INSIDE AFRICA

Now is the time to invest in Africa

03 February 2014

EAGLESTONE
SECURITIES

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In-depth:

Sub-Saharan Africa economy: Solid stockmarket performance

African stockmarkets had a generally good year in 2013 as reasonably solid economic growth and currency fluctuations helped to bolster performance. The current year may be more challenging, however, amid concerns about monetary policy in the US and in other countries.

Of the 18 stockmarkets analysed, only four ended the year down in US dollar terms-even strife-torn Egypt managed a 14% gain. The biggest gainer was the Malawi Stock Exchange, with a total market capitalisation of US$1.2bn. The bourse rose by a massive 64%, driven by two South African firms-Illovo Sugar (up by 88%) and Standard Bank (up by 214%). The region's second-largest market, the Nigerian Stock Exchange, rose by 37.6% in 2013 to reach a total market capitalisation of US$75bn, and the Ghana Stock Exchange surged by 44%, taking market capitalisation to US$6.2bn. Other markets that posted gains of more than one third were the regional Bourse régionale des valeurs mobilières (BRVM) in Côte d'Ivoire (up by 40%), Rwanda Stock Exchange, another tiny market (up by 37%), the Nairobi Securities Exchange (up by 34.5%), the Uganda Securities Exchange (up by 33%) and the Zimbabwe Stock Exchange (up by 32.6%). In contrast, the biggest losers were the tiny Swaziland Stock Exchange (down by 18%), the Bourse de Tunis (down by 11%) and the Johannesburg Stock Exchange (down by 7.5%). The Namibian Stock Exchange was a fractional 1% lower than at the end of 2012.

Currency depreciation played a role

Strong stock exchange performances tended to mirror above-average growth in national economies. There were exceptions, however, including Mauritius-where a 21% market gain was achieved despite sluggish GDP growth of 3.1% and a current-account deficit of 9.3% of GDP-and Zimbabwe, where GDP growth was affected by political and policy uncertainty surrounding the July 2013 elections.

The 64% surge on the Malawi Stock Exchange was accompanied by a GDP growth rebound to 4.1% from 1.9% in 2012, but Egypt's solid stockmarket performance took place despite a third year of sluggish growth averaging around 2% a year.

Currency fluctuations had a part to play. In 13 of the 18 countries with stockmarkets, the national currency fell against the US dollar. Only in Côte d'Ivoire, Mauritius, Morocco and Uganda did national currencies appreciate against the dollar, while in dollarised Zimbabwe local and dollar price movements were identical.

After Malawi, where the kwacha depreciated by more than 26% against the dollar, the South African rand was the region's weakest currency, down by 24% . This meant that although rand-denominated share prices rose by 13% in dollar terms they were down by 7.4% in local-currency terms. It was the same story in most African markets, where local-currency share price rises were trimmed by a depreciating currency.

Emerging-market flows may falter

South Africa's weak performance was a combination of a sluggish economy-GDP is estimated to have grown a mere 2%-and a weak rand. Going forward it is difficult to foresee much of an improvement in 2014. Real GDP growth is forecast to remain sluggish, accelerating slightly to 3.3%, but with inflation remaining stubbornly over 5% and the current-account deficit projected at more than 6% of GDP, the rand seems set to weaken further, especially if commodity prices, especially for gold and platinum, remain in the doldrums. In Africa's other leading markets, real GDP growth in 2014 is set to accelerate to 6.7% in Nigeria, 5.6% in Kenya and 3.7% in Mauritius.

Faster growth should therefore underpin stockmarket performance in 2014 but that will still leave two major imponderables. A strengthening US dollar could pare back dollar market gains, but more importantly the flow of cheap money to African markets is likely to slacken as the world's major central banks start to tighten monetary policy. Accordingly whether markets continue their bull run will depend on the relative strengths of domestic growth and reduced foreign buying. *(Economist Intelligence Unit)*

Regulation poses a challenge for Africa's banking sector

While many of the continent's banks are working towards meeting new universal regulations some are already using alternative risk transfer mechanisms to enhance their ability to comply by Dr Elizabeth Stephens, Head of Credit and Political Risk Advisory, JLT Specialty

Local and international regulatory activities in Africa have increased strongly of late, mainly in response to events triggered by the 2008 financial crisis.

To take one example, the Governor of the Central Bank of Nigeria (CBN) spent nearly US$3 billion between 2008 – 2009, bailing out and recapitalising a number of banks.

Banking sector reform, aimed at improving the stability of banks in Nigeria, led to significant sector consolidation and the reduction in the number of banks from 90 to 25.

Since 2010, the banking sectors in the majority of African nations have been subject to global regulatory frameworks such as Basel I, although these frameworks are in different stages of implementation.

For instance, while the South African banking sector is well on its way to meeting the new Basel III guidelines, banks in Kenya and Nigeria are instead focusing on the Basel II initiatives and Angola is using Basel I.

Universal standards

Universal regulatory standards will be an ongoing priority as banks work toward meeting the regulatory challenges.

Many African banks are reviewing and in some cases already using, alternative risk transfer mechanisms to enhance their ability to comply with regulatory requirements, whilst remaining competitive in a challenging marketplace.

New opportunities have been created for banks located in Sub-Saharan Africa as European banks retreat from funding projects on the continent in the wake of the financial crisis and more stringent global capital rules.

If African banks adopt the strategy of their European counterparts we may see a greater utilisation of the insurance market as a capital management tool that helps to facilitate deal flow.

Such a move would constitute an evolution of an existing relationship between banks and the insurance market.

Utilised market

Most international banks have utilised the Credit and Political Risk Insurance (PRI) market in some shape or form in recent years.

The cross-over between insurers and banks developed as far back as 1990, when Lloyd’s of London agreed to allow banks to be named as Insureds on credit and PRI policies.

The benefits derived by banks from the utilisation of credit and PRI insurance has evolved over time. Banks first used insurance as a credit and country risk mitigant, then the product value evolved into a risk distribution tool and then later, under the implementation of Basel II, the product became a capital management tool.

Whilst Basel II only lists guarantees and credit derivatives as types of unfunded credit risk mitigation techniques, the Basel Committee has stated that credit insurance could be used to mitigate credit risks, provided it fulfils the requirements applicable to guarantees.

As an overarching statement on what is expected from a guarantee to qualify as Credit Risk Mitigation under Basel II/III, the Basel Committee has stated the following:

“Where guarantees or credit derivatives are direct, explicit, irrevocable and unconditional, and supervisors are satisfied that banks fulfil certain minimum operational conditions relating to risk management processes they may allow banks to take account of such credit protection in calculating capital requirements.”

Facing choices

As such, African banks are increasingly facing the choice between significantly reducing their trade finance business or using structured trade credit insurance to remain active in trade-related financing but with reduced levels of exposure.

This is a particularly valuable tool in Nigeria where regulation places restrictions on exposure on a per sector basis; an investment constraint in a territory dominated by the oil sector.

The utilisation of the insurance sector can provide valuable capital relief as comprehensive credit insurance policies will cover up to 90 percent of the payment obligations due from the counterparty to the bank.

Banks are therefore able to obtain capital relief for 90% of the loan by using credit insurance, with the 10 percent uninsured percentage being treated as an unsecured amount.

The insurance market continues to evolve to support banks in their trading activities and is an invaluable alternative risk transfer mechanism for those seeking to secure business opportunities. *(African Business Review Za)*

African Investors Join Scramble for Africa

Private-equity Firms Seek Energy, Manufacturing Services Assets Across Continent

DAVOS, Switzerland—Africans are joining the scramble for Africa. Private-equity firms run by African investors are eyeing assets in energy, manufacturing and services across the continent, according to executives running big funds in Africa. Largely undeterred by pockets of instability and perceptions of corruption, African investors have the risk appetite and local knowledge that might offer an edge in scooping up deals, or make them valued partners in the latest frontier for private equity, these people say. "No one can develop Africa better than Africans and I believe foreign investors would be happier to have local investors there too," Tony Elumelu, chairman of Lagos-based private-equity fund Heirs Holdings, said last week in an interview on the sidelines of the World Economic Forum in Davos. He's set to sign a $1-billion deal with General Electric Co. , the U.S. industrial conglomerate to expand the capacity of a plant in power-hungry Nigeria.

Ashish J. Thakkar, founder of the Mara Group, a holdings company with assets in 19 sub-Saharan countries, says the global financial crisis opened the door for African investors on the continent. That is because, at the time, many foreign investors were rushing for the exits. "This led to a huge shift in government attitudes toward local investors," said Mr. Thakkar. "They know we're from this place, we're not going anywhere."

Mr. Thakkar is from Uganda and Mara Group is based in Dubai. It invests in greenfield, or new, projects and normally teams up on a 50-50 basis with foreign firms. He has also joined forces with Robert Diamond, former chief executive of Barclays PLC, to form Atlas Mara, a vehicle that is expected to go into financial-sector acquisitions in Africa starting this year. Still, the biggest deals in Africa last year were sealed by Chinese and Indian investors in the energy sector, including China National Petroleum Corporation's acquisition of 29% in Eni East Africa Spa for $4.2 billion, topping the chart for the first half of 2013.

The mobilizing of capital among African-led funds coincides with faster economic growth and improving business conditions on the continent. The International Monetary Fund predicts sub-Saharan Africa's economic growth will reach 6.1% in 2014, while many local governments are trying to court investors by cutting away red tape.

Rwanda is seen as particularly pro-business. The country has in recent years climbed up on a number of business-environment rankings, finding itself 32nd out of 189 in the latest World Bank ease-of-doing business table. In an interview, Rwandan President Paul Kagame said plans to fully integrate the East African Community with a common currency over the next three to five years—and a political federation further down the line—should make the region even more attractive. The EAC is made up of Rwanda, Uganda, Kenya, Burundi and Tanzania.

Meanwhile, Nigerian agriculture minister, Akinwumi Adesina, is upbeat about Nigeria's farming future, calling it "the next oil sector" in an interview at the World Economic Forum. In 2013, the agricultural sector absorbed $5 billion in new investments, much of which came from local mogul Aliko Dangote, the richest man in Africa. Foreign funds with a big Africa presence do see a boost in local investors' activity.

"Increasingly, we see it's regional players pursuing prominent deals," Mustafa Abdel-Wadood, partner at Dubai-based private-equity fund Abraaj Group which manages $7.5 billion for clients, $2 billion of which in Africa, said in an interview.

However, he added, locals have a way to go before they can compete on a broad scale with multinational funds. "Regional players tend to be purely regional and may not have the resources that we do." (Wall Street Journal)

Africa's private sector to benefit from Japan's investment

Japan's Prime Minister Shinzo Abe pledged hundreds of millions of dollars in aid and continuing political and economic cooperation, saying Japan should increase its business links with the fast-growing economies in Africa.

Speaking in Addis Ababa, he said strengthening business ties with Africa and promoting the private sector is a priority for his government, and pledged to boost Japanese investment.

"Africa has now become the continent that carries the hopes of the world through the latent potential of its resources and its dynamic economic growth," he said, adding that Japan would offer a total of $2bn in low-interest loans to the private sector, doubling a 2012 pledge, to fund infrastructure projects and other development-related initiatives.

Key to this growth was the central role of youth and women on the continent. Africa is home to several of the world's fastest growing economies, but it also has large numbers of unemployed young people, who represent both an opportunity and a potential burden. "We will centre the axis of Japan's diplomacy towards Africa on two groups: young people, who will without a doubt shoulder the responsibility for the future Africa, and women, who will give life to Africa's future generations," he said. For Africa's women, Prime Minister Abe said that he wanted to provide educational and training opportunities, and to increase school admission rates for girls.

There will be increased support for peacekeeping and conflict resolution. "In order to respond to conflicts and disasters in Africa, Japan is now preparing to implement assistance of approximately $320m." As part of that deal, Abe pledged $25m to address the crisis in South Sudan and $3m to the crisis in the Central African Republic. "I myself would like to visit Africa multiple times as necessary, in order to support vigorously these efforts to bring about a brilliant future for Africa," he said. He also asked African leaders to help bring about Japanese investors to their countries, as it can "lead to the establishment of a win-win relationship" in terms of both vocational training and bringing about employment to the people. Top Japanese trading houses are pouring billions of dollars into projects including Mitsui's project in Mozambique to produce liquefied natural gas. Sumitomo and Mitsubishi are also targeting the region. Abe is set to announce more than $570 in loans to Mozambique to help finance a transport network to transport coal. Last year Tokyo promised more than s3obn in aid to African countries over the next five years.*(African Business)*

SOVEREIGN RATING

	Eurozone					
	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
03-02-2013	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	Caa3	B-	B-	NP	B	B
Estonia	A1	AA-	A+	NR	A-1+	F1
Finland	Aaa	AAA	AAA	NR	A-1+	F1+
France	Aa1	AAu	AA+	NR	A-1+u	F1+
Germany	Aaa	AAAu	AAA	NR	A-1+u	F1+
Greece	Caa3	B-	B-	NP	B	B
Ireland	Baa3	BBB+	BBB+	P-3	A-2	F2
Italy	Baa2	BBB u	BBB+	NP	A-2	F2
Latvia	Baa2	BBB+	BBB+	NR	A-2	F2
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	Ba3	BB	BB+	NR	B	B
Slovakia	A2	A	A+	NR	A-1	F1
Slovenia	Ba1	A-	BBB+	NR	A-2	F2
Spain	Baa3	BBB-	BBB	P-3	A-3	F2

Sources: Bloomberg, Eaglestone Advisory

	North and South America - Asia					
	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
03-02-2013	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
USA	Aaa	AA+u	AAA -	NR	A-1+u	F1+
CANADA	Aaa	AAA	AAA	NR	A-1+	F1+
MEXICO	Baa1	BBB+	BBB+	WR	A-2	F2
BRAZIL	Baa2	BBB	BBB	NR	A-2	F2
ARGENTINA	B3	CCC+u	CC	NR	Cu	C
URUGUAY	Baa3	BBB-	BBB-	NR	A-3	F3
COLOMBIA	Baa3	BBB	BBB	NR	A-2	F3
INDIA	Baa3	BBB-u	BBB-	NR	A-3u	F3
CHINA	Aa3	AA-	A+	NR	A-1+	F1+
MACAU	Aa3	NR	AA-	NR	NR	F1+
JAPAN	Aa3	AA-u	A+	NR	A-1+u	F1+
SINGAPORE	Aaa	AAAu	AAA	NR	A-1+u	F1+
AUSTRALIA	Aaa	AAAu	AAA	NR	A-1+u	F1+

Sources: Bloomberg, Eaglestone Advisory

	Region - Africa/Middle East					
	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
03-02-2013	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Angola	Ba3	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+
Gabon	NR	BB-	BB-	NR	B	B
Ghana	B1	B	B	NR	B	B
Iran	NR	NR	NR	WR	NR	NR
Israel	A1	A+	A	NR	A-1	F1
Jordan	B1	BB-	NR	NR	B	NR
Kenya	B1	B+	B+	NR	B	B
Kuwait	Aa2	AA	AA	NR	A-1+	F1+
Lebanon	B1	B-	B	NR	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	Baa1	BBB	BBB	P-2	A-2	F3
Tunisia	Ba3	NR	BB-	NR	NR	B
Uganda	B1	B	B	NR	B	B
United Arab Emirates	Aa2	NR	NR	NR	NR	NR

Sources: Bloomberg, Eaglestone Advisory

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

IMF and Mozambique to Host Regional Conference *Africa Rising* on Economic Successes and Challenges in Sub-Saharan Africa

The International Monetary Fund (IMF) and the Government of Mozambique will co-host a conference on May 29-30, 2014, in Maputo to take stock of Sub-Saharan Africa's strong economic performance and the ongoing challenges in the region. The ***Africa Rising*** conferencewill also explore how to strengthen the partnership between the IMF and its African member countries.

The conference will bring together policymakers from Africa and beyond, and leaders from the private sector, civil society, and academia with the goal of exploring avenues to sustain the region's current growth performance and sharing the benefits more widely among all the populations.

"The Mozambique Conference will provide a unique opportunity to address Africa's achievements and the road ahead. We are very much looking forward to listening to all our partners in Africa," said IMF Managing Director Christine Lagarde. "The Fund has a very constructive dialogue with African policymakers that we believe has assisted the region in a reform effort that has paid off significantly. So this event will broaden the policy discussion at this crucial juncture, bringing together all those committed to Africa's continuing success."

An increasing number of countries in sub-Saharan Africa have achieved strong growth in recent years. This performance has increased standards of living and reduced poverty in many countries. It has also made many economies stronger and more resilient, as demonstrated during the global financial crisis. But many challenges remain. Poverty remains high in many countries. For those that have been doing well, the key challenge now is to maintain high growth, while boosting job creation and accelerating structural transformation. For others, notably those that recently have emerged from conflict, the first priority remains to establish political and economic stability to provide the basis for a strong economy.

Discussion at the conference will focus on these key issues, along with others that are central to Africa's efforts to move up the development ladder: fostering inclusion and job creation; harnessing natural resources wealth for the benefit of current and future generations; financing infrastructure; creating deeper and broader financial markets; and overcoming fragility.

The conference is by invitation and will be streamed live over the internet, and media is invited to attend. For further information, please refer to the ***Africa Rising*** website at www.africa-rising.org. Media queries should be directed to Ismaila Dieng of the IMF Communications Department at idieng@imf.org.

AFRICAN DEVELOPMENT BANK

AfDB and Kenya sign agreements for financing infrastructure projects

The African Development Bank (AfDB) and the government of Kenya on January 27th in Nairobi, Kenya signed loan and protocol grant agreements of US$97 million and US$120 million for the Thwake multi-purpose dam & Outer Ring road projects respectively.

The Nairobi Outer Ring road project involves the improvement of the existing single carriageway road to a 2-lane dual carriageway. The construction will include service roads, grade separated intersections, pedestrians–foot-over bridges, walkways and cycle tracks over the entire length of the road.

The 13-kilometer project, on completion, is expected to directly enhance the traffic circulation and eliminate traffic bottlenecks to various economic activity centers such as the industrial zone, and the vast populous residential areas of Eastlands.

Thwake Multi-purpose Water Development Program (TMWDP) comprises a multi-purpose dam for water supply, hydropower generation and irrigation development. It will also provide regulation of flows on Athi River downstream of the dam for flood and drought mitigation.

The TMWDP targets broad improvement in productivity and livelihoods over a ten-year period, ending 2023. The Program recognizes the symbiotic relationship between Kenya's water secure and water insecure regions by spanning both the lower and higher levels of the economy to ensure national economic growth is both inclusive and sustainable.

Approved in November 2013 by the AfDB board, the two infrastructure projects are part of the Bank's continued commitment to promoting inclusive growth and green economies as part of its **10- year strategy** for Africa.

"These partnerships are informed both by the government's priorities for economic development and our vision for Africa as the continent's premier homegrown development financier," said AfDB Director for the Eastern Africa Resource Centre (EARC), Gabriel Negatu

INVESTMENTS

Japanese Firm Invests K12 Million in Tobacco Farming

JAPAN Tobacco International (JTI) Leaf Zambia has invested K12 million on inputs and out-grower schemes for tobacco production in this year's farming season.

Company managing director Robert Royle said JTI had invested K12 million this farming season compared to K11 million in 2013. "Zambia has got a lot of potential for the growing of various agriculture products, since we started operating in the country the company's overall production has increased," Mr Royle said.

In a presentation at the Zambia-Japan Trade and Investment Promotion in Lusaka on Wednesday, Mr Royle said last year the company recorded a total of K44 million turnover. Mr Royle said the company was working with more than 15 commercial farmers in Eastern, Central and Western provinces of Zambia. He said the company was providing inputs and financial support to farmers to ease the challenges of limited access to finance. Mr Royle said the company had engaged in research to develop tobacco varieties which would contribute to improved seed varieties, adding that this was a major challenge tobacco farmers faced in the country.

He said the company had acquired land in Chisamba to carry out the project, saying this would have a positive implication on the growth of the tobacco industry in the country. Mr Royle urged Government to consider putting up a policy framework to reduce the challenge of land acquisition in the country. He said it was difficult to acquire land in Zambia because of the tedious processes and that traditional rulers were reluctant to release land for investment. Mr Royle also said access to finance for farmers was limited as most banks were not giving loans to farmers a situation which was impacting negatively on the growth of the agriculture industry in general. He, however, said Zambia stood out as the best investment destination in Africa looking at the stability of the country's economy in the past 10 years. *(Times of Zambia)*

ECONET Wireless Zimbabwe has said it is willing to deal with individual financial institutions only with regards to the opening up of the USSD gateway. Econet was under pressure to revise its position regarding the opening up of the USSD gateway amid indications that banks are planning not to transact with its banking unit, Steward Bank, on the RTGS platform. Well-placed sources said banks had through their industry body tried to negotiate access to the USSD mobile banking platform but Econet effectively side-stepped this as revealed by detailed communications in our possession. The telecoms operator, in a letter dated January 20, 2013, said banks should approach the group directly if they have any concerns with regards to their agreement to open up the gateway. Econet agreed to open up the USSD gateway to banks using an agreement crafted under Bank Electronic Airtime Retail (BEAR). The agreement laid out transaction charges and settlement conditions among other matters. Bankers expressed concern over the structure, which they said was heavily skewed in favour of Econet. “In general, the proposed agreement gives overwhelming powers to Econet to control the product form as well as the leverage to terminate the relationship at their convenience,” said a source in the banking sector. Under the agreement, Econet can suspend or terminate services. It also accords the firm power to change tariffs at short notice, which would make future pricing structures of mobile banking products indeterminable. Econet wants to charge banks 30 US cents per transaction and had suggested daily settlements of amounts due. Econet also gave itself the right to approve advertising collateral to be used in communicating with subscribers. The company wants to define or prescribe each bank’s definition and packaging of mobile banking and content distribution services with regards to short codes.

The agreement is for a year.

However, some bankers have said that the duration of a year is too short for a channel of its nature and are suggesting a longer minimum period. Sources said Econet was questioned why it would bring in an agreement they had initially crafted in 2012 which was meant to push airtime sales through banks. In the letter, Econet said: “Our considered view is that since 2012 when we initially started signing these agreements, we discussed and agreed to the terms with individual banks. If any bank has particular concerns regarding those terms then we would suggest they approach us directly on an individual basis.” While Econet is entangled in a bruising feud with the banks, Telecel has moved in to launch its mobile money service, which is open to all the banks using the ZimSwitch platform. Telecel is second to Econet in terms of subscribers at 2,5 million against the latter’s 8,5 million. Speaking at the launch of Telecash yesterday, Telecel mobile financial services manager Mr Nkosinathi Ncube said the involvement of banks would enable them to offer customers an affordable and easy-to-use mobile banking facility that could change the face of banking in Zimbabwe.

Mr Ncube said both the Reserve Bank of Zimbabwe and the Posts and Telecommunications Regulatory Authority (Potraz) had called for the interoperability of mobile financial services with banks. Telecash is the first mobile financial service to achieve this. “Telecash is the first to connect with Zimswitch and thus with all banks on the platform,” Mr Ncube said. Telecel Zimbabwe chief commercial officer Mr Ashraf El Guindy said theirs was a strong product. He said the company had partnered with some of the best players in the industry to come up with Telecash. “We have associated ourselves with the best in the industry,” he said, adding that their technical partner in the arrangement was Obopay. Its banking partners include Afrasia, CBZ and ZimSwitch, which provides links with most of the country’s banking institutions. *(Herald)*

H&M To Explore New Markets

Hennes & Mauritz (H&M) will find business thrilling this year as it would expand its products into other new markets, the world’s No.2 clothing retailer said on Thursday, as it posted less than rousing Q4 profits.

“Although there are still macro-economic challenges in several of our markets, we are optimistic about 2014 which will be an exciting year with new countries and new opportunities,” Reuters quoted CEO, Karl-Johan Persson as saying.

The new countries in the company’s focus are certainly in sub-Saharan Africa. A couple of weeks back, the clothing firm said it planned to pay more attention to the textile market of sub-Saharan Africa as opposed to Asia like before.

It said sub-Saharan Africa had great potential in terms of production and the firm had already begun to produce in Ethiopia on a small scale. It also emerged late last year that the firm planned to set up shop in Johannesburg, South Africa.

It is understood that H&M will open up a new shop in the Mall of Africa in Johannesburg and plans are already afoot to open another one in Cape Town’s V&A Waterfront.

The Mall of Africa is still under construction and will be opened in March 2016. It is situated on the N1 highway between Johannesburg and Pretoria. It is next to Midrand’s Allandale turn off.

With 115 000 square meters, the Mall of Africa is the single biggest shopping mall to be built in South Africa.*(Ventures Africa)*

BANKING

Banks

Moody's assigns first-time Ba3 deposit rating to Banco Angolano de Investimentos; outlook stable

Moody's Investors Service has today assigned to Banco Angolano de Investimentos S.A. (BAI) Ba3/Not-Prime global local-currency (GLC) deposit ratings and a b1 standalone baseline credit assessment (BCA), equivalent to a standalone bank financial strength rating (BFSR) of E+. The ratings carry a stable outlook.

The assigned ratings reflect the bank's (1) well-established franchise in Angola and liquid balance sheet; (2) adequate buffers to absorb losses; (3) weak credit quality and high credit costs; and (4) the high probability of systemic support from Angolan authorities, in case of need.

Moody's also assigned B1/Not-Prime foreign-currency deposit ratings, with a positive outlook, in line with the positive outlook on Angola's Ba3 rating. The foreign-currency deposit ratings are constrained by Angola's B1 foreign-currency deposit ceiling, which captures foreign-currency transfer and convertibility risks.

RATINGS RATIONALE

The assigned ratings reflect (1) the bank's ability to take advantage of Angola's growing economy, through its well-established, deposit-funded, corporate banking franchise, and liquid balance sheet; (2) its solid provisioning coverage, capitalisation and earnings generation capacity, all of which provide the bank with adequate loss-absorption buffers; (3) weak credit quality and high credit costs; and (4) our assessment of a high probability of government support in case of need.

The primary driver for BAI's ratings is its established banking franchise in Angola, with a deposit-funded and liquid balance sheet providing a strong base for the bank to take advantage of Angola's growing economy. BAI is the largest bank in Angola in terms of deposits and assets, with a deposit-funding base and healthy liquidity profile. Angola's strong economic growth potential supports BAI's franchise growth potential, with projected real GDP growth rates of around 7%-8% during 2013-14. In addition, increasing infrastructure spending will facilitate the economy's diversification, supporting the non-oil sector and banking system growth.

The secondary driver for BAI's ratings is the bank's adequate buffers to absorb unexpected losses, as indicated by the high coverage ratio and earnings generating capacity. Loan-loss reserves account for over 100% of problem loans as of December 2012, and the bank's pre-provision profits stood at 3.2% of average assets, in line with similarly rated peers. As of September 2013, its shareholder equity to total assets stood at 8.9%, which provides an additional buffer against an unexpected increase in credit losses.

These strengths are balanced by BAI's weak credit-quality metrics, which Moody's primarily attributes to the bank's developing risk-management capabilities and to some structural weaknesses in the domestic market. The bank's credit quality reflects both the evolving nature of the bank's risk-management practices and the high credit risks associated with private sector lending in Angola, including structural impediments such as (1) an inefficient commercial dispute resolution framework; (2) gaps in the legal framework for secured lending; and (3) limited corporate financial information. Net loan-loss provisions to average gross loans have been high over the past few years ranging between 3%-6%. Moody's expects non-performing loans to peak at around 14% of gross loans during 2013, as all legacy issues surface, and then gradually decline in 2014, reflecting the benign operating conditions.

BAI's Ba3 local-currency deposit rating incorporates one notch of rating uplift from its b1 standalone ratings, based on Moody's assessment of a high probability of government support in case of financial stress. This reflects the bank's systemic importance -- with a 20% market share in terms of deposits as of year-end 2012 -- and the government's capacity to provide support, indicated by the Ba3 government rating, with a positive outlook.

WHAT COULD MOVE THE RATING -- UP/DOWN

An upgrade of BAI's ratings could be driven by a sustainable strengthening in credit quality, and further improvements in profitability and capitalisation metrics. In addition, a stronger legal and regulatory framework in Angola, and a strengthening of the bank's risk-management capabilities would also exert upward rating pressure.

While the bank does not face downward rating pressure in the near-term, as indicated by the stable outlook on its local currency deposit ratings, a downgrade of BAI's ratings could be triggered by a deterioration in its profitability and capital base, amid deteriorating credit quality; and/or a material weakening in its funding and liquidity profile.

The principal methodology used in this rating was Global Banks published in May 2013. Please see the Credit Policy page on www.moodys.com for a copy of this methodology. BAI is domiciled in Luanda, Angola, and as of September 2013 had total assets of $11 billion. *(Moody's)*

Standard Chartered Eyes Africa: Standard Chartered plans to double the number of private bankers catering to African millionaires over the next five years as the London-based lender seeks to offset a drop in earnings at its consumer bank. *(Bloomberg Brief)*

General Electric, Standard Bank sign $350m power finance deal

Efforts to increase access to power infrastructure in Africa have received a boost following a $350-million financing agreement between industrial and finance heavyweights General Electric (GE) and Standard Bank, which will aim to provide affordable access to power infrastructure that augments traditional large-scale grid capacity development.

The partnership, which would initially target South Africa, Nigeria, Angola, Tanzania, Ghana, Kenya, Mozambique, Uganda, Ethiopia and South Sudan, would allow independent power producers, non-recourse infrastructure projects, manufacturers, natural resource companies, small- to medium-sized enterprises, and other potential borrowers to access project, equipment and trade finance as well as advisory services. “This comes at the right time, as efforts are under way in South Africa and across the continent to increase access to electricity to stimulate economic growth and improve living conditions,’’ said GE South Africa president and CEO **Tim Schweikert**.

“Initiatives of this nature are in line with efforts by governments to find solutions to meet the growing demand for alternative fuels.” The initiative, which supported South Africa’s National Development Plan, aimed to develop an energy industry by 2030 that promoted economic growth and development through adequate investment in energy infrastructure.

It targeted increased social equity through expanded access to energy services and promoted environmental sustainability through efforts to reduce pollution and mitigate the effects of climate change.

Moreover, GE’s collaboration with Standard Bank was in line with the country-to-company agreements that GE had signed with several African governments aimed at generating incremental power and increasing access.

“Financing [through the initiative] will also be available for off-grid solutions across sub-Saharan Africa that rely on fuels such as biomass and biogas,” added Standard Bank Nigeria subsidiary Stanbic IBTC Holdings CEO **Sola David-Borha**. *(Engineering News)*

Morocco to Open Islamic Banks

Rabat — Ever since the Justice and Development Party took office, it has underlined its commitment to implementing this plan in order to cater to the needs of a certain segment of the population and attract foreign investors.

The cabinet on Thursday (January 16th) took the first legal step by adopting a draft law on the creation of participatory Islamic banks.

Minister-Delegate for the Budget Driss Azami said that the creation of a legislative framework governing Islamic banking was "necessary given the belief that participatory financial products and services can make an important contribution to the mobilisation of savings and financial inclusion in Morocco".

For its part, the finance ministry said that several factors motivated the introduction of regulations governing the activity of Islamic banks, including the potential for investment and financing that this activity has in Morocco.

A range of financial products and services should be offered not only to Moroccans living here but also the ones living in host countries that offer participatory finance products, it noted.

The government intends to boost national savings substantially, said government spokesman Mustapha El Khalfi.

During a press briefing Thursday, he stated that the High Council of Ulemas would be asked to give its opinion on this draft law to make sure that it complies with Sharia.

Participatory banks must appoint an audit committee to identify and prevent risks of noncompliance with the opinions of the council in their operations, activities and products offered to the public.

Moroccans are split on the proposal to introduce Sharia-compliant finance. Sociologist Karima Msebni told Magharebia that many people do not trust alternative products offered by regular banks.

"The creation of Islamic banks will certainly be helpful to people who do not use banks and are waiting for this kind of service," she said.

Morocco will reap economic benefits in terms of investment too, noted Hamid Roghi, a banker. "Morocco will be able to attract numerous investors from the Gulf States. A number of them already expressed interest a few years ago in setting themselves up in Morocco and starting up Islamic banks," he said.

However, student Hamza Chrif said he was surprised at the beliefs of a certain segment of the Moroccan population about standard banking products. "Muslims need to get with the times. I find it hard to believe that normal banking services don't comply with Sharia. Alternative products cost more than normal ones," he said.(Magharebia (Washington DC))

Arqaam Capital, a Dubai-based investment bank that focuses on emerging and frontier markets, is eyeing a seat on the Nairobi Securities Exchange (NSE) to drive its Africa expansion plans. The firm, which already tracks the performance of six NSE-listed companies, says it plans to open a regional office in Nairobi and possibly acquire a seat on the exchange. Arqaam Capital was recently awarded a licence to trade on the Johannesburg Stock Exchange. “Our local office in Johannesburg is the first step, we are building this business from the ground up. We will be exploring the option of opening other offices and getting seats on other sub-Saharan markets as the business grows,” Arqaam Capital executive director and head of the South African business Ross Abbott said in an interview. The NSE confirmed that Arqaam executives visited the bourse last year when they discussed possible partnerships. “They are interested in the exchange and visited last July,” said the NSE head of market and product development Donald Ouma. The investment bank’s corporate finance arm has already entered into a contract to sell an undisclosed “Kenya-based mobile value added services firm,” documents seen by the Business Daily indicate. While the documents do not

disclose the amount involved, Arqaam's corporate finance department says it takes deals that on average involve companies valued at between $20 million (Sh1.7 billion) and $300 million (Sh25.7 billion). The investment bank is also covering Co-operative, Equity, Diamond Trust, Standard Chartered, Barclays and KCB banks; and has plans to expand the coverage by seven more companies in this financial year, both in the consumer and insurance sectors.
Arqaam will however still need the Capital Markets Authority (CMA's) approval to do brokerage or investment banking business. The CMA requires that an investment bank has at least Sh250 million paid up capital while a stockbroker is required to have a minimum of Sh50 million. The last investment banking licence issued was to Chase Bank's subsidiary Genghis Capital that was given early this month, making it the 11th investment bank. Eco Bank had applied for an investment banking licence mid last year. Investment banks are eyeing fundraising deals, stock sales and rights issues, syndication deals, and other debt issues which are expected to increase in tandem with expansion plans and restructuring of companies' balance sheets. EABL last week announced plans to raise Sh5.4 billion through commercial papers, the largest ever issued in the country. The transaction is being handled by CfC Stanbic while KenolKobil's Sh1.7 billion, which was the second largest ever, was handled by Kestrel Capital. The CMA has been pushing to make Nairobi the region's top choice for raising cash, listing and recently launched a 10-year plan to achieve this. "The capital market is expected to play a pivotal role in the realisation of the development ambition of Kenya as captured in the Vision 2030, including the setting up of the Nairobi International Financial Centre, which is key to take the country to next level of double-digit economic growth," said CMA acting chief executive Paul Muthaura at the launch late last year. Part of the plan is for the NSE to achieve the MSCI Emerging Market by 2016, upgrading from frontier market status and for Nairobi to enter the Global Financial Centre Index (GFCI) ranking. *(Business Daily)*

United Bank for Africa Plc (UBA) said it supported the recent privatisation of the power sector with $700 million (N113 billion) thorough funding to different investors. A statement from the bank quoted its Group Managing Director/Chief Executive Officer, Mr. Phillips Oduoza, to have made this remark while speaking at the recently concluded World Economic Forum (WEF) in Davos, Switzerland. "It is a growth sector we are playing very big," the UBA boss said. Besides power, he said UBA had also extended significant support to the telecommunications sector in Nigeria, where the bank has taken part in most of the major big ticket transactions. On the bank's lending to the agriculture, Oduoza said: "UBA has a deliberate policy to continue to fund agriculture. Our lending to the sector is already above the industry average. We are doing about seven % of our total portfolio in agriculture." He noted that banking sector lending to agriculture was on an upward trend, disclosing that banking sector funding to agriculture had moved from about 0.5 % of total industry portfolio prior to 2009 to about 4.9 % of banking industry loan book currently. "Interestingly, the non-performing loans coming from agriculture lending is lower than most people would have thought," he added. Oduoza also explained that UBA was expanding its electronic banking products to improve the way it serves its customers. He said that the bank had also rolled out an array of electronic banking products such as cards, point of sale terminals.
Speaking on the bank's operations across Africa, Oduoza disclosed that UBA currently operates in 19 African countries "and these are the very strong economies that we have in Africa and all of them are doing very well." He disclosed that 14 out of the 18 country subsidiaries of the UBA Group across Africa have started returning profits. He however explained that Nigeria still remains the dominant contributor to the UBA Group's bottom line making up an average of 75 % of the Group's balance sheet while the rest of Africa contributes 25 %.
Oduoza, however projected that in about five years, the UBA Group's 18 African subsidiaries would be contributing about 50 % of the Group's balance sheet. *(This Day)*

Markets

Angola Plans 20-Year Kwanza Bond Sales to Boost Central Bank

Angola, **Africa**'s second-biggest oil producer, plans to sell two 20-year bonds to raise 58.7 billion kwanza ($601 million) to strengthen the central bank and a state-owned lender, according to presidential decrees.
Dates for the debt issues weren't included in orders from President Jose Eduardo dos Santos that were listed in a government gazette this month. Amilcar Xavier, a spokesman for the **Finance Ministry** in the capital, Luanda, said by phone yesterday he couldn't immediately respond to e-mailed questions seeking comment.
Finance Minister Armando Manuel can issue 20-year Treasury bonds valued at 31.29 billion kwanzas to allow the National Bank of Angola to meet its capital needs and fund monetary policy operations, according a decree dated Jan. 10. Manuel may also issue debt due in two decades worth 27.44 billion kwanzas to bolster the capital levels and increase the lending capacity of Banco de Desenvolvimento de Angola, which funds development projects such as roads, rail and power, a Jan. 9 decree shows.
Angola will also sell an unspecified amount of bonds to support spending in the 2014 budget, according to a separate Jan. 9 decree. The debt issue aims to increase the involvement of Angolan financial institutions in long-term funding of projects to help rebuild the country after a 27-year civil war that ended in 2002. The government may sell 670.4 billion kwanzas of debt, separate budget documents show.

Manuel has the authority to determine the currency, **interest rate** and maturity of the debt issues supporting the budget, the decrees show.
Angola pumped 1.48 million barrels a day in January, second to **Nigeria** on the continent, according to data compiled by Bloomberg. *(Bloomberg)*

Cote d'Ivoire and Senegal, the largest WAEMU economies, plan to issue eurobonds in 2014

In the African sovereign space, several countries intend to issue sovereign eurobonds this year. Among the prospective issuers Senegal and Cote d'Ivoire (CDI) have both stated that they plan to tap the international market again in 2014 via eurobond issuance (both intend to issue USD 500mn). This follows Nigeria, Ghana and more recently Gabon that all tapped the international market for a second time in 2013. Neither CDI nor Senegal are newcomers to the market: CDI issued a USD 2.3bn eurobond in 2010 to restructure its defaulted Brady bond while Senegal issued USD 200mn in 2009 and replaced it in 2011 with a USD 500mn issue. *(Standard Chartered)*

Ghana Plans Market Makers to Boost Bonds With Live Prices

Ghanaian regulators are planning to introduce market making, set up live trading and start debt education programs in a bid to boost **bond-market** activity in West **Africa**'s second-biggest economy.
After last year's merger of securities depositories by the central bank and stock exchange, bond trading is still illiquid because, unlike equities, there's no electronic platform for debt, said Stephen Tetteh, chief executive officer of the Accra-based Central Securities Depository Ghana Ltd. As the unified storehouse works to integrate platforms, Tetteh said they're asking the government to change laws to help increase trading.
"The Securities and Exchange Commission is working on market makers who go in just to bring liquidity onto the market," Tetteh said in an interview on Jan. 29. "We have drawn programs to go out and do a lot of education to teach people what they can do with the bond market. Once we get that, then our market will bring that liquidity."
Ghana's plans to boost trading come as the government raises bond issuance this year to fund a **budget deficit** forecast by the **Finance Ministry** to narrow to 8.5 percent of gross domestic product this year from 10.2 percent in 2013. The world's second-biggest cocoa producer will sell 35 percent more cedi debt this year and will offer a 10-year note, which will be the longest local-currency term, in June.

Market Need

Live trading may happen within a year, Tetteh said. Also this year, the securities commission may ask Parliament to pass a law allowing market making, Director General Adu Anane Antwi said. The SEC, which currently issues broker-dealer permits to traders, wants to license banks and brokers to operate as market makers, he said by phone on Jan. 29. They will have the capital to buy securities in large amounts and sell when the market is in need, he said. The government cabinet is considering the proposal, a precursor to legislative approval.
Ghana's central bank last April threatened to cancel the licenses of primary dealers for not participating in government debt auctions. Linking the depositories, which happened on Dec. 24, will give stock brokers access to the bonds depository to check on ownership.
"This by itself is expected to increase bonds trading," Tetteh said. Brokers currently can't access the bonds because the depositories are separate and the merged entity has one year to complete its integration, he said.
The depository, the stock exchange, and the securities commission will educate investors this year on bond trading, Tetteh said. The campaign will also see private bond issuers asked to keep ownership records in the depository, he said.

Yields Rise

Government bonds with two-year terms and higher must be listed on the stock exchange, Tetteh said. Yields on seven-year notes, currently the longest-tenure cedi debt, rose 50 basis points, or 0.5 percentage point, to 18 percent at the last auction on Nov. 13. They were unchanged at 19 percent yesterday, according to data from Standard Chartered Plc.
"We will use annual general meetings of companies to talk to people about investing in bonds," he said. The groups will also "organize fora in parts of the country to whet interest in the bonds market," he said.
Investors may be able to own shares in the depository, which had 556,837 accounts for bonds at the end of last year and 76,348 for stocks, in the "medium term," Tetteh said. The **Bank of Ghana** owns 82 percent of the depository, while the stock exchange holds the remainder.
Ghana's stock exchange has sub-Saharan Africa's best-performing benchmark index this year, with a 5.1 percent increase. While volumes picked up since the 2009 move to live trading and the gauge's capital rose to 62 billion cedis ($25 billion) as of yesterday from about 21 billion cedis in 2010, investors need to get used to the idea of trading both stocks and bonds for profit, Tetteh said. The composite measure rose a 13th day, adding 0.5 percent to 2,253.57 by 12:22 p.m. in Accra, the highest on record.
"That idea of making money on bonds, and even equity hasn't really gone down with Ghanaian investors," he said. "What we need are people who go into the **securities market** to make money, somebody who buys in the morning and at two o'clock he wants to sell because the market has moved." *(Bloomberg)*

The Ghana Stock Exchange (GSE) said it has not abandoned its plans to demutualise the local bourse. According to the Deputy Managing Director of the GSE, Mr Ekow Afedzi, the plan to demutualise is still on course, adding that: "we have not thrown it overboard. By the first quarter of this year, we will be coming out with a plan for the next three years, and demutualisation will feature in there. Answering questions at a news conference in Accra, he said: "as to whether it will be done next year or the following year, I cannot say yet but we still have plans to demutualise just like other markets are doing all over the world now." "We are talking about demutualisation; for the sake of others what we mean by demutualisation is moving away from a mutual company to a company that is limited by shares," he said. Mr Afedzi said, "As we speak, Ghana Stock Exchange is a company limited by guarantee. We don't have owners but we have members. He noted that most stock exchanges across the world were becoming demutualised and the GSE would not be left behind. On the integration of the GSE in the sub-region, Mr Afedzi said the process had gone far. "By end of first quarter 2014, we are going to see some signs of implementation of all the work that we have done," he said. According to him, two things are going to happen: "One, we have harmonised our listings; we have harmonised the contents of prospectuses across West Africa; we have passed resolutions at the council level to adopt these harmonised rules and so come end of March 2014, we will see something positive on the ground."

"The second thing that is going to happen is that we are going to move into what we call the first phase of the implementation of the integration, and the first phase involves giving access to brokers to our markets through what we call sponsored access," he said, explaining that: "What that means is that if you are a broker in Nigeria, and you have been trading in Ghana and normally you trade through another broker in Ghana, you can still do that, but that is going to be formalised." Mr Afedzi again noted that the process would be done in two phases, saying: "You can do direct trading into our system without any intervention by sitting in Nigeria, but then you need to meet certain requirements, follow certain rules and sign certain agreements, so that is the first phase that will come at the end of March." "The second phase is where you will see the real integration where brokers who meet certain standards can now trade directly into any of the markets across West Africa and that will be the second phase which will begin immediately after the first phase. So that is where we are - for the integration." he said. *(Ghana Web)*

Deals

Beer maker EABL is set to raise Sh5.4 billion in cash through commercial papers to ease the finance costs for its bank loans and overdrafts. The company has been feeling the weight of high financing costs having borrowed a five-year Sh19.5 billion loan from its parent company Diageo, which was used to buy back from SABMiller its 20 % stake in Kenya Breweries Limited. The brewer will be banking on its growth prospects to market the commercial papers to potential buyers at possibly lower costs."The proceeds will be used for East African Breweries Limited's general corporate purposes, including working capital, capital expenditure and refinancing more expensive short-term loans and overdrafts," said the brewer in a statement. A commercial paper is a short-term, unsecured instrument payable within a year that is similar to, but ordinarily cheaper than a bank overdraft. Analysts at Old Mutual Securities and Standard Investment Bank (SIB) said EABL is seeking to improve its balance sheet by paying down expensive debt and replacing it with cheaper ones even as it seeks to grow its market share. "The key focus will be on strengthening the balance sheet by reducing the debt because the company's cash pile will be improving going forward," said Eric Munywoki, a research analyst at Old Mutual Securities. The new issue will be priced on the basis of the Treasury bill rates at a negotiated maturity period. The 91-day T-bill rate was at 9.2 % as at the auction for January 16. Mr. Munywoki said the paper is likely to be priced at a small margin above the 364-day T-bill. "It is likely to be at a small margin, very small indeed. So it will basically be like the T-bill rates," said Mr. Munywoki. The one-year T-bill rate was 10.7 % in the auction of January 22, showing that it was 1.5 percentage points higher than the 91-day T-bill. Only select high net-worth individuals and investment institutions such as fund managers, pension and provident fund administrators and stockbrokers would be eligible for the issue, EABL said in the notice. EABL's share price-to-earnings (P/E) ratio stands at 32, nearly double the market P/E of about 17. "While we believe in the long-term growth plans for the brewer, we still feel that the brewer is overvalued at the current share price and see a downside of at least 20 % despite coming off from a high of Sh400," said SIB in a note to investors.*(Business Daily)*

Africa's IHS to delist from Nigeria's bourse in $118m deal

LAGOS - African phone tower group IHS Plc has won shareholder approval to take the company private and will pay $118-million to buy out equity holders, it said on Thursday.

IHS, which owns and manages base stations and towers that transmit mobile phone signals for telecom operators in Africa, did not give a date or reason for the delisting.

Shares in IHS, which have gained 41 percent this year, closed up 0.53 percent at 3.82 naira to value the telecoms infrastructure firm at $103-million. IHS is paying 4.35 naira per share to buy back its shares from stockholders.

Nigeria's bourse, which rose 47 percent in 2013 to emerge as one of the best performing in the world, is trying to position itself as a gateway into Africa but low liquidity and inability to attract larger firms to list has tainted its image.

Institutional investors in IHS include South Africa's Investec Asset Management, private equity firm Emerging Capital Partners, Dutch Development Bank, Wendel and Nigerian banks such as Skye Bank. *(Engineering News)*

Funds

Atlas Mara African fund launches

Bob Diamond, the former chief executive of Barclays, has made a dramatic return to the London Stock Exchange, raising a higher than expected $325m through cash shell, Atlas Mara, targeting the booming African financial sector. Diamond has partnered with Ashish Thakkar (above), the 32-year-old head of Mara Group, a $1bn conglomerate with business in 19 African countries. Arnold Ekpe, the former chief executive of pan African lender Ecobank, will chair the group. Diamond and Thakkar have each personally invested $20m in the venture. The company, Atlas Mara Co-Nvest, will use the $325m to purchase a bank in Africa within the next year. Atlas Mara will "focus on acquiring a company or business in the financial services sector with all or a substantial portion of its operations in Africa", the prospectus says. The cash shell is likely to focus on a lender that banks the business sector, where the lack of capital availability is greater, rather than consumers.

The successful capital raising is likely to reinforce a rising sense of business opportunities in Africa. Atlas Mara is the first listed cash shell targeting the banking industry in Africa. Sub-Saharan Africa is attracting bankers because most of the region's population of 1bn does not use banking services – only a quarter of people hold a bank account. Fewer than 5% of Africans have a credit card. *(African Business)*

Tech

ECONET Wireless has revealed that more than $200 million is now being transacted per month through its mobile money transfer platform, EcoCash, helping ease the country’s cash constraints. “There's no question that EcoCash is filling a basic consumer need in one of Africa's … countries, where a great deal of the population has been excluded from the formal banking system,” Econet said in a statement. “In a little over two years, the service has registered 31 percent of Zimbabwe's adult population, a group responsible for more than $200 million in transactions per month, that's about 22 percent of the country's Gross Domestic Product (GDP) - using their mobile phones.” Among other services, EcoCash now enables companies to fund payrolls giving small businesses and large companies a secure platform to distribute salaries and wages to employees. Econet said the mobile money transfer platform, which now has about three million subscribers, was a way to diversify its portfolio from core voice and data business, where revenue growth has been weak. Chief executive officer for Econet Services, Darlington Mandivenga, said their mobile money transfer platform was a strategic response to a strategic challenge. "What is happening in the telecoms industry is that revenues are stagnant, if not on the decline, with (average revenue per user) under pressure for various reasons such as competition and market saturation,” he was quoted as saying in the statement. To help EcoCash become Zimbabwe's dominant payment system for retail transactions, the mobile operator has embarked on an aggressive merchant acquisition campaign. The company was sacrificing short-term profitability by paying out 80 percent of revenue in agent commissions to build a strong and dedicated network. *(New Zimbabwe)*

ENERGY

Angola’s Cabinda province to produce 300 megawatts of power by 2017

The power production plan for Angola’s Cabinda province outlines production of 300 megawatts per year by 2’17, the provincial director for Energy and Water, André Massanga said Wednesday in Cabinda.

Cited by Angolan news agency Angop, Massanga said that the city of Cabinda and the town of Lândana, in the municipality of Cacongo, currently have an installed capacity of 110 megawatts, of which 45 megawatts are being used.

He also said that power production was stable despite a fault that occurred on 7 January due to a short circuit in the medium voltage line that led to a stoppage of two gas-fired turbines at the Malembo power plant. Work to repair the turbines by technicians from the manufacturing company is now underway.

Massanga noted that many of the faults that occur in the generators originate in the distributions system because of the obsolete state of some medium voltage cables and gave assurances that work was now underway to solve the problem. *(Macauhub)*

CHINA Powerway Renewable Energy Company through its regional subsidiary Powerway South Africa plans to invest about US$160 million in the construction of a 100MW solar plant in Zimbabwe once all the regulatory processes are completed. Powerway will partner with Mobility Holdings, a local company that specialises in renewable energy projects. Speaking soon after meeting energy regulatory authorities in Harare last week, Powerway SA managing director Mr Charles Domingo said he was optimistic the project would commence in the next few months. “The response we got from the local authorities is very encouraging and we hope to finalise the necessary paperwork so that the project can commence in the next few months. “We also hope to engage your Government with a view to ensure that the 100MW that we expect to generate will be fed into the national grid in order to reduce the power deficit Zimbabwe is currently faced with,” he said. The project is expected to occupy about 400 hectares of land that has already been identified while it would take about 12 months to complete. The plant will carry a 25-year guarantee. The officials were not at liberty to divulge the location but only hinted that the place would be about 150-200km from Harare. Powerway said they intend to embark on more solar projects in the country once the initial one starts operating. Feasibility assessments are being undertaken with the hope of opening Powerway Zimbabwe in the near future.

Mobility Holdings operations manager, Mr Bernard Matshiya who was standing in for the managing director, Mr Humphrey Munzvengwa said that the partnership with Powerway is the beginning of more projects that the two will embark on in the renewable energy sector. “At the moment we have partnered on this solar farm project but in future we will look at other areas of renewable energy that we can also work together on in the hope of ensuring the country fully recovers from power and energy shortfalls,” he said. Initial technical expertise will be imported from China and South Africa but thereafter the company will embark on a series of training locals for skills transfer while an estimated 600 contract jobs are expected to be created. Powerway is a solar farm engineering and construction company, with subsidiary companies in Japan, Pakistan and the United Arab Emirates, and production bases in Guangdong, China, as well as Port Elizabeth in South Africa. Powerway has provided more than 1,2 GW of solar power products and construction services in over 22 countries. *(Herald)*

China builds solar farms in Ghana

Solargiga Energy Holdings, a Chinese solar manufacturer, has formed a joint venture to develop 200 MW of photovoltaic plants in Ghana. The company will own 90% of the venture with Savannah Accelerated Development Authority, which promotes green projects in the north. Ghana introduced long-term incentives to help meet a 10% target for generation from clean sources by 2020. *(African Business)*

MINING

Angolan diamond company to re-launch kimberlite exploration

Angolan state diamond company Endiama plans to re-launch exploration at the Shiri, Sangamina, Camafuca and Camazambo mines as they are kimberlites with confirmed reserves, the company’s chairman said in Luanda.

At the session to celebrate the company’s 33rd anniversary, António Carlos Sumbula said that because of the circumstances of the international market the company had so far been unable to explore these kimberlite deposits.

“At the moment the market is high enough and we are now negotiating with investors so that exploration (…) can begin in the next two years,” he said according to Angolan news agency Angop.

In terms of the work carried out in partnership with Russian group Alrosa, Sumbula said that after all the studies were carried out the conclusion was that the alluvial diamonds mined in the country for 100 years are fro undiscovered kimberlites, whilst just 10 percent of the diamonds extracted in the same period come from known kimberlite deposits.

“This means we have the job of finding the other 90 percent of unknown kimberlites,” said Sumbula.

Endiama, which was founded in 1981, is the state company responsible for prospecting, exploration, cutting and sale of diamonds in Angola, which is one of the top 5 world diamond producers by value and top 10 by quantity. *(Macauhub)*

Moatize, in Mozambique, to have landfill site for mining waste

A landfill site to dispose of solid waste, including hazardous waste that results from mining operation is being designed for the outskirts of the town of Moatize in Tete province, Mozambican newspaper Notícias reported.

The project to build a landfill site in the district of Moatize, by the Moz Environmental Limitada company in partnership with South African group Interwaste, comes at a time when Tete is experiencing rapid economic growth due to growth of the mining sector.

The proposal to build the landfill site, according to the draft drawn up for a public consultation promoted by ERM International Services, in partnership with Impacto Projectos e Estudos Ambientais, is the result of regional demand for waste management solutions under sustainable and environmentally safe conditions.

The proposed location for the new landfill has already been approved by the government. It will be located about 8 kilometres east of Moatize and cover an area of approximately 20 hectares. *(Macauhub)*

OIL & GAS

Chevron blocked from offloading Nigerian assets

Chevron has reportedly been stopped from selling its Nigerian assets until it has settled a legal dispute with Britannia-U, a company that had tendered the highest offer during the sale process last year. According to a Reuters’ news report, Britannia-U tabled the highest offer, in excess of $1bn for«Chevron’s stakes in OML 52, 53 and 55. Chevron had started looking for alternative buyers after raising doubts if Britannia-U could fund the deal. *(JPM)*

Congo oil law may impose 40% tax, allow drilling in national parks

The parliament of the Democratic Republic of Congo is debating a proposed oil law that may impose a 40% capital gains tax, allow drilling in national parks, and force current license holders to renegotiate their deals, according to press reports. The draft law said that all permits that were acquired legally will be valid, but will have to be renegotiated within 36 months of the law being enacted. The President will retain the right to approve all permits, according to press reports. Companies including TOTAL, SacOil and SOCO are involved in exploration projects in the country. *(JPM)*

Statoil ready to return expats to gas fields in Algeria

Statoil will soon start sending expats back to its gas fields in Algeria, Lars Bacher, Statoil's executive vice president for international development and production said. He said that expats will return to the company's In Salah gas project soon but the In Amenas gas project might take some more time. He said that he hopes that expats can return to In Amenas this year, though it depends on the improvements in security. *(JPM)*

Kenya delays new oil block licensing until new law in force

NAIROBI - Kenya will delay licensing new oil exploration blocks until a new law regulating the sector that is being sent to parliament by June is in force, a senior official said.

Oil discoveries in Uganda and Kenya by Britain's Tullow Oil and gas deposits found off Tanzania and Mozambique have turned east Africa into a frontier for hydrocarbon exploration.

Energy and Petroleum Principal Secretary **Joseph Njoroge** said seven new blocks will be up for licensing once the new energy law is in place. "We are still working on the Energy Act," he told Reuters. "We want first of all to get the policy and the Act in place which will happen before the end of this financial year, that is before June. And then from there we will be able to know how to move," Njoroge said.

Oil discoveries in Kenya by Tullow and its partner Africa Oil Corp in the northwest of the country have increased inquiries from others seeking exploration blocks.

In an update this month, Tullow and Africa Oil doubled the estimate of their discoveries in the South Lokichar basin to 600 million barrels.

Consultants Hunton & Williams and Challenge Energy - employed by help review the law - have recommended the Act includes clearly defined policies for upstream, midstream and downstream sections to avoid overlaps and reduce inefficiency.

It is also expected to provide guidance on natural gas exploitation, not adequately covered under existing law.

The government has said in the past that some companies licensed to prospect for oil and gas were reluctant to do so due to concerns over the lack of a legal and fiscal framework to commercialise natural gas discoveries.

The new law will also allow for the creation and management of a sovereign wealth fund for petroleum revenue, and specify how revenue will be shared between national and local governments and communities where discoveries were made.

Kenya has previously said it will introduce licensing rounds with an auction-style format and move away from a first-come, first-served basis to award exploration blocks. *(Engineering News)*

Uganda To Inject $22bn In New Oil Fields

Uganda is expected to devote $15 – $22 billion to the development of oil fields and related infrastructure , Uganda's Energy Minister, Irene Muloni has said. Talks aimed at launching the oil refinery, the export pipeline linking Kenya and Uganda and the electricity plant have been completed, according to Imara Equity Research in its latest report.

The report claimed that these discussions were between the Ugandan government and British oil and gas giant, Tullow Oil. Other oil and gas giants that are Tullow's partners in this project, Total and China National Offshore Production Company (CNOOC) were also involved in talks.

In addition, the research report indicates that Uganda seeks venture capital to build another 60 000 bpd oil refinery in the western region of the landlocked Uganda. Citing unnamed sources, the report said the government had shortlisted eight firms for the project in the western region of Uganda. Tullow's Executive Director, Graham Martin, reportedly said oil production in Uganda could average 220 000 bpd going forward. Uganda is among the countries Tullow is targeting for oil production in the African continent, Martin added. *(Ventures Africa)*

INFRASTRUCTURE

Uíge airport in Angola scheduled to reopen in February

The airport in the Angolan city of Uíge, which has been closed for repair and modernisation work since 2011, is scheduled to reopen in February, said the provincial director for air navigation company Empresa Nacional de Navegação Aérea (Enana).

Vasco Rufino told Angolan news agency Angop that conditions were in place to ensure the airport was operational and that aircraft can land and take off there.

"Enana has the human and technical resources for this airport to start operating again and all that is needed is a small boost to the number of technical staff," he added.
Work at the airport in the capital of Uíge province is part of the central government plan to repair and modernise Angola's main airports. *(Macauhub)*

AfDB and AUC Sign Grant to Enhance the Capacity of African Countries to Accelerate the Delivery of Regional Infrastructure Projects

The African Development Bank (AfDB) and the African Union Commission (AUC) on Wednesday, January 29 in Addis Ababa signed a new project grant. The project will strengthen the capacity of African countries through their respective Regional Economic Communities (Community of Sahel-Saharan States, Common Market for Eastern and Southern Africa, East African Community, Economic Community of Central African States, Economic Community of West African States, Intergovernmental Authority on Development, Southern African Development Community and Arab Maghreb Union), as well as the AUC and the NEPAD Planning and Coordinating Agency (NPCA) to plan, prepare and coordinate the implementation of regional infrastructure programs and projects necessary for enhancing Africa's physical and economic integration and socio-economic transformation with a focus on the **Programme for Infrastructure Development in Africa (PIDA)**.
AfDB Vice-President, Finance, Charles Boamah and the Deputy Chairperson of the AUC, Erastus Mwencha, signed the US $8.6 million three-year, capacity building grant during the ongoing **meetings of the African Heads of State and Government** being held in Addis Ababa, Ethiopia.
Speaking at the signing, Erastus Mwencha thanked the AfDB for the support and stated that "linking what we do to what affects people directly is critical. The AfDB has shown the way in what you do to mobilize financing for infrastructure will change Africa and the impact will go beyond projects." He called on the need to put in place systems and processes that will help measure "people level" impact of the various interventions being undertaken by the AfDB the AUC and other players on the continent.
In response, AfDB Vice-President Charles Boamah stated that infrastructure remains a core priority of the Bank linked the **Bank's Ten Year Strategy (2013-2022**) and that over the last six years up to 2012, the Bank had invested US $20 billion in infrastructure, a significant part of it in regional continental infrastructure projects. He indicated that the Bank remains committed to supporting Africa build the infrastructure that will lead to the continent's transformation, but which also impacts on inclusive growth by translating into jobs and improved lives for the majority of Africans.
Specifically, the grant will support the accelerated implementation of PIDA approved by African Heads of State and Government during the 18th ordinary session of African Union held in Addis Ababa, Ethiopia, in January 2012, by providing the necessary capacity to RECs and the continental bodies (AUC and NPCA), to enable them support Member States to move PIDA projects to preparation, bankability and financing. PIDA projects include modernizing ports, railways and road networks across Africa, interconnecting power grids and completing Africa's IT connectivity.
PIDA defines priority regional cross-border infrastructure projects in energy, water, transport and ICT intended to interconnect, integrate and transform Africa through modern infrastructure at an investment cost of US $68 billion up to the year 2020. It provides the strategic framework for African stakeholders to build the infrastructure necessary for more integrated infrastructure networks to boost trade, spark growth and create jobs as well as to support regional integration and linkages into the global economy. Successful implementation of PIDA will therefore enhance Africa's competitiveness within itself and in the global economy, while acting as a catalyst to Africa's economic transformation.
The Bank has initiatives and instruments which are playing a role in moving PIDA towards realization. These include the **Infrastructure Project Preparation Facility (IPPF)** and the Infrastructure Consortium for Africa (ICA), both multi-donor funded initiatives handling project preparation and resource mobilization respectively. The Bank's newest initiative scaling-up infrastructure financing is the **Africa50 fund**, targeting project development and investment financing for continental and commercially viable regional infrastructure projects. Collectively, these initiatives together with the PIDA Capacity Building Project should help to accelerate the implementation of PIDA within mutually beneficial partnership involving the AUC, NPCA, the RECs, Regional Member Countries, the AfDB and other development partners including private sector stakeholders.

AGRIBUSINESS

US tractor maker takes creative approach to build its business in Africa

Rather than waiting for farmers on the continent to adopt modern farming techniques, US agricultural equipment manufacturer AGCO has taken it upon itself to develop the sector

New York Stock Exchange-listed AGCO manufactures the Massey Ferguson brand of tractors, as well as a variety of other agricultural machinery.
Towards the end of 2012 AGCO announced it will invest US$100m in Africa over a three-year period. A week ago the company held its third annual AGCO Africa Summit in Berlin, Germany.

One of the challenges for machinery manufacturers targeting Africa is that many farmers on the continent still use relatively primitive production techniques.
"Currently, the majority of power for farming in Africa is provided by draught animals or human hands. This not only severely limits productivity but the hard work for so little return also makes agriculture an unattractive occupation," said AGCO in a statement.
In Zambia AGCO has invested in a demonstration farm and training centre with the aim of educating local farmers on modern agricultural technology and the latest farming practices.
In a recent report, Dutch multinational banking group Rabobank notes that this initiative is not one with immediate pay-offs for AGCO but rather a more strategic approach to develop farming in the region and subsequent demand for its own equipment.
"Such creative and pre-emptive commercial behaviour is one important way global food and agribusiness companies can creatively establish themselves in the continent for the longer term, while helping commercial agriculture emerge more rapidly than would be the case otherwise and at the same time helping build long-term demand for their products," says Rabobank.
The report adds that "this approach recognises that simply selling inputs will not be enough for global companies to build a sustainable business in Africa. African farmers need access to know-how, education, credit and technology, and global food and agribusiness companies are well positioned to help."
"Africa lies at the heart of what promises to be a new agricultural revolution," said Martin Richenhagen, CEO of AGCO. "A new roadmap for ensuring a sustainable food supply has to be developed – harnessing the expertise of the private industry sector, and the knowledge of local communities and farmers."

Growing competition

AGCO, the world's third largest agricultural machinery manufacturer, is however far from the only international equipment company eyeing African farmers. Bloomberg last year reported that John Deere dealers are targeting an "emerging agricultural class". Asian manufacturers are also providing competition for Western brands, which some farmers perceive as being too expensive.
A study by the Food and Agriculture Organisation notes that farming mechanisation holds the potential for both economic and social gains in sub-Saharan Africa. These benefits include increasing the efficiency of labour, boosting yields and encouraging younger and more innovative people to remain in rural areas and work the land. *(How we made it in Africa)*

French fertiliser manufacturer targets commercial farmers in East Africa

More than 400,000 people in the oil rich Turkana region are facing starvation as Kenya battles with yet another bout of food shortages. Over-dependence on rain-fed agriculture and poor farming and storage methods are partly to blame for the nation's food security challenges

A recent joint report by FAO and Kenya's Agriculture Ministry revealed that continuous use of fertilisers such as DAP (Diammonium phosphate) has resulted in reduced soil pH and declining productivity.
Kenya relies on imported fertilisers and farmers often complain of shortages and delays in arrival which affect their yields.
French fertiliser manufacturer Roullier Group has opened a regional office in Nairobi to tap into the market as scientists and farmers shift attention to alternative fertilisers. Timac Agro Kenya, a subsidiary of Roullier, set up shop in Nairobi late last year and is set to begin selling its premium fertiliser brands in March.
Wamae Mwangi, country director of Timac Agro, said Kenya offers a big opportunity for Roullier.
"Kenya is one of the largest fertiliser markets in Africa. In sub-Saharan Africa, Kenya is number two [in fertiliser consumption] after South Arica. In terms of overall tonnage, Kenya is doing over 500,000 metric tons of fertiliser [annually]… it is a big market."
Roullier Group, one of the largest suppliers of fertiliser in the world, began operations in Africa towards the end of 2013 and opened offices in Senegal and Côte d'Ivoire.
"Before the war, Ivory Coast was one of the jewels of West Africa. They are now restructuring, it has a very well educated population, very good infrastructure in place and, of course, with the dividends of peace, it's easy to pick up in Ivory Coast. If you are not in Ivory Coast, you are not in West Africa."
Timac Agro will sell a range of products including its Duopac brand for cereals such as barley, wheat and sorghum, as well as Locastart for short-term crops like maize, vegetables, potatoes and beans.

Acidic soil

"We have brought in what we call specificity fertilisers from Europe. We have added a patented molecule to our product which prevents the problem of acidification… and to avail phosphorous to the plant."
According to Mwangi, the soils in Kenya are mostly acidic and to be productive the pH levels need to be raised. He argues that the use of DAP, which is an acidifying fertiliser, is like adding "fuel to fire". The acidification prevents absorption of phosphorous which is essential for root development.
"The soils are sick. It is not over use [of fertilisers]. Countries like China, Korea are doing 200kgs per acre while we only at 33kgs. Our usage is very minimal. The problem is we are using the wrong fertiliser."

Timac Agro will start with targeting commercial farmers in high productivity areas in Kenya whose purchasing power for premium products is higher.
Mwangi says Timac Agro's fertilisers will cost about 50% more than other fertiliser brands which sell at about KSh 2,450 (US$28) for a 50kg bag. However, he adds, the rate of usage of Timac Agro's fertilisers could be 50% less and farmers will record substantial increase in their yields.
"A commercial farmer will understand the cost benefit analysis," says Mwangi, adding that he expects the "price factor" to be a challenge initially because fertilisers imported by the government are highly subsidised.
An uphill task for Timac Agro is building confidence among farmers who have seen wonder products enter the market which failed to live up to their promises.
Timac Agro has recently hired a team that will be deployed across the country to train farmers, and is also partnering with recognised research institutions in the country. The firm's products are being tested by the Coffee Research Foundation, The Tea Research Foundation, Sugar Research Institute and Kenya Agricultural Research Institute.

Addressing a need

Mwangi did not disclose how many tons of fertiliser Timac Agro will be shipping this year but said the firm is targeting 1% of the Kenyan fertiliser market. Kenya imports 500,000 metric tons of fertiliser annually.
"Within the fifth year, I expect this figure to have grown to 7.5%," says Mwangi. "We expect a wait-and-see attitude at first. People need to be confident in us. Our short term plan is to educate farmers on what the real problem is… and get farmers to address that problem… and heal our soils. We are not coming with a mindset of sell, sell and sell. We are here to address a problem."
Agribusiness, Mwangi explains, is a crucial sector as the world's population increases. Farmers who adopt improved and modern farming techniques stand to make huge financial gains as demand for food rises.
"I will tell you of two sectors you need to invest in. If you are not in energy, you have to be in agriculture. That is the future of the world," says Mwangi. "The global population by 2020 will be about 8bn. People will always eat. So, at any given day, someone has to be producing food for this population. It's guaranteed business."
Mwangi says Africa's food security challenges will be solved as stakeholders adopt innovation. Organic farming, he adds, has its benefits but is not the best fit for Africa today.
"You cannot produce without fertiliser. Organic farming is for the rich. You can never sustain a country with organic farming. Organic farming is after quality, not quantity. What we need in Africa is quantity." *(How we made it in Africa)*

Food for thought as African private equity stimulates economic development

Food security and affordable housing have been uncharted areas for investors in Africa whereas oil and mineral resources have largely driven investment. Despite the continent's young, fast-growing and increasingly affluent population, coupled with increased urbanisation, food and housing were previously underfunded. This dynamic presents opportunities that have the potential to deliver solid returns while fulfilling Africa's needs for economic and infrastructure development.

Approximately 12% of global private equity capital is invested in emerging markets. Of this, roughly 3.6% is channelled to sub-Saharan Africa according to figures released in 2013 by EMPEA. Private equity in Africa is therefore small and typically spent in areas outside of food and housing.
Private equity as a percentage of GDP usually increases with an economy's state of development, but for Africa, private equity penetration is still low. Less than 0.1%, compared to the 1% of developed markets. The average sub-Saharan African deal size amounted to around US$7m in 2013, considerably smaller than the average deal size in Latin America ($23m) and emerging markets in Asia ($10m). (Source: EMPEA Industry Statistics Q3 2013.)
The African private equity market is different from developed markets where buy-outs are financed with significant leverage. In Africa, venture and growth capital are the norm and structures that enhance self-help are more common. As African economies mature and the number of companies in later stages of their life cycle grow, I anticipate the number of buy-outs to rise. With growing economies we have seen foreign private equity firms entering the continent and this is encouraging.
Investors need to understand the value and opportunity that our continent presents. However, I believe Africans themselves are missing this investment opportunity. While foreign investment is crucial to help drive development across Africa, our continent has a lot to offer and we need local capital investment to unlock our continent's potential, driving a halo-effect among the investment community.
The International Monetary Fund currently estimates GDP growth of around 5.5% per annum on average in Africa over the medium term, which is far above the developed world's economic growth rate. Africa's demographic dividend – a young and rapidly growing population that could double by 2050 – is likely to continue to spur consumer spending over the medium and long term.
The agricultural sector in Africa is coming into its prime, with growth being fuelled by people's need to be fed. Conditions in Africa are prime for food production but there is clearly a greater need for equity capital investment to maintain food production to ensure food security. Although private equity in agriculture has been negligible up to now, I anticipate growing interest in the sector in light of the continent's buoyant consumer population and strong economic growth.

Adding value at all levels

Being a valuable partner to enable change in Africa entails much more than being part of the value chain. It is about adding value at all levels, enabling the value chain in food security to be more integrated, predictable and profitable. It is more than simply maximising value on exit. It is about economic development which is inclusive of surrounding communities, while remaining cognisant of environmental and social issues.

Furthermore, activities such as agriculture in Africa are typically smaller, more fragmented and far less automated than similar activities in Europe or the US. It is imperative for a private equity participant to understand these dynamics. Phatisa is among the first African private equity managers to recognise the investment potential of underdeveloped sectors. We have already invested in a number of development projects across sub-Saharan Africa, such as our flagship investment in a Sierra Leone palm oil business through the African Agriculture Fund (AAF).

Recently, the AAF, together with a leading British development finance institution, invested in a sizeable palm oil investment in Feronia, the Democratic Republic of Congo's (DRC's) leading palm oil company. This $25m investment will help the company accelerate the restoration of its three palm oil plantations in the DRC which, after many years of civil conflict, is one of the world's poorest countries. As much as 70% of the population lives below the poverty line, according to the World Bank's ***African Economic Outlook 2013***. Despite huge agricultural potential, the DRC relies on imports for a substantial portion of its food requirements. Feronia aims to reduce imports of these staple goods and contribute to local food security by increasing the availability of edible oil and cereal products.

I believe that being entrenched in African agriculture requires a unique perspective in terms of harnessing skills to unlock value from investments. It is important to not only employ private equity and corporate finance skills, but to best understand that in the agricultural sector you need to employ farmers or people who have managed farms and can provide 'real knowledge' about what farms might need at a particular time. At Phatisa, we believe in supporting our investees with technical knowledge and skills to develop their businesses, as well as achieve acceptable returns.

Investing in housing

Our second fund, the Pan African Housing Fund (PAHF), is focused on affordable and middle income housing and partners with local developers to enable them to operate at a higher level. Africa's substantial population growth together with rapid urbanisation translates into massive demand for housing. According to the East African Development Bank, the sector requires $2.5bn per annum for investment in Africa. The reality is that governments cannot keep pace with the urban demand for housing.

It is important to be realistic and know that investments in Africa are not without their challenges. Traditionally, entrepreneurs have been used to sourcing funding in the form of loans. There is a need to change this mindset to a more relationship focused model which looks to a long term solution to compliment bank finance. Africa's economies and their related politics are still fluid in nature and the environment can change during the life of the investment. To attract more investment Africa needs a more stable environment. A predictable regulatory and political landscape helps in the creation of exitable investments and most importantly, private equity investments can be structured so that the prospects of exits are maximised.

With Africa's increasing population and economic growth, there is a significant opportunity for patient investing to build sustainable businesses in underfunded sectors such as agriculture and housing. By leading the way for investment in these sectors, we believe we are contributing to the development of the continent and securing sound returns for investors.

Valentine Chitalu is the Chairman of Phatisa Group, MTN (Zambia) and SABMiller (Zambia). He also participates on a number of boards of listed companies in the UK, Australia and South Africa as well as being a main board member of CDC Group. Chitalu is a chartered accountant and has worked with KPMG Peat Marwick, UK and Meridien Financial Services, Zambia and the Zambia Privatisation Agency where, as CEO, he oversaw the disposal and privatisation of around 240 businesses. He was previously Chairman of the Zambia Venture Capital Fund, was on the board of Commonwealth Africa Investments (Comafin) and was Central African Director for CDC Capital Partners where he initiated and executed a number of private equity transactions. As an entrepreneur, he has made a number of private equity investments in the Zambian economy and the region. (How we made it in Africa)

Courted for cashews, west African farmers gain strength

Under the darkness of midnight in Seketia, a farming village in western Ghana, cashew traders and middlemen go knocking from door to door looking for supplies of harvested nuts. "During the peak harvest, they visit us late at night, trying to get us to sell," says David Enkamah, a cashew farmer.

Worldwide demand for cashew has grown about 7 % a year over the past decade on the back of healthy snacking habits. The treenut, along with sesame seeds (favoured by the Japanese, South Koreans and Chinese) and pigeon peas, a common ingredient in Indian kitchens, are among a number of crops where the balance of power has tilted a little towards African farmers. Growers of cashew, buoyed by demand from India and China as well as resurgent consumption in Europe and North America, are among those defying the stereotype of smallholder farmers in developing countries rendered powerless against the might of multinational companies and market forces.

During the harvest season, which starts in January, 30 to 40 agents and traders looking for supplies for processors and exporters descend on Seketia. During the peak months of April and May, west Africa, the world's leading producer of cashew, is the scene of a scramble for farmer loyalty.
As a handful of growers in Seketia gathers to discuss the current crop and prices, Mr Enkamah notes: "Even now, somebody might be contacting some of the farmers."
Far from accepting the first bid, Seketia farmers wield mobile phones to communicate with fellow growers in other communities, pitching offers against each other to get the best price.
Buyers are also finding they need to offer longer- term incentives. About a third of the farmers in Seketia work closely with Olam International, an agricultural trader in Singapore which is the world's largest cashew dealer and processor. Olam is looking to improve long-term relationships with the growers by providing them with zero-interest loans and training.
They need to see there is a possibility of a livelihood in farming, and they can educate their children," says Samir Kumar, head of cashew for Olam Ghana.
In spite of strong demand, farmers cannot suddenly command high prices for their cashews, which compete with other treenuts. Annual incomes for many African cashew farming households still total less than $1,000. About a third of this comes directly from the treenut, according to the African Cashew Initiative, which is backed by the German government and co-ordinates public and private partnerships.
Much of Africa's raw cashews are processed in India and Vietnam, but Olam is increasing its African processing capacity. The company, which operates processing plants in Ivory Coast, Tanzania and Mozambique, believes that local processing encourages loyalty among farmers who can see a ready market for their crop. It also says the operations generate revenues for the wider community, especially female factory workers.
To keep growers interested in supplying cashews, buyers need to offer a balanced portion of the profit margins, says Rita Weidinger, executive director of the cashew initiative. "Leaving the concept of fairness aside, from a business model point of view, it's just not sustainable," she says.
But for all their efforts to nurture long-term relations with the growers, Olam executives are quick to acknowledge that price is king when negotiating with the mobile phone-wielding farmers during the harvest. "Of course you need to match the highest bidder," says Mr Kumar. "You'll be fooling yourself if you think you can get away with offering lower prices than your competitors." *(Financial Times)*

TRADE

Rwanda: U.S., TMEA Sign Rwf17 Billion Deal to Facilitate Trade in the Region

A $25m (about Rwf17.3b) funding deal aimed at facilitating trade along the Northern and Central corridors has been signed between TradeMark East Africa (TMEA) and the US. The two routes link land locked countries in region like Rwanda to Mombasa (Northern Corridor) and Dar es Salaam (Central Corridor) ports.
The funds will be channelled through the United States Agency for International Development (USAID). The agreement will also focus on facilitating the regional integration, TradeMark East Africa, said in a statement yesterday.
It added that the support will help TMEA broaden its regional integration programmes at the ports of Mombasa and Dar es Salaam and key border posts along the Northern - Kigali-Kampala-Mombasa and Central - Kigali-Dar es Salaam - corridors. TMEA will also work with East African Community (EAC) member states to remove the remaining barriers to trade. Some of the existing trade barriers include high customs fees, corruption, weighbridges, bad roads and delays at border posts.
TradeMark East Africa provides technical and monetary support to the EAC secretariat, national governments, private sector and civil society to help improve business environment in the region.
The agreement was signed by USAID associate administrator, Mark Feierstein and Frank Matsaert, the TMEA boss in Nairobi, Kenya.
Feierstein said the deal will unite donor efforts aimed at supporting the East African Community implement its shared vision of a prosperous East Africa.
In July, 2013, president Barrack Obama announced the United States Trade Africa Initiative, a new partnership between the US and sub-Saharan Africa that seeks to increase internal and regional trade within the EAC, and expand trade and economic ties between Africa, the US and other global markets.
"The US government is an important partner in promoting regional and economic integration in East Africa.
"TradeMark East Africa will continue to focus its efforts on increasing trade and prosperity in the region, primarily through investments that have the biggest benefit for East Africans and the private sector," Matsaert noted.
He added that facilitating regional trade is one of the most effective means that will help create jobs and alleviate poverty.
He noted that trade infrastructure is critical to the region's development goals.
According to the agreement, the US Trade Africa Initiative will assist the organisation to address economic growth constraints by promoting intra-regional exports, as well as help create new markets for exports, including in the US.

Removing barriers to cross-border trade can reduce the average time to import or export a container from Mombasa or Dar es Salaam to Burundi and Rwanda and Uganda by 15 %.
Commenting on the development, Nathan Gashayija, the director of economic and productive sectors at the Ministry of East Africa Community Affairs, said eliminating the existing non-tariff barriers will ease the movement of goods and services and foster the growth in the region. *(The New Times)*

Africans must show the way on intra-continental trade, investment – Zuma

External partners could not be expected to appreciate the value of Africa "if we as Africans do not", President **Jacob Zuma** said at the Bloomberg 'Africa: Economic Outlook and Opportunities' conference in Johannesburg on Monday, while underlining South Africa's emergence as the single largest foreign direct investor (FDI) in the rest of Africa in 2012.
Speaking at a gathering attended by Bloomberg founder and former New York mayor **Michael Bloomberg**, Zuma said, since 2007, there had been a compound growth of 57% in South Africa-originated FDI projects into the rest of the Africa.
"Our other partners on the continent, such as Nigeria, Kenya and increasingly Angola, are also taking up the cause of investing on the African continent. Intra-Africa investments should define the new Africa paradigm."
Intra-Africa investment had grown at more than 32% since 2007, which Zuma said was more than double non-Africa emerging markets and almost fourfold faster than developed markets.
The address was made only days after Zuma returned for the African Union's (AU's) twenty-second summit in Addis Ababa, Ethiopia, where the issue of stimulating greater levels of intra-African trade and investment was given priority, along with the perennial topics of peace and stability, food security and governance.
"It is mine and my government's belief that Africa's integration and intra-Africa trade cannot be realised without concerted efforts to invest in Africa's infrastructure and manufacturing sectors."
Cross-border infrastructure received particular attention in Addis Ababa, with the African Development Bank (AfDB) signing a $9-million grant agreement with the African Union Commission ahead of the summit to help strengthen the capacity of African countries to plan, prepare and implement regional infrastructure programmes.
In addition, the meeting of the New Partnership for Africa's Development Heads of State and Government Orientation Committee, held on the eve of the summit, endorsed the AfDB's 'Africa50' initiative, which would seek to mobilise private financing to accelerate the delivery of infrastructure in Africa.
Zuma said integration efforts, through the negotiation of the Tri-Partite Free Trade Agreement (T-FTA), were also "intensifying". "We have made considerable progress in the negotiations, which aim to integrate 26 countries of Eastern and Southern Africa. This involves a population of nearly 600-million people and a combined gross domestic product of $1-trillion dollars."
The T-FTA would form the basis, he added, for an Africa-wide agreement, which could create a single market of $2.6-trillion and a population of over 1-billion people. South Africa was pursuing what it had termed 'development integration', which was premised on market integration, infrastructure development and industrialisation.
Africa's rise, Zuma added, had been facilitated by broad-based growth over the past decade, which had led to a tripling in the size of the African economy has since 2000.
"This growth is predicted to continue in the foreseeable future, giving rise to a new Africa paradigm: Africa as the new growth frontier," he said, while asserting that "potential investors are in the right continent at the right time". *(Engineering News)*

TOURISM

Starwood Capital's Louvre Plans as Many as 16 New Africa Hotels

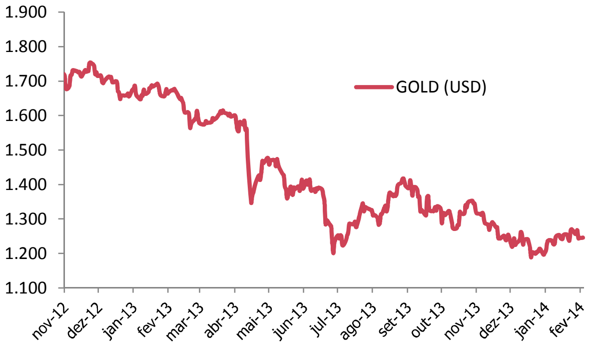
Louvre Hotels Group, a unit of Starwood Capital Group LLC, will open as many as 16 hotels in Africa this year, including its first in French-speaking sub-Saharan countries, as business travel fuels the lodging growth.
The Paris-based company plans to add properties in countries including **Burkina Faso**, Senegal, Rwanda and Ethiopia, Louvre Chief Operating Officer Alain Sebah said in an interview yesterday. The company will start work on a hotel in Benin in February and may open a West Africa regional office in Abidjan.
"Demand is rising," Sebah said in Abidjan, Ivory Coast's commercial capital. "African growth creates wealth and traffic, and boosts the development of the hotel trade."
Hotel groups including Marriott International Inc. and African companies like Mali-based Groupe Azalai Hotels are adding rooms on the continent as demand for raw materials like oil, copper and gold fuel economic growth. Sub-Saharan African economies will outpace every region except developing Asia this year, according to the **International Monetary Fund**.
Louvre, which operates 27 hotels on the continent, plans to open as many as seven in **Morocco**, three in Algeria and two in **Tunisia**, Sebah said. The company also may set up a fund to boost its investments in Africa, he said.
"Africa offers opportunities which no longer need to be demonstrated," Sebah said.

MARKET INDICATORS

03-02-2014

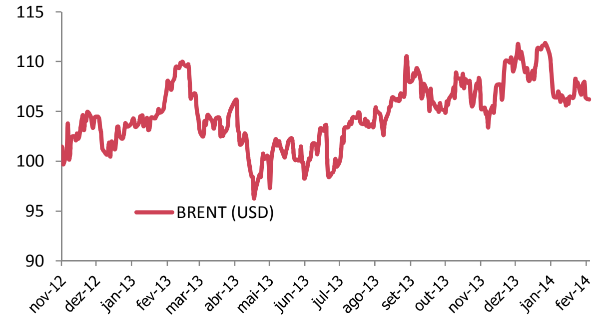
STOCK EXCHANGES		
Index Name (Country)	**03-02-2014**	**YTD % Change**
Botswana Gaborone Domestic Index (Botswana)	9.454,45	25,89%
Bourse Régionale des Valeurs Mobilières (Ivory Coast)	247,42	48,53%
Case 30 Index (Egypt)	7.421,14	35,86%
FTSE NSE Kenya 15 Index (Kenya)	167,40	33,12%
Morocco Casablanca Stock Exchange CFG 25 (Morocco)	18.874,24	-1,40%
Nigerian Stock Exchange All Share Index (Nigeria)	40.793,86	45,28%
FTSE/JSE Africa All Shares Index (South Africa)	44.992,13	14,63%
Tunindex (Tunisia)	4.507,05	-1,59%

Source: Bloomberg and Eaglestone Securities



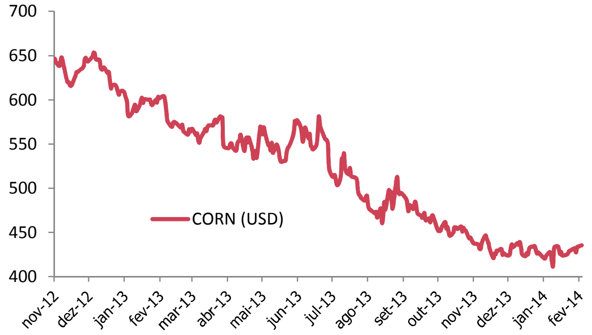
METALS		
	Spot	**YTD % Change**
Gold	1.246	-25,65%
Silver	19	-36,46%
Platinum	1.392	-9,64%
Copper $/mt	7.065	-10,92%

Source: Bloomberg and Eaglestone Securities



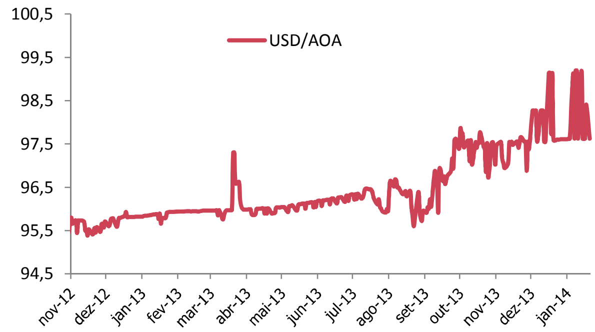
ENERGY		
	Spot	**YTD % Change**
NYMEX WTI Crude (USD/barril)	97,6	4,71%
ICE Brent (USD/barril)	106,2	-2,08%
ICE Gasoil (USD/cents per tonne)	904,0	-1,28%

Source: Bloomberg and Eaglestone Securities



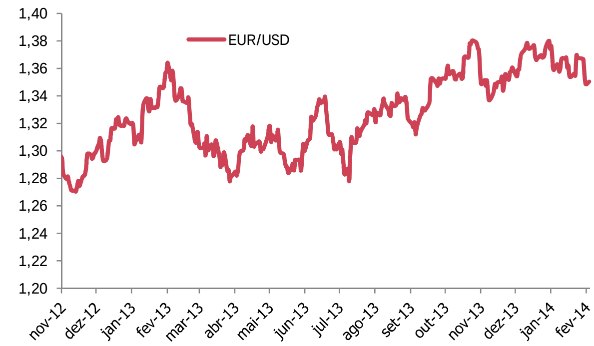
AGRICULTURE		
	Spot	**YTD % Change**
Corn cents/bu.	435,5	-37,81%
Wheat cents/bu.	555,5	-29,48%
Coffee (KC) c/lb	129,9	-11,45%
Sugar#11 c/lb	15,7	-20,52%
Cocoa $/mt	2890,0	28,22%
Cotton cents/lb	85,4	12,60%
Soybeans c/bsh	1280,8	-8,47%

Source: Bloomberg and Eaglestone Securities



CURRENCIES	
	Spot
KWANZAS	
USD	97,614
EUR	131,809
GBP	159,503
ZAR	8,784
BRL	40,642
NEW MOZAMBIQUE METICAL	
USD	30,800
EUR	42,098
GBP	51,072
ZAR	2,772
SOUTH AFRICAN RAND SPOT	
USD	11,115
EUR	15,008
GBP	18,164
BRL	4,628
EUROZONE	
USD	1,35
GBP	0,83
CHF	1,22
JPY	137,57
GBP / USD	1,63

Source: Bloomberg and Eaglestone Securities



UPCOMING EVENTS

Africa Oil & Gas Summit 2014, January 27 & 28, London, Lancaster Hotel (*http://www.africaoilandgassummit.com/***)**

African Mining Indaba- 3-6 Feb 2014-Cape Town, South Africa
Global professionals including key mining analysts, fund managers, investment specialists, and governments clearly define Mining Indaba as their preferred venue for obtaining the most current economic and mining developments from the world's leading experts on African mining. It is held annually at the Cape Town International Convention Centre in Cape Town, South Africa and is organised by Mining Indaba LLC. (*http://www.miningindaba.com/)*

Build Africa 5-7 Feb 2014- Brazzaville, Republic of the Congo
The premier business & investment forum for infrastructure in Africa. For the first time in Sub-Saharan Africa, the BUILD AFRICA forum, to be held in Brazzaville, February 5th-7th, 2014, provides a framework for practical exchange and reflection between the global players who are forging Africa's development. For two days, policymakers, donor agencies, NGOs and infrastructure and construction experts from around the world, all involved in the major challenges of infrastructures, will gather to tackle the continent's main obstacles and find new solutions to specifically pan-African problems. (*http://www.buildafricaforum.com/en/home)*

South Africa's annual private equity conference will be held at Spier, Stellenbosch, South Africa on Tuesday 11 February 2014
The event is co-hosted with pride by The South African Private Equity and Venture Capital Association (SAVCA), Financial Times Live and the Emerging Markets Private Equity Association (EMPEA).*(http://event.ft-live.com/ehome/74861/overview/?&)*

AFRICA ENERGY INDABA, Africa's Emerging Markets are growing their renewable energy sectors, 18 – 20 February 2014, Sandton Convention Centre • Johannesburg • South Africa, http://www.mbendi.com/siyenza/Africa-Energy-Indaba/Africa-Energy-Indaba-2014.htm

18th Meeting of the Intergovernmental Committee of Experts (ICE)- National Champions, Foreign Development Investment (FDI) and Structural Transformation in Eastern Africa, 17 February 2014 to 20 February 2014 Kinshasa, Democratic Republic of Congo. United Nations Economic Commission for Africa is organising. *(http://www.uneca.org/ea-ice18)*

Africa Renewable Energy Investment Forum 5th - 7th March 2014 Centro de Congressos de Lisboa-Lisbon, Portugal
This Forum will bring together all the major actors involved in the renewable energy sector in Africa, including African Ministers of Energy, energy companies, representatives of the European Union, African regional economic communities, development financial institutions, investors and financiers. The aim of the Forum is to discuss current projects, learn about case-studies, and explore new opportunities. The forum will offer a platform to significantly develop the African Renewable Energy sector by creating win-win solutions for governments, investors and businesses in Africa as well as internationally.*(http://www.ic-events.net/2013/renewableenergy/)*

POWER-GEN Africa 17 Mar 2014 - 19 Mar 2014 Cape Town, South Africa
POWER-GEN Africa will consist of a conference and exhibition dedicated to the needs, resources and issues facing the power generation sector across sub-Saharan Africa. It will, for the 2nd year, bring together a range of experts involved in every aspect of the business of power generation from policy makers, project developers, financiers,...

ARA WEEK 2014 Indaba 24th - 28th March 2014 Marrakech
Meet with all of the key players of the North and Sub-Saharan African and International downstream oil industry to discuss the theme of the conference "Investing in Infrastructure". Join representatives from refineries, government ministries, banks, regulators, importers, distributors, traders, storage companies, marketing companies and refinery equipment and technology suppliers.

Mozambique Mining, Oil & Gas and Energy Conference 27-28 March 201, *www.mozmec.com*

Wind Energy Summit South Africa, 9-10 April 2014 | Cape Town, South Africa http://www.fc-bi.com/

Africa Agribusiness Forum 2014, 28-29 April, Vienna International Centre, Austria in partnership with UNIDO

(www.africaagribusinessforum.eventbrite.co.uk)

5th Eastern Africa Oil, Gas-LNG & Energy Conference 28 - 30 April 2014 Nairobi, Kenya
"Exploration, Development, Production: Oil/Gas-LNG, New Ventures, Bid Rounds, Investment, Service/Supply"

10th West African Mining & Power Conference, In Association with WAMPOC, 28 - 30 May 2014
Accra International Conference Centre, Accra, Ghana. http://ems.mbendi.com/West-African-International-Mining-and-Power-Exhibition/wampex2014.htm

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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 manage-ment and brokerage – and currently has offices in Amsterdam, New York, 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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