons of soybeans in the 10 months through December, exceeding the total for the entire previous season by 8 %, according to data from the nation's Grain Information Service.

Processing Capacity

"Soybean-processing capacity in South Africa has aggressively expanded in the last few years," Brink van Wyk, a Pretoria-based trader with BVG (Pty) Ltd., said in an e-mailed response to questions on Jan. 28. "Per hectare, soybeans would give some farmers a bigger profit than maize," he said, using the local term for corn.

Industrial Development Corp., South Africa's state-owned financier, has approved funding to help processors increase local crushing capacity, and supported the construction of the RussellStone Protein facility in Bronkhorstspruit, about 95 kilometers (60 miles) northeast of Johannesburg, which will process 240,000 tons annually, IDC said in its 2012 annual report.

Of the 823,413 tons of soybeans used in the 10 months through December, 84 % was processed into oil and oil cake, Grain Information Service data shows.

Local crushing capacity has expanded "to the point that we can be totally independent of soybean oil-cake imports if our local plants crush to their full capacity," Lemmer said.

Net Importer

South Africa was a net importer of soymeal in 2013-14, according to U.S. Department of Agriculture data. It will probably become a net exporter in this season, the data shows.

The country produced 944,340 tons of soybeans in the season ended February 2014, the most on record. Production will probably rise to 1 million tons this season, according to Lemmer.

Local soybean prices declined 13 % in 2014, while soymeal declined 8.4 %. That compares with a 24 % drop in white corn, and a 20 % drop in the yellow variety that's mainly fed to livestock.

Soy meal was unchanged at 4,338 rand a metric ton on the South African Futures Exchange in Johannesburg by 10:26 a.m. on Monday, having last traded on Jan. 30. *(Bloomberg)*

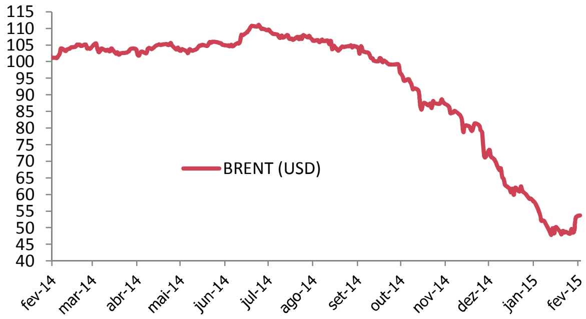
MARKET INDICATORS
02-02-2015

STOCK EXCHANGES		
Index Name (Country)	**02-02-2015**	**YTD % Change**
Botswana Gaborone Domestic Index (Botswana)	9.463,73	26,01%
Bourse Régionale des Valeurs Mobilières (Ivory Coast)	251,75	51,13%
Case 30 Index (Egypt)	9.830,46	79,97%
FTSE NSE Kenya 15 Index (Kenya)	221,11	75,83%
Morocco Casablanca Stock Exchange CFG 25 (Morocco)	21.612,69	12,90%
Nigerian Stock Exchange All Share Index (Nigeria)	29.882,28	6,42%
FTSE/JSE Africa All Shares Index (South Africa)	51.272,71	30,63%
Tunindex (Tunisia)	5.271,81	15,11%

Source: Bloomberg and Eaglestone Securities

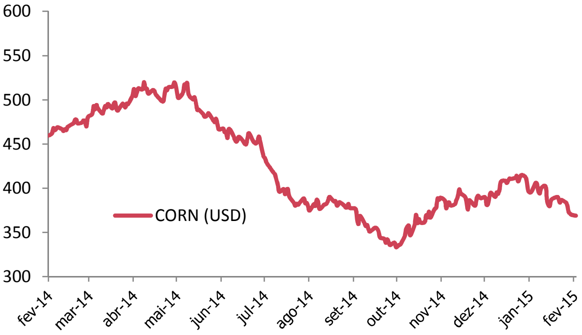
METALS		
	Spot	**YTD % Change**
Gold	1.272	-24,10%
Silver	17	-43,21%
Platinum	1.229	-20,20%
Copper $/mt	5.495	-30,71%

Source: Bloomberg and Eaglestone Securities



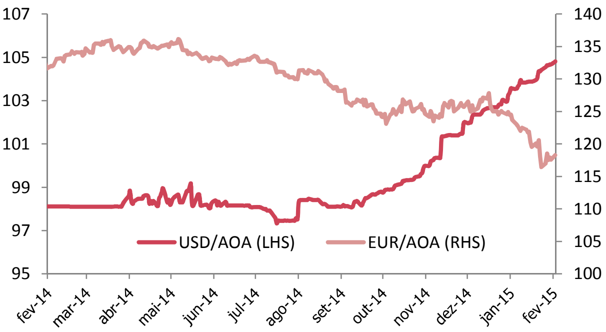
ENERGY		
	Spot	**YTD % Change**
NYMEX WTI Crude (USD/barril)	49,0	-47,43%
ICE Brent (USD/barril)	53,7	-50,50%
ICE Gasoil (USD/cents per tonne)	513,3	-43,95%

Source: Bloomberg and Eaglestone Securities



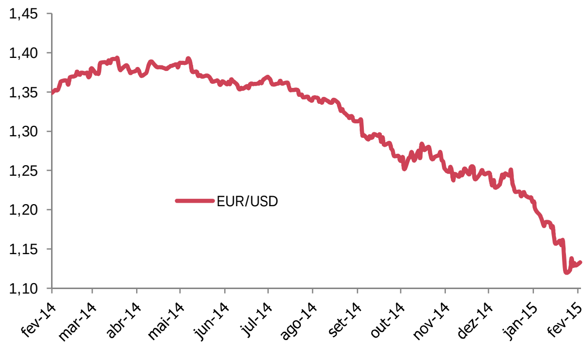
AGRICULTURE		
	Spot	**YTD % Change**
Corn cents/bu.	369,0	-47,30%
Wheat cents/bu.	498,8	-36,69%
Coffee (KC) c/lb	160,6	9,48%
Sugar#11 c/lb	14,6	-26,04%
Cocoa $/mt	2678,0	18,81%
Cotton cents/lb	59,1	-22,04%
Soybeans c/bsh	959,5	-31,43%

Source: Bloomberg and Eaglestone Securities



CURRENCIES	
	Spot
KWANZAS	
USD	104,310
EUR	118,246
GBP	157,015
ZAR	9,027
BRL	38,566
NEW MOZAMBIQUE METICAL	
USD	33,402
EUR	37,855
GBP	50,258
ZAR	2,891
SOUTH AFRICAN RAND SPOT	
USD	11,559
EUR	13,099
GBP	17,401
BRL	4,276
EUROZONE	
USD	1,13
GBP	0,75
CHF	1,05
JPY	133,18
GBP / USD	1,51

Source: Bloomberg and Eaglestone Securities



UPCOMING EVENTS

INVESTING IN AFRICAN MINING INDABA 9-12 February 2015- Cape Town, South Africa
Investing in African Mining Indaba™ is an annual professional conference dedicated to the capitalisation and development of mining interests in Africa. It is currently is the world's largest mining investment event and Africa's largest mining event.
http://www.miningindaba.com/ehome/index.php?eventid=84507&

FT African Infrastructure Financing and Development: Investing in sustainable African growth 10 March 2015, One Great George Street, London
www.ft-live.com/africaninfrastructure

5th Africa Debt Capital Markets (ADCM) Summit 16th April, Washington DC, USA
Held during the World Bank & IMF meetings, the S"' ADCM Summit will apprise on Africas capital markets, showcase investment opportunities, and convey its position within the global context of financial markets

AFRICAN BANKER AWARDS 2015 – 21st May 2015
http://www.ic-events.net/awards/african_banker_awards_2014/index.php

World Economic Forum on Africa 2015, Cape Town, South Africa 3-5 June 2015
Then and Now: Reimagining Africa's Future
In 2015, the World Economic Forum on Africa will mark 25 years of change in Africa. Over the past decade and a half, Africa has demonstrated a remarkable economic turnaround, growing two to three percentage points faster than global GDP. Regional growth is projected to remain stable above 5% in 2015, buoyed by rising foreign direct investment flows, particularly into the natural resources sector; increased public investment in infrastructure; and higher agricultural production. *http://www.weforum.org/events/world-economic-forum-africa-2015*

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

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

EAGLESTONE

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Disclosures

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

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

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

Eaglestone operates with a clear vision and mission to act on behalf of and in the best interests of all its stakeholders, whether they are investors, employees or users of its services.

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