INSIDE AFRICA

Now is the time to invest in Africa

06 January 2014

EAGLESTONE SECURITIES

BRIEFS

Africa

- Since 2007, intra·African investment into new FDI projects grew at a 32.5% annual compound rate, double the growth from non-African emerging markets and four times faster than FDI from developed markets.
- Infrastructure investment in Africa was up 33% in 2012, caused by hike in the energy sector
- Sub-Saharan smartphone penetration is 4%, compared with a global average of 17% at the end of 2012. By mid 2013, there were 253m unique mobile subscribers and 502m connections.

Kenya

- Kenya and Uganda are also planning to construct a 1,400km USD 4bn pipeline. From Uganda to Kenya's Lamu port on the Indian Ocean Coast, the oil will be transported by a heated and buried pipeline to maintain continuous flow.

Mozambique

- Mozambique will issue bonds to research heavy minerals in Nampula.
- Niassa province notes economic growth of 6.7% in 2013 to reach 13.2 billion metical compared with the 12.3 billion in 2012.

Nigeria

- External reserves fell US$1.8bn in fourth quarter: Nigeria's external reserves declined by US$1.8bn to US$43.6bn in the fourth quarter of 2013. This represents a decline of 4.0% from the US$45.4bn that the reserves stood at as at Q3 2013. The value of the forex reserves at the end of the year was at its lowest in 2013.

Zimbabwe

- Strong foreign investor interest on the Zimbabwe Stock Exchange (ZSE) has lifted the bourse to its best performance since dollarisation in 2009.

- The majority of investment projects assessed by the Zimbabwe Investment Authority this year have taken off, although at a much slower pace largely due to prevailing liquidity challenges. The projects were approved in 2011 and 2012. Last year, ZIA approved 172 projects worth US$930 million.

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In-depth:

New Pacts Ease Path Toward East African Single Currency

- Agreements outline ten-year roadmap toward monetary union
- Greater integration should sustain economic growth, boost efficiency
- Payments system expected to speed cross-border payments, promote trade

Moves toward deeper economic integration among the countries of the East African Community (EAC)—Burundi, Kenya, Rwanda, Tanzania, and Uganda—have gained new impetus from agreements sealed in recent weeks.

The signing of a Monetary Union Protocol by community heads of state in Kampala, Uganda, on November 30 is a milestone outlining a ten-year roadmap toward monetary union. The formal launch of the East African Cross Border Payment System on November 25 is a significant operational step increasing monetary and economic integration.

The IMF has supported the EAC regional integration process since its origins. IMF staff have provided technical assistance such as regional workshops and participated in the policy dialogue, including in meetings of EAC central bank governors and several conferences, and hosting meetings on the sidelines of the IMF-World Bank Annual and Spring Meetings.

Moreover, the IMF has supported the economic programs of all EAC countries. Continued engagement provides an opportunity to back the policies that member countries are pursuing to meet the objectives they have set for themselves in the Monetary Union Protocol.

The EAC region has increasingly attracted interest from international investors, with real economic growth averaging 6 percent over the past decade—an impressive performance sustained while much of the world economy was affected by the global economic and financial crisis that began in 2007–8. Greater integration not only into the global economy but also within the EAC region is expected to help sustain strong economic growth and improve economic efficiency.

Investment destination

A larger regional market will lead to economies of scale, lower transaction costs, increased competition, and greater attractiveness as a destination for foreign direct investment. Ultimately, the objective is to optimize the production of goods and services in a region with a population of about 140 million and a combined GDP of more than $100 billion.

The EAC Monetary Union Protocol sets out the process and legal and institutional framework for the establishment of a single currency, including macroeconomic convergence criteria. Previous milestones in the EAC economic and financial integration agenda were a customs union protocol, established in 2005 with the introduction of a common external tariff and gradual elimination of internal tariffs; and a common market protocol signed in 2010, allowing free movement of goods, persons, labor, services, and capital.

The implementation of these initiatives is far from complete, but important progress has already been achieved. Further efforts to speed up trade liberalization and to harmonize policies are desirable in themselves and will also help to increase the benefits of monetary union.

Target: single currency

The EAC single currency is expected to be introduced by 2024 by member states that comply with the convergence criteria. Joint monetary policy will be governed by an independent EAC central bank with a system of national central banks as its operational arms. The central bank’s primary objective will be price stability; secondary objectives will be financial stability and economic growth and development. The single exchange rate will be free floating.

To qualify, countries are expected to meet the convergence criteria and comply with them for at least three years. The primary convergence criteria are ceilings on headline inflation (8 percent), fiscal deficit including grants (3 percent of GDP), and gross public debt (50 percent of GDP in net present value terms); and a floor on reserve coverage (4.5 months of imports).

In addition, there are three indicative criteria: ceilings on core inflation (5 percent) and the fiscal deficit excluding grants (6 percent of GDP); and a floor on the tax-to-GDP ratio (25 percent).

Monitoring and enforcement

The EAC Monetary Institute is planned to be established in 2015 to direct preparatory work for monetary union. An East African Surveillance, Compliance and Enforcement Commission to monitor and enforce convergence will be created by 2018. From that point on, monetary and exchange rate policies will be coordinated and harmonized.

The launch of the East African Cross Border Payment System, an integrated payment and settlement system within the EAC, is a concrete operational step that will help toward monetary, financial, and economic integration. The system is so far operational in three EAC members—Kenya, Tanzania, and Uganda; two additional members—Rwanda and Burundi—are working on the preparation of their systems.

The payments system is a multicurrency mechanism that links real time gross settlements of EAC member countries through the generation of automatic payment messages through the Society for Worldwide Interbank Financial Telecommunication. The central banks maintain accounts with each other, and also host prefunded settlement accounts in the currencies of partner states.

The central banks are responsible for providing the infrastructure, operating rules, and oversight of the system, while commercial banks would run it. The payments system is expected to make cross-border payments faster and more reliable, promoting regional trade.

Implementation of these initiatives and further efforts to improve integration during the next decade will help to reduce vulnerabilities and maximize the benefits of monetary union.

Africa's 5 Best Performing Economies 2013

That Africa is set to become the world's economic engine in the next 10 years or during the 21st century is no doubt a well-known fact. But that almost all the 54 countries on the continent compete fiercely to be in the top position of the 5 fastest-growing economies in Africa is little known. However, it becomes evident when the names of the top performing economies on the continent changes each year.

According to auditing firm Ernst & Young's 2013 Competitive Survey, the projected GDP growth from 2012-2017 identify Malawi, Mozambique, Angola, Ethiopia and Zambia as economies that will outperform others.

Malawi tops the list with an expected GDP growth during this period of 7 percent and followed closely by Mozambique at 6.8 percent economic growth.

In the third place is Angola with the projected GDP growth of 6.5 percent in the next six years. Ethiopia's GDP growth is expected to be 6.3 percent while Zambia is expected to grow its GDP by 6.2 percent.

Despite the negative impact of global economic crises, the size of the African economy has more than tripled since 2000, according to Ernst & Young. The continent also hold bright prospects, with many countries in Africa set to continue recording high economic growth levels in the future.

The cynics will more often than not opine that most of this economic growth is being driven by natural resources. But that is certainly not the case.

According to the International Business Times website, the number of Africans living in the cities has surged dramatically and it could soon surpass that of India, which is considered to be the leader at this stage. It is believed that in the next 16 years, half of all Africans will be living in the cities. It is also understood that Africa's middle class is set to be bigger than that of India.

The market influences of the west, which Africa is increasingly approving, are pushing down inflation and reducing sovereign debt.

Intra-African trade is changing on the continent with Africa boasting five growing trade blocs. In total, Africa has a $2 trillion economy, according to the International Business Times.

Underlisted are the top performing economies in Africa.

Malawi

According to the African Economic Outlook, Malawi's economic growth in 2013 and next year is forecast to bounce back to 5.5 percent and 6.1 percent respectively. The state has renewed its commitment to credible macroeconomic policies. Good governance has prompted the International Monetary Fund (IMF) to approve a new Enhanced Credit Facility (ECF) programme for the country. This has led to the reopening of donor financial back-up to Malawi.

Mozambique

Mozambique's steady ramping up of coal production, the implementation of large infrastructure projects and credit expansion are expected to continue to drive growth to 8.5 percent in 2013 and 8 percent in 2014, according to the African Economic Outlook. The World Bank says the country's emerging extractive industry could also provide the means for Mozambique to reach the status of a middle-income country by 2025.

Angola

Angola's economy bounced back robustly after recording sluggish growth due to oil and financial crises. The Report forecast growth in Angola to rise to 8.2 percent in 2013 and 7.8 percent in 2014 on the back of oil and gas sector expansion. There is also a public expenditure programme made to inspire economic diversification.

Ethiopia

Ethiopia's economy saw a ninth successive year of vigorous growth last year estimated at 6.9 percent, the African Economic Outlook states. The growth was driven by a surging role for services and industry. This motion is set to stay until next year.

Zambia

Growth in real GDP moved faster to 7.3 percent last year from 6.8 percent posted in 2011. In the next 24 months, economic growth in Zambia is forecast to stay strong. In 2012, the economy continued to be strong driven by expansion in agriculture, construction, manufacturing, transport and finance. According to the African Economic Outlook, prospects for the future of the country remain bright. *(Ventures Africa)*

SOVEREIGN RATING

	Eurozone					
	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
06-01-2013	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	Ba1	BBB+	BBB+	NP	A-2	F2
Italy	Baa2	BBB u	BBB+	NP	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		
06-01-2013	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

06-01-2013	Region - Africa/Middle East					
	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
	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".

AFRICAN DEVELOPMENT BANK

China welcomes AfDB's leadership in ensuring the sustainability of projects in Africa

A delegation from the African Development Bank (AfDB), led by Anthony Nyong, Division Manager, Compliance and Safeguard was in Beijing, China from 17th to 19th December 2013 for a dialogue between China and Africa on Environmental and Social Sustainability.

The dialogue provided a platform to discuss the opportunities and challenges in implementing environmental and social sustainability by Chinese firms operating in Africa to ensure that Chinese investments achieve desired developmental outcomes.

Several firms and government agencies presented their policies on environmental and social sustainability as well as the challenges they faced. They welcomed the AfDB's leadership in ensuring the sustainability of projects in Africa.

The ensuing discussions revealed that several Chinese firms have adopted good practices to promote corporate social responsibility in their organizations following the push from the Chinese government. However, more still needs to be done.

Need for better communication

The dialogue noted that little publicity is given to the good practices among Chinese firms while the negative practices received wider media attention. The need for better communication between the management of Chinese-owned enterprises, the local communities and African civil society organizations was raised.

The key challenges to implementing environmental and social sustainability among Chinese firms include the lack of enforcement of existing regulations by both the Chinese and African governments, limited capacities and expertise within the firms and the limited knowledge on the benefits of sustainability to the firms.

Representatives from the Chinese government and firms called on the AfDB to support their efforts to increase capacity among Chinese firms operating in Africa. For instance, the AfDB has been invited to participate in a proposed training on environmental and social sustainability for Chinese firms in Zambia and Ghana.

The AfDB presented the Integrated Safeguards System and its role in delivering on the objectives of its **10-Year Strategy** that is aimed at supporting Africa's transformation. The presentation emphasized the need to ensure that Africa, having missed the agricultural and industrial civilizations, the continent will not miss out on the ongoing ecological civilization. The presentation further called on every partner and stakeholder to join hands to ensure Africa's sustainable development.

The following recommendations were proposed on the way forward:

- a high level meeting will be held in Africa in 2014 that will bring together representatives from the African states, relevant Chinese ministries and agencies, Chinese firms operating in Africa, the AfDB, WWF and UNEP to discuss practical ways of promoting sustainability.
- a reporting mechanism needs to be established where yearly progress on the initiative will be reported. It was proposed that the "African Ministerial Conference on Environment" (AMCEN) meetings and the Forum for China Africa Cooperation (FOCAC) could also be an option. The establishment of Africa-China cooperation on Environment was proposed to be launched at the first meeting of the UNEP General Assembly in June 2014.
- the China International Contractors Association also recommended that the AfDB organizes training sessions on the newly approved Integrated Safeguards Systems for Chinese contractors in Beijing and in AfDB's regional offices. It was also recommended that the AfDB should improve its bidding documents to include specific items on environmental and social safeguards.

Avoiding adverse developmental impacts

China has become Africa's largest partner for development, with trade volume amounting to almost $200 billion and cumulative investments estimated to reach $19.2 billion. The country has gained a distinctive role as one of Africa's largest development partners, with a trade volume that jumped from US$ 100 billion in 1998 to about US$200 billion and cumulative investments exceeding US$19 billion.

China is playing a significant role in shaping Africa's path towards sustainable growth. Designing and implementing environmental and social sustainability to avoid or minimize adverse developmental impacts is fundamental in achieving this goal.

With China's increasingly large presence in Africa, especially in the extractive industries, natural resources exploitation and infrastructure development, Chinese contractors and financing institutions have a growing responsibility to promote environmental and social sustainability in their investments on the continent.

The Chinese government is recommending that its firms operating in China, as well as in Africa place a significant emphasis on environmental and social sustainability. Guidelines on mainstreaming corporate social responsibility have been developed to that end.

Jointly co-organized with the World Wide Fund for Nature (WWF), this dialogue involved a wide range of stakeholders: the China Council for International Cooperation on Environment and Development (CCICED), the China Ministry of Environmental Protection (MEP), the Center for Environmental Finance Services (MEP-FECO), the Department of International Trade and Economic Affairs at the Chinese Ministry of Commerce (MEFCOM), the Chinese State Forestry Administration, the China International Contractors Association (CHINCA), International Ecosystems Management Partnership (UNEP – IEMP), various state owned enterprises and private sector operators.

INVESTMENTS

Commission analyses water regulation projects

Luanda - The Water Law was regulated with the favorable consideration of the draft General Regulation on Use of Water Resources, at the 10th ordinary session of the Commission for Real Economy of the Council of Ministers

Among the documents from the Ministry of Energy and Water analyzed at the session, it is highlighted the regulations of Public Water Supply and Sewerage.

At the end of the session, the minister of Energy and Water, João Baptista Borges, told the press that the proposal is part of a need of regulating Law 26/02, on water resources.

João Baptista Borges said that these are regulations that will shape the legal framework created with the approval of the Water Law.

"There is a great investment for the ongoing expansion of the water supply system. What was needed was a regulation establishing the standards, criteria, responsibilities in the management and use of these systems," he said.
The regulation of water supply, he goes on, introduces criteria for the management of all systems of water supply and sanitation in the country.
Law 26/02 defines the essential aspects that have to do with water resources and water supply, among them urban and rural water supply.
Under the proposal of the Ministry of Energy and Water, the production, treatment and distribution of water should be included among the activities subject to licensing arrangements or concessions.
The Commission for the Real Economy of the Council of Ministers is coordinated by the vice President of the Republic, Manuel Domingos Vicente, assisted by the Minister of Economy.
It includes the ministers of Planning and Territorial Development, Finance, Economy, Oil, Energy and Water, Agriculture, Fisheries, Commerce, Geology and Mining, Industry, Transport and Construction.
The list continues with the ministers of Urbanism/Housing, Telecommunication and Information Technologies , the Secretary to the President for Economic Affairs and the advisor for Economic and Business Affairs of the Vice President.*(ANGOP)*

Private investment in Angola nearly doubled in 2013

Angola's National Private Investment Agency (ANIP) this year evaluated and approved 177 investment proposals together worth 444.2 billion kwanzas (US$4.540 billion), said the head of that institution, Maria Luísa Abrantes.
Cited by the Angop news agency, Abrantes explained that the proposals evaluated and approved in 2013 were nearly double the investment projects endorsed in 2012.
Besides the goods and services that will result when the approved projects begin operations, with consequent tax revenue, the investment proposals will ensure 17,000 direct jobs, she said.
Abrantes highlighted another challenge the agency took on in 2013, that of accompanying projects in installation phase and controlling the execution of investment projects already approved.
That task was carried out in the country's 18 provinces "with extreme limits in the province of Luanda", where at least 3,400 investment projects have been approved since 2003, with deficient monitoring and control due to the low number of ANIP personnel, she said.
The situation of private sector investments in Luanda province is even more serious, Abrantes added, because "various private investors are not found at the addresses or sites agreed on in the contracts". *(Macauhub)*

MTN Agrees Sale Of Rwanda, Zambia Network Towers To HIS

VENTURES AFRICA – African telecom giant MTN Group has agreed to sell its tower portfolios in Rwanda and Zambia to IHS Holding Limited (IHS), a leading tower operator in Africa.
MTN will sell a total of 1,228 mobile network towers to IHS's subsidiaries in Rwanda and Zambia, comprised of 524 and 704 towers respectively, for undisclosed amounts, an official statement revealed.
The sale of the towers is in line with MTN's asset optimization strategy which is encompassed in MTN's new strategic framework and builds on two previous deals with IHS in Cameroon and Côté d'Ivoire, for a total of 1,758 towers.
"In addition to unlocking value in our passive infrastructure, we remain cognizant of the need to contain and efficiently manage our cost structures across the Group as our markets mature and become more competitive," said Sifiso Dabengwa, President and CEO of MTN Group.
"We are confident these transactions are a positive step towards freeing up management time to focus on products and services, thereby fulfilling our mission of 'making our customers' lives a whole lot brighter."
Under the agreements, IHS will acquire and operate the towers and related passive infrastructure and will invest in a build-to-suit program to support MTN's future requirements in both countries. MTN Rwanda and MTN Zambia will become the respective anchor tenants on the towers for an initial term of ten years.
The transactions bring the total number of towers in IHS's portfolio to 10,500 extending its leadership in the African market. IHS will market services on the towers in Rwanda and Zambia, promoting tower sharing and collocation to help drive network improvements, better service to subscribers and economic growth. *(Ventures Africa)*

BANKING

Banks

Africa still has much to do to boost financial inclusion, report finds

AFRICA may be the second fastest-growing region, after Asia, but it lags the world in financial inclusion, according to a report from the African Development Bank.
Less than one adult in four in Africa has access to an account at a formal financial institution, while the continent has recorded annual gross domestic product growth rates of more than 5% over the past decade.

Broadening access to financial services will help to mobilise greater household savings, expand the number of entrepreneurs and create more capital for investment.
The report, Financial Inclusion in Africa, released this month, finds that technological advances such as mobile money innovations have started to make inroads into banking the unbanked.
Mobile money, via cellphones, has been the most successful innovation in Africa, with 14% of adults reporting they have used it in the past 12 months.
In comparison, less than 6% of adults in all other regions globally used mobile money in the past year.
The African Development Bank predicts technology could be a "game changer" in drawing the financially excluded into the formal banking world.
In sub-Saharan Africa, 16% of adults said they had used a cellphone in the past 12 months to pay bills, or send or receive money.
In Kenya, 68% of adults reported having used mobile money. The country's M-Pesa service, launched in 2007 by telecommunications company Safaricom, transformed the banking world as it did not have a bank licence and users did not need to have bank accounts.
About 43% of adults in Kenya who reported having used mobile money in the past 12 months, did not have a formal account.
The 2012 Global Findex database, covering 148 economies that include 42 from Africa, found that less than a quarter of adults in Africa banked with a formal financial institution, but many people used informal methods to save, such as burial societies, and borrowed from family, friends and informal private lenders.
Companies in Africa tend to lack access to bank credit, and this particularly affects small and medium-sized enterprises (SMEs). Other sources of financing, such as equity markets, are underdeveloped.
The African Development Bank report estimates a credit gap of about $100bn for businesses, of which SMEs in sub-Saharan Africa make up a credit shortfall of $70bn-$90bn.
Roughly 23% of adults in Africa overall have an account at a formal financial institution, compared with 42% in Southern Africa.
In contrast, 95% of adults surveyed in the Democratic Republic of Congo and the Central African Republic did not have an account at a formal financial institution.
Across the continent, of those without a bank account, 80% said they did not have the revenue to use one. A quarter of respondents said cost, distance and lack of documents prevented them from having an account.
In Uganda, for example, maintaining a cheque account costs the equivalent of a quarter of GDP per capita a year.
Financial inclusion goes beyond providing credit to those people previously excluded. It refers to all initiatives that make formal financial services accessible and affordable to the entire population, according to the African Development Bank.
Financial inclusion should encompass "how frequently clients use products, if the products are effectively meeting their needs, and if they are better off as a result", the bank said. *(BDLive)*

Acquisition of Fina Bank Completed

GUARANTY advanced further 15bps WoW to close at N27.00. The shares present a 9% upside to our N29.33 target price and offer a 6.1% dividend yield. GUARANTY is trading at forward P/E and P/B of 9x and 2.5x respectively.
GUARANTY has completed the acquisition of a 70% stake in Fina Bank Kenya with subsidiaries in Uganda and Rwanda ("Fina Bank"). Subsequently, Fina Bank Limited Kenya, Fina Bank Limited Rwanda and Fina Bank Limited Uganda will be renamed and rebranded as subsidiaries of Guaranty Trust Bank plc. This acquisition of Fina Bank is seen as a structured expansion programme that will enable the bank tap into the vast business opportunities that abide within the region.
GUARANTY announced nine months results for the period ended September 2013 on October 24, reporting a 9% YoY growth in EPS. Interest Income rose 9% YoY to N137 billion, coming in 4% below Vetiva's estimate (N143 billion) but within tolerance limit (+/-5%) whilst Interest Expense came in 21% higher over the period as industry wide Cost of Funds (CoF) surged.
Despite income generation and cost pressures, GUARANTY was able to sustain its benchmark cost efficiency, with Cost-to-Income (CIR) ratio stable at 42%. Operating expense rose 8.6% YoY, just in line with average inflation of 8.7% over the period. A further breakdown of costs shows that after Employee Wages (N16.3 billion) and Depreciation (N6.9 billion), AMCON Levy accounted for the next biggest single cost item (N6.4 billion, 9 months appropriated figure). *(VCM)*

FBN of Nigeria Says Annual Profit Curbed by New Regulations

FBN Holdings Plc (FBNH), owner of First Bank Nigeria, said its profit for 2013 will probably be the same as the previous year as tougher regulatory requirements increased its costs.
A regulator-mandated rise in the interest rate paid on savings cost the bank 5 billion naira ($31.5 million) in the nine months through September, while a reduction in commission on sales led to a drop of about 10 billion naira, First Bank Nigeria Chief Executive Officer Bisi Onasanya said in a phone interview yesterday from Lagos, the commercial

capital. A sale of about 150 billion naira in treasury bills, placed with the central bank at an interest rate of zero percent, also hurt the lender's income, he said.

The increase in interest on savings "was something not budgeted for by the bank," Onasanya said. "Barring any additional pronouncements by the government, we will be achieving our 2012 numbers." FBN reported 2012 net income of 75.7 billion naira, more than triple the previous year.

The Central Bank of Nigeria increased the cash-reserve requirement for federal, state and local government deposits to 50 percent from 12 percent in July to reduce liquidity and support the naira. The regulator also told lenders to lower fees and commissions from April 2013 to prevent potential conflict with clients.

FBN's profit declined by 8 percent to 59.1 billion naira in the nine months through September from 64.3 billion naira in the previous year, as cost of funds increased to 3.2 percent from 2.4 percent, the lender said in a Dec. 31 filing to the Nigerian Stock Exchange.

Loans Increase

The bank plans to increase its loan book by 10 percent to 15 percent in 2014 from 5 percent growth in the nine months through September to boost its income, Onasanya said. It's also seeking an acquisition to expand into general insurance from life insurance, he said.

First Bank "has many deals in the pipeline including the divestment of Shell and Chevron assets," Onasanya said. Oil and gas explorers **Royal Dutch Shell Plc (RDSA)** and U.S.-based Chevron Corp. are selling onshore and shallow-water assets amid persistent unrest and crude-oil theft in the Niger River delta.

Lenders in **Africa**'s second-biggest economy are returning to profitability after central bank Governor Lamido Sanusi approved a 620 billion-naira bank bailout in 2008 and 2009 as loans to equity speculators and fuel importers pushed the industry near collapse. The government then created the Asset Management Corp. of Nigeria to buy lenders' bad debts.

FBN shares declined 0.1 percent to 16.29 naira at close of trading in Lagos. They have fallen 4.7 percent in the past year, compared with a 45 percent gain on the Nigerian Stock Exchange All Share Index. *(Bloomberg.com)*

Markets

Rand could face another volatile year

THE rand had a torrid 2013, and some analysts expect 2014 to be an equally bad year for the currency.

At the end of 2012 there were already signs of a weakening bias with the currency falling to R8.99/$ in October. It then recovered and started 2013 at R8.45/$.

In February it crossed R9/$, but strengthened to less than R9/$ in April. The big blowout occurred in May after Federal Reserve governor Ben Bernanke made his initial tapering announcement.

From trading at R8.97/$ at the beginning of May it depreciated to R10.36/$ by the end of June. That was still not the end, with the currency losing further ground to R10.54/$ at the end of September.

Mr Bernanke's reversal of the original tapering commencement in September supported the rand again, with it surprising many to appreciate strongly to R9.54/$ the following month. That, unfortunately, proved to be only a brief hiatus as it depreciated further towards year-end to R10.40/$ amid market views that tapering would begin earlier than March 2014.

Many analysts still regard the rand as an exceptionally vulnerable currency. It has been lumped together with the currencies of Brazil, Indonesia, Turkey and India as the "fragile five". Therefore the currency in 2014 could be buffetted in the market not only by fundamental factors, such as the twin deficits on the budget and the current account, but also by tapering. That is because South Africa's external funding requirements remain structural, with any pre-emptive support actions by the authorities unlikely to take place.

Absa Capital Research has increased its projected lows for the currency in 2014 and expects it to hit R11/$ after the Fed begins tapering at the end of January. They expect the currency to further depreciate in 2015 and 2016 to reach R11.88/$ by the end of 2016.

For the first quarter of 2014 the rand is expected to hit new five-year lows.

However, if local economic conditions improve, these predictions could be too pessimistic. On the other hand, if local gross domestic product (GDP) growth does not recover and tapering becomes globally disruptive they could even be too conservative.

Not all is bad news. Investec economist Annabel Bishop believes most of the consequences of tapering have substantially been priced into present rand weakness. Fair value of the rand is estimated to be R8.50/$, way lower than where it is trading at present.

If past trends repeat themselves, the rand could again surprise on the upside, as in 2005-08. However, this prediction rests on the assumption of a much-improved economy that would boost inflows — an expectation that may not pan out.

Nevertheless, Investec is much more optimistic than Absa Capital on the rand's prospects. From an average of R9.63/$ predicted for 2013, the rand is expected to weaken to R10.40/$ on average for 2014, but after that strengthening to R9.88/$ in 2015 and R9.50/$ in 2016.

There were positive signs for the rand in the middle of December, when despite strong sell-offs on the JSE and in the bond market, it held up relatively well, only depreciating marginally. The expectation is that the currency could appreciate to R10.25/$ or even R10/$ in the short term. But it will probably not be sustainable.
Though indications are that the consequences of tapering have already largely been priced in, it is still not on the cards that the rand would appreciate strongly to the levels seen at the end of 2012.
But even a marginal recovery would be positive for market sentiment. The main focus will be on what the Fed is set to do. Locally the main event will be the general election, although this shouldn't have much effect on the markets.
The rand usually settles after a year of strong weakening, but whether that will be repeated in 2014 depends on a soft landing after tapering commences, as well as lesser volatility in the markets. Both outcomes are definitely not a given. A volatile 2014 for the rand cannot be ruled out. *(BDLive)*

Little glitter for gold in 2014

At the end of each year since 2001 anyone with gold in their investment portfolio would have had reason to smile. The price of the metal rose every 12 months, from $271 a troy ounce to $1,670 an ounce by the end of 2012, a spectacular bull run.
But 2013 was the year the bull retreated. Faced with macroeconomic conditions seen as increasingly unfavourable to gold – persistently low inflation, an improving global economy, surging stock prices and, finally, an announcement of the phase-out of the US monetary stimulus programme – investors rushed to offload bullion. The metal lost more than a quarter of its value this year and looks certain to record its first price fall in 13 years. The bad news for "gold bugs" is that a fast rebound appears unlikely.
"The deck is pretty much stacked against gold next year in terms of economic developments," says Philip Klapwijk, managing director of Precious Metals Insights, a Hong Kong-based consultancy. "We will continue to see disposals . . . but I don't think it will be on the scale of this year."
Mr Klapwijk predicts an average price for 2014 of $1,170 an ounce, 2.5 per cent below the current price of $1,200 an ounce with a trading range between $1,050 and $1,400. Other analysts are similarly downbeat about gold; on December 2 UBS lowered its forecast price from $1,325 to $1,200. The head of precious metals trading at one investment bank in London reckons gold could fall to $950 an ounce early next year before recovering slightly.
"Selling is ongoing and some people are saying: do we go to $700 or $600?" one trader says. "That's too dramatic. There is still enough people that will say: we need a bit of gold for insurance."
The tumble in the gold price was largely the result of a sell-off by western investors in gold exchange traded funds (ETFs). Holdings in the 14 biggest such funds, which reached record levels in 2012, have plunged an average of 31 per cent this year, according to Bloomberg data – the first yearly decrease since the funds began trading a decade ago. Assets in the SPDR Gold Trust, the largest gold ETF, have dropped to 818.9 tonnes, the lowest level in nearly five years.
James Steel, an analyst at HSBC, says that interest from western investors in gold is likely to remain weak into 2014 due to the tapering of the US Federal Reserve's $85bn-a-month bond-buying programme, which could result in a stronger dollar and send bullion prices lower.
Another factor will be the demand for physical gold – bars, coins and jewellery – which is increasingly dominated by countries in the east. The important Indian market suffered in 2013, thanks to new tariffs imposed by India's government on gold imports. Barring a policy change, weak sales in India are likely to continue. The one bright spot this year has been China. Gold jewellery demand there surged by more than a third in the first nine months of 2013 compared with the same period in 2012, according to the World Gold Council.
"White-hot demand from China will continue, though possibly not at levels that we have seen this year," says Mr Steel.
China is expected to import more than 1,000 tonnes of gold this year, overtaking India as the world's biggest consumer of bullion. However, many analysts and investors believe the state rather than consumers could be behind the surge in imports.
"The total amount of gold being consumed in China is a gigantic quantum and you have to wonder where that gold is going," Evy Hambro, chief investment officer of BlackRock's Natural Resources Equity team, said in a recent interview with the Financial Times. "Is it going on to wrists, ears and necks or is it going into state reserves?"
Longer term, prospects for gold do not appear rosy. UBS forecasts that the price of the metal will remain at or below current levels for the next few years, ending at $1,210 in 2017.
"The struggle for gold not only rests with the predominant selling interest among investors currently, but with limited positive catalysts going forward, gold is unlikely to regain its former appeal," the bank said in a recent note.
Regarded as a haven for investors in times of global political and economic uncertainty, gold has proved less sensitive to bad news in 2013 than in previous years. That is not to say that the price will not spike should something unexpected occur, such as a downturn in the US economy, a sharp fall in stock prices or an increase in inflation.
"It's tilting towards the bear side but people are unsure what will happen – we had a bull market for a decade and now it's all changed," says Joni Teves, of UBS. *(Financial Times)*

Deals

Report highlights 2014 trends in mergers and acquisitions

The recently released *Deal Drivers Africa* report highlighted trends to expect in mergers and acquisitions (M&A) in the continent in 2014. The report's research is based on interviews with 100 M&A practitioners operating in Africa, including corporate executives, private equity investors, investment bankers and legal advisers.

The report was published by media company Mergermarket in collaboration with law firm ENSafrica and South African-based bank Nedbank Capital. Here is what to watch out for in M&A activity in 2014.

1. M&A activity on the rise

M&A activity is expected to increase in 2014. Investors will be attracted by the region's high rate of growth, improved governance and huge wealth of still relatively untapped natural resources.

"Our region is among the fastest growing in the world. This growth is set to continue over the coming years. Considering the sluggish economic recovery in many developed countries, and that M&A activity is essentially procyclical, it is natural that multinational companies that want to expand their businesses through M&A are turning towards high-growth African economies," said a finance director in Zimbabwe.

2. China's influence

The growth of M&A activity will be driven by acquisitions by Chinese companies. Most deals will be in the energy, mining and utilities sector as China seeks to secure raw materials to satisfy the huge demands of its own industries. Three of the top 10 deals of 2013 involved Chinese companies. The biggest of these transactions, with a value of US$4.2bn, was China National Petroleum Corporation's acquisition of a 28.57% stake in Eni East Africa Spa from Eni Spa.

Chinese companies also see the potential to sell their products to the African market, and are looking to set up their own plants in the region by acquiring African companies.

3. Energy is the lead sector

The energy sector accounts for the largest share in terms of both volume of deals and value this year. Nearly all respondents (95%) tipped energy mining and utilities to be among the busiest over the 12 months. A South African head of corporate development said the energy sector has gained tremendous value and foreign investors are flocking in to acquire energy support so they can gain access to the energy resources available.

"Oil, gas and mining assets in Africa are crucial for global companies in terms of securing reserves and ensuring continued production with high margins. Indeed, most deals in extractive industries will have foreign companies partnering with local companies," said the director of a private equity firm in Togo.

4. The middle class effect

Africa's burgeoning middle class is inspiring increased M&A activity in the consumer sector as local and global firms capitalise on rising demand. More than half of respondents said the consumer sector will be busiest in terms of M&A in 2014.

"The opportunity presented by Africa's booming middle class is proving irresistible for global consumer companies, which are increasingly expanding their operations to target brand-hungry consumers. This trend is not limited to foreign companies with domestic consumer companies also growing their business regionally through M&A," said one Angolan financial director.

5. Outbound activity to Europe

Amongst respondents who expect an increase in outbound M&A from Africa, some 24% take the view that Europe will be the principal destination. This was attributed to favourable valuations in Europe. A financial director in Zimbabwe said outbound M&A activity will be directed towards Europe to acquire technology and distressed assets.

"African companies want to go global and learn the practices of foreign companies so that they can become more competitive in the global market. Considering the distressed situation in Europe and superior technology and famous brands they have, African companies will first prefer European countries for outbound deals," said a partner at a private equity firm in South Africa.

6. Cross-border acquisitions by African firms on the rise

African companies expanding in the region account for the largest share of M&A deal volumes and this is expected to rise in 2014. The portion of African acquirers has remained broadly steady since 2006, generally accounting for 50%-60% of total deal volume in each year.

"I think African companies are looking to expand regionally and grow their market share so that they can reduce the competition from foreign companies and prevent foreign companies from dominating their markets," said one partner from a law firm in Nigeria.

"African companies have a lot of cash on their balance sheets, which gives them confidence and aids getting the approval of stakeholders."

7. South Africa is lead acquirer

South Africa was identified as the region's most active cross-border acquirer. Notably, South African outbound M&A is expected to rise as South African companies continue to pursue opportunities across the continent.

After South Africa, Nigeria and Ghana were expected to be the next most active cross-border acquirers over the next 12 months in Africa. A managing director in Tanzania attributed this to the two countries' strong economic growth.

8. Private equity exits on the rise

More than half of respondents expect a spike in private equity exits to increase over the coming 12 months due to the attractiveness of other emerging markets. Despite this, the vast majority of respondents expect an increase in private equity activity over the coming year.

"Price reductions in other emerging markets have given rise to exits in Africa. Valuations in Africa are rising as the demand for African operations increase, leading investors to look for new markets to invest where the valuations are lower and the return on investment is greater," explained a finance director in Algeria. *(How we made it in Africa)*

ENERGY

Cuanza Norte to become Angola's top province for hydroelectric power production

Upon completion of the Laúca dam and modernisation of the Cambambe dam in the next five years, Cuanza Norte will become the Angolan province which produces the most hydroelectric power, said the project's director, Elias Estevão.

Cited by Angop news agency, the director of the Middle Cuanza Development Office said that those two projects located midway up the Cuanza River were together forecast to produce 3,030 megawatts of electricity, with Laúca producing 2,070 megawatts and Cambambe 960.

Estevão said that power production was vital to promote industrialisation in Angola. It will enable more than 8 million Angolans, mainly from Luanda, Cuanza Norte, Cuanza Sul and Uíge provinces, to have a regular and reinforced electric power supply starting in 2016.

The Cambambe dam was originally built in the 1950s. Since 2009 it has been undergoing repairs, enlargement and modernisation to raise its electric power production capacity from 180 megawatts to 960 megawatts.

The Cambambe dam modernisation project is being done in three stages, which involve raising the dam wall from 102 to 132 metres and building a new power plant with four generator units.

The Laúca hydroelectric complex will have two power plants, one comprising six generator units producing a total of 2,004 megawatts of electricity and another wind power unit able to produce 65 megawatts.

After the Brazilian company Odebrecht completes the work in 2018, the concrete Laúca dam will be 132 metres high, 1,100 metres wide and hold back a 188 sq. km reservoir. *(Macauhub)*

Nigeria: Adopting Renewable Energy in Nigeria

The need for a sustainable environment by reducing harmful effects of climate change has been overturned by global debates, calling for an end to human activities that contribute to the depletion of the earth as well as the health of the people.

This fight against earth depletion and its harmful effects is no longer bizarre; it's about adopting measures to phase out fossil fuels and cutting the emission of greenhouse gasses while ensuring energy security.

Renewable Energy Programme is one of the many alternatives chosen to fight the menace of climate change. In achieving this there have been sensitization programmes and advocacy campaigns by different environmental rights groups and non-governmental organisations to aid the adoption of renewable energy.

It is an international consensus that the economic and environmental consequences of climate change are not evenly felt. Those who pollute and those who suffer are usually not the same. The attention that is drawn to disaster is also influenced by the status of the society or country in which it happens.

The expert's consensus is that this fundamental shift in the way energy is consumed and generated must begin immediately and be well underway within the next 10 years in order to avert the worst impacts of climate change. The scale of the challenge requires a complete transformation of the way we produce, consume and distribute energy, while maintaining economic growth.

It is in line with this that the world and the international global regime has decided to respond by trying to put some measures in place and to do resource efficiency management to control the way the capital energy is used and the best measures to use in sustaining the environment.

This development led the Federal Ministry of Environment to put together the Renewable Energy Master Plan for Nigeria, initiated to fulfill its obligation as part of the African strategy on emission reduction and to address the challenges of moving towards clean, reliable, secure and competitive energy supply, which is long overdue.

Renewable energy is energy generated from natural resources such as sunlight, wind, rain, tides and geothermal heat and can be replenished.

The Renewable Energy Master Plan in the country shows renewable energy can directly contribute to poverty alleviation by providing the energy needed for businesses and employment.

Renewable energy technologies can also make indirect contributions to alleviating poverty by providing energy for cooking, space heating, lighting and contributing to education by providing electricity to schools.

The renewable energy programme, which began in Nigeria in February 2012 was formally launched in Abuja recently under the supervision of Arc. Darius Ishaku, the Supervising Minister of Environment but it is yet to get the legislation to enable the programme assume the status of an agency.

In its bid to cut down on energy poverty, reduce the congestion on the national grid and improve the health of the people in line with achieving its set objectives under the renewable energy programme, the ministry also unveiled a programme tagged Rural Women Energy Security (RUWES).

Arc. Ishaku said the project initiated by the Renewable Energy Programme of the Federal Ministry of Environment is targeted at under-served rural women with the aim of ensuring affordable and sustainable clean energy access to the rural poor.

Ishaku said that evidence suggests that widespread deployment of clean cooking stoves and solar lighting systems under the RUWES project with energy and combustion efficiency are improvements over traditional dirty fuel sources, which could also potentially help lessen adverse effect on human health, energy poverty, time and income savings and climate consequences.

He said it would also reduce black carbon emission by phasing out single-wick kerosene lighting and oily lamp through the introduction of small off grid lighting systems that use light emitting diodes (LEDS) and provision of household stand- alone solar solutions.

Engr. Bahijjahtu Hadiza Abubakar, the National Coordinator of Renewable Energy Programme explained that the programme was not only aimed at reducing the various health hazards many rural women were exposed to in the process of cooking, but also to enhance their economy as well as protect the environment from the negative effects of climate change.

Bahijjahtu while speaking to newsmen on the need to adopt the programme, said it is for the benefit of households as well as the government. "We should understand that it is a matter of saving life and also a matter of the economy, of how much the household will be saving. We need to position it as a matter of health, economy, and job creation," she explained.

Faced with the choice of deadly, dirty, dangerous energy like firewood, coal, oil and nuclear power for cooking, the programme is also proposing the clean cook stove, which is safe, clean and has renewable power capacity.

Bahijjahtu said: "We are introducing the clean cook stove because we want something close to what they are used to and to get them away from what is dangerous to their health."

She explains that some women cook breakfast, lunch and dinner with firewood and that is equivalent to smoking 3 to 20 packets of cigarette per day.

She stated that since the programme began in February 2012, over 1.3 million Nigerian women have been registered, adding that their target is to register 2 million people by February 2014.

Meanwhile, the impact of the programme is beginning to be felt in some communities as explained by the coordinator. She said about 600 homes in Mutum Biyu area of Gassol Local Government in Taraba State are now being powered by solar energy under the Rural Women Energy Security (RUWES) project in November 2012.

The youth of the community were also taught how to install the panels so that they will be able to maintain and take care of them, she said.

She added that other projects have also been ventured into, like setting up a solar powered skill acquisition centre that will be taking care of grinding and drying of agricultural products with solar energy for agricultural community but did not have 100% completion, for lack of fund.

Hon Zakari Mohammed, Chairman, House Committee on Media and Public Affairs speaking to journalists during the 4th Annual Renewable Energy Day in Abuja, said the world is moving to renewable energy and Nigeria has all the natural resources in abundance and so should embrace it.

He also enjoined the media to up their campaign on renewable energy in the course of their public service. "When you tell them [Nigerians] how much it will improve the economy, how much money they will make and how much jobs to be created and of course how much years they will be adding to their age, am sure Nigerians will embrace it," he said.

For Michael Sule, an educationist, the advocacy for the use of renewable energy is a welcome development as it will be good to our health and the ecosystem. It will help preserve our forests, which are being used for firewood exposing our land to erosion. "If we can adopt the use of solar energy which is cheaper to generate than a generator set, that will save our environment, health and money," he stressed.

Mary Onoja a housewife is of the opinion that clean cooking stove will help reduce the difficulties and dangers faced in using firewood but only if it is made affordable at the market.

According to John Isuwa, a civil servant, the concept of green energy in Nigeria will be difficult to adopt by people because there are far more worrisome problems in the country. "How do we achieve the green economy thing when we are still battling with poverty and political crises?" he said.

The Energy Revolution 2012 states that renewable energy, smartly used, can and will meet our demands. No oil spills, no climate change, no radiation danger, no nuclear waste - simply energy we can trust. We can achieve a world with 100 per cent renewable energy. *(AllAfrica)*

Kenya seeks investors for 300MW geothermal power project

NAIROBI — Kenya is seeking investors to build three power plants to harness steam in the Rift Valley, the state-run Geothermal Development Company (GDC) said on Friday.

The GDC said it expected to drill 120 wells in the first phase of the project.

The three plants are to produce 300MW of power by 2018 and the GDC estimates the project field has a potential of about 750MW.

"A period of 24-36 months will be provided for power plant construction," it said in a statement, adding that investors would be required to provide 60%-80% of the capital.

It said investors that qualified would be expected to raise at least $400m for the development and the government would not provide risk guarantees.

It encouraged would-be investors to look for these from organisations such as the World Bank's Multilateral Investment Guarantee Agency.

Kenya currently has 1,664MW of capacity against a maximum recorded demand of about 1,410MW, but demand is growing.

East Africa's biggest economy is expected to expand 5.9% in the 2013-14 fiscal year, which ends in June.

The government in November said it wanted to add 5,000MW to Kenya's power output by 2017 to unleash even faster economic growth, which is expected to raise power demand to 15,000MW by 2030. It also aims to halve the cost of power generation in three to four years, mainly by replacing diesel generation.

Geothermal energy requires a large initial investment, mainly due to expensive drilling of wells, but is more reliable than rain-fed hydropower generation in periods of drought.

Kenya Electricity Generating Company has 157MW of geothermal capacity and is constructing a 280MW geothermal power plant at Olkaria in the Rift Valley. *(BDLive)*

Western Sahara dispute dims Morocco's solar dreams

RABAT – A Moroccan solar project worth some $9-billion aimed at turning desert sun into lucrative power exports to Europe could be at risk as international lenders balk at plants planned for the disputed Western Sahara.

Morocco drew up plans in 2009 to build solar plants and wind farms to generate 4 GW of power by 2020 but much of that output is to come from sites planned in Western Sahara, the focus of a decades-old territorial dispute.

Morocco has controlled most of Western Sahara since 1975 and claims the sparsely populated stretch of desert, which has offshore fishing, phosphate reserves and oilfield potential, as its own.

However, the Algeria-backed Polisario Front seeks independence and a United Nations mission was formed more than 20 years ago ahead of an expected referendum on Western Sahara's political future which has never taken place.

The dispute was rekindled in October when Morocco recalled its ambassador from Algeria after that country's president upset Rabat by calling for human rights monitors to be sent to the region.

Western Sahara has also drawn scrutiny as European and US authorities worry that damaged relations between Morocco and Algeria could hurt cooperation against Islamist militants who are active across the Maghreb.

FIVE SITES

Morocco's plans call for building five solar power plants, including two in Western Sahara - a 500 MW plant at Foum El Oued and a 100 MW plant near Boujdour. Another 500 MW project is planned at Sabkhat Tah which borders Western Sahara.

Yet lending sources at German state-owned bank KFW, the World Bank, the European Investment Bank, and the European Union have told Reuters they will not finance projects based in Western Sahara.

"If we support those investments, it would look like we are supporting the Moroccan position. We are neutral regarding that conflict," one senior bank source said.

A second source said: "We have never supported any project in that territory (Western Sahara), and we won't, although the Moroccan solar plan means a lot for us."

All the sources declined to be named because of the political sensitivity of the matter.

Progress on the solar projects has so far been limited to one site within Morocco where Saudi Arabia's ACWA Power is building a 160 MW solar plant in the city of Ouarzazate.

MASEN, Morocco's solar energy agency, plans to launch tenders soon for construction of two more plants worth €1.7-billion - one of 100 MW and another of 200 MW - also near Ouarzazate.

Germany's KFW backed a €654-million loan in October to part-finance these.

GULF FUNDING?

Mines and Energy Minister **Abdelkader Amara** said Morocco dismissed concerns over financing though he acknowledged plans for Western Sahara were not yet finalised.

"In the initial plan, three solar power plants of five are based in the southern provinces (Western Sahara), but we have not yet decided all those areas yet," he said.

"If those institutions say that they would not finance them, we will see at the time."

Sources say Morocco may seek alternative bilateral financing from Arab Gulf states already invested in the kingdom if KFW and others balk at backing the sites planned for Western Sahara.

But they say these investors may also be skittish over such investment and would be unlikely to finance the whole of it.

FISHERIES AGREEMENT

While rights groups such as Amnesty International accuse Morocco of continuing to use excessive force against activists and repressing political freedom in Western Sahara, Rabat invests heavily there hoping to calm social unrest and independence claims.

Yet any investment involving international firms stirs protests over the legitimacy of Moroccans to negotiate on behalf of the Western Saharan population.

EU lawmakers approved a fisheries agreement with Morocco last month, allowing European ships into Moroccan and Western Saharan waters, two years after rejecting a similar deal out of concern it might strengthen Rabat's control over Western Sahara.

Morocco's official media portrayed the EU fishing deal as a political victory while the Polisario Front dubbed it a violation of international law.

Kosmos Energy and Cairn Energy last year also started seismic surveys off Cap Boujdour in Western Sahara and plan to drill an exploration petroleum well.

"We respect international laws. We have started oil exploration and have signed a fishing agreement with the European Union," Amara said.

"So I don't see why we could not get the financing needed for those solar power projects."

Moroccan lawmakers drew up a renewable energy law in 2009 which helped attract foreign investors including German industrial and financial firms which set up the north Africa-focussed Desertec Industrial Initiative (DII).

However, some members have since quit the DII, including manufacturers Siemens and Bosch, and European efforts to bolster production of renewable energy have reduced Europe's need for potential North African imports.

Morocco has domestic demand for such power, however, as the country remains heavily reliant on energy imports. *(Engineering News)*

MINING

Mozambique: 'Tremendous Progress' Claimed in Graphite Project

Maputo — The Australian company Triton Minerals, which is exploring for graphite in the northern Mozambican province of Cabo Delgado, declared on Friday that it is "extremely pleased and encouraged by the tremendous progress that has been achieved in the development in 2013 of the Balama north project".

"The outstanding exploration and drill results at both the Nicanda Hill and Cobra Plains prospects continue to support Triton's interpretation and belief that the Balama North project has the potential to host multiple world class high grade large flake graphite deposits".

In an Australian stock exchange announcement, Triton said it expects "to complete a resource definition and refined scoping study for the Cobra Plains prospect by no later than mid-2014".

The initial reconnaissance mapping programme at Balama North began in March this year, and extensive graphite outcropping was identified over 3.75 kilometres in the license area known as the Nicanda Hill prospect.

Substantial graphite mineralization was identified at the adjacent Cobra Plains prospect as from July. Significant amounts of vanadium were also identified in this area.

In November "large flake high grade graphite was identified in surface rock chip samples taken from the Nicanda Hill prospect", and "graphite mineralization was demonstrated over a zone that extends more than 10 kilometres on the Nicanda Hill and Cobra Plains prospects". *(AIM)*

Zimbabwe: Antwerp Auction Set to Open Floodgates for Zim Diamonds

Zimbabwe's successful diamond auction in Antwerp, Belgium, a fortnight ago could open floodgates of African gems to go under the hammer at the international auction.

The country's first sale of diamonds from Marange on the international scene attracted an overwhelming response, achieving total sales of almost US$10,5 million after 279 723 carats were auctioned in a trial tender.

The authoritative diamond publication, Israel Diamond Portal, last week reported that after holding its first successful tender of diamonds from Marange, Antwerp "is keen to continue providing a platform for public sales of rough stones from the region".

An industry publication, Diamond Intelligence, reported that Botswana-registered First Element, which conducted the sale of Zimbabwe goods, announced that it was holding the first exclusive tender of rough production from South Africa's Jagersfontein and Rooipoort mines in Antwerp next month.

"The tender will reportedly consist of more than 400 000 carats of predominantly white goods ranging from large single stones to melees," it said. "The sale, to be held at the Antwerp". *(The Herald)*

Zambian copper gets canadan investment

Canada-based mining and metals company First Quantum Minerals plans to invest $3bn to develop its Zambia-based

Sentinel Mine, one of the world's largest copper reserves with estimated reserves of 1bn tonnes of ore grading 0.51% copper. Aimed at increasing productivity, will also be used to build a smelter at the company's flagship Zambian operation, Kansanshi Mine. *(African Business)*

OIL & GAS

Oil reserves in block in Guinea Bissau bigger than expected

A study by French consultancy Beicip-Franlab, ordered by CAP Energy, has found that oil reserves in block 5 (Becuda), in Guinea Bissau's offshore area, are bigger than initially expected.
Atlantic Petroleum Guinea-Bissau Limited, a subsidiary of Trace Atlantic Oil, owns 65 percent of the block, which has an area of 5,500 square kilometres, whilst CAP has 30 percent of the block.
The study by Beicip-Franlab, which is a subsidiary of the French Oil Institute, "confirmed not only the potential [of two blocks], but also the fact that it is greater than expected," the company said in a market statement.
CAP Energy is prospecting for oil in blocks 1 (Corvina) and 5B (Becuda) off the coast of Guinea Bissau in partnership with Atlantic Petroleum Guinea-Bissau Limited.
The French company's interpretation "provides a quantification of the estimated resources in block 1 based on the geological history and geophysical information, including regional information on the wells." *(Macauhub)*

Angolan oil sector to have environmental monitoring

The Angolan Environment Industry plans, between 2013 and 2017, to implement an environmental monitoring plan for the oil, gas and petrochemical sector according to a document cited by Angolan news agency Angop.
According to the document, with this plan the ministry hopes better to monitor prospecting and exploration by oil companies, for potential oil spills. "For the period under consideration, the Environment Ministry wants to contribute better to the sustainability of oil production in Angola and other activities related to exploration of natural resources," the document said. In 2013 there were 20 oil spills in Angola. The National Committee for Oil Spills is intended to manage, remove and eliminate oil spills both at sea and onshore. In 2013 Italian Oil Company ENI had to pay the Angolan state US$3.5 million in compensation for an oil spill. *(Macauhub)*

Eskom, Sunbird Energy sign MoU for possible gas supply to Ankerlig

State-owned power utility Eskom has signed a memorandum of understanding (MoU) with gas explorer Sunbird Energy to jointly investigate the feasibility of securing gas from Sunbird's offshore Ibhubesi gas project to supply Eskom's 1 350 MW Ankerlig power station, some 40 km north of Cape Town.This came as Eskom was advancing its plans to replace Ankerlig's existing high-cost diesel feedstock with natural gas and convert the plant from an open-cycle gas turbine (OCGT) to a closed-cycle gas-turbine facility.
Under the MoU, ASX-listed Sunbird and Eskom had agreed to jointly investigate the economic and commercial viability of the development of Ibhubesi in the 5 000 km^2 Production Right Block 2A, located off the west coast of South Africa.
The utility would be tasked with completing several studies to determine the viability of indigenous gas sales from Ibhubesi, including identifying the governance process for the replacement of the existing diesel feed stock with indigenous natural gas, in conjunction with Ankerlig's OCGT conversion project. Eskom would further be held responsible for determining the procurement process necessary for a formal gas sales agreement to be entered into in respect of Ibhubesi – South Africa's largest proven gas field. Meanwhile, under the MoU, Sunbird would complete the field development plan and the front-end engineering and design plan for Ibhubesi.
The agreement would also see the establishment of a working group, comprising representatives from both parties, who would progress the objectives of the MoU. Sunbird Energy chairperson **Kerwin Rana** said the agreement with Eskom was a significant milestone in the project's development and would likely result in the delivery of an indigenous gas supply to the "energy-constrained" west coast of South Africa. The Ibhubesi gas project, which has been identified as a strategic infrastructure project under the Presidential Infrastructure Coordination Commission, boasts proven reserves of 210-billion cubic feet as well as proven and possible reserves of 540-billion cubic feet. It is expected to establish the first critical pipeline infrastructure in the region, providing a route to market and encourage further exploration and development. The tenement is located in the offshore Orange Basin, about 70 km off the coast, in water depths of 250 m.

INFRASTRUCTURE

Top 5 Infrastructural Projects In Africa 2013

The Influx of greater Foreign Direct Investment in Africa, coupled with the rising demand of state-of-the-art infrastructures has ushered in a new dawn of monumental edifices, gradually changing the landscape across Africa. In 2012, we saw the flag off of billion dollar projects including the $6 billion Eko Atlantic mega city, Tanzania's Oyster

Bay, and South Africa's SKA project. 2013 has continued in the same vein, with landmark projects, which will rival international structures in the coming years, springing up as Africa's economic resurgence continues.

In this piece, Ventures Africa lists 5 infrastructures billion-dollar infrastructural projects – set to have a positive impact, economically – across Africa

Great Inga Dam ($80 billion) - With a 40,000MW production capacity, the Democratic Republic of Congo's Great Inga is the largest dam in the world, doubling production of China's Three Gorges Dam, the current largest.

Earlier this year, the government announced the commencement of the first phase, expected to provide over 4,500MW of electricity with a cost of $12 billion. Though reservations over the sourcing of funds have been clearly highlighted, a complete Inga will reportedly provide over 500 million African with energy, boosting industrial activities across the continent.

Konza City ($14.5 billion) - Located in Makueni County, Southeast of Nairobi, Kenya "African Silicon Savannah" is Kenya's answer to the United States' Silicon Valley. The technology and financial mega city, expected to be completed in early 2018, will include a business district, a science park, residential apartments, hotels and malls, and a university.

It is expected to attract over 100,000 jobs, with funding sourced through a public/private partnership.

Mombasa-Kigali Rail Project ($13.5 billion) - the East African grand project will seek to link 3 Kenya, Uganda and Rwanda, covering an estimated 3,000 kilometers, further shrinking barriers to regional trade.

It is expected to boost multi sector business for the landlocked nations and reduce export cost significantly, with a more convenient means of transportation for travelers/workers expected to increase human capital mobility, as well as easier movement of goods and services.

Ethiopia Renaissance Dam ($4.8 billion) - Despite controversy that has irked the Egyptian government and sparked political tension between Egypt, Ethiopia and Sudan over the use of the Nile, the dam will generate 6,000MW of energy and will provide neighbors Egypt and Sudan with electricity.

The dam is being assembled by Salini Costruttori, an Italian engineering company and will create over 12,000 direct and indirect jobs. It is expected to be completed in 2017.

Eko Light Rail Project ($1.2 billion) - Built By Chinese construction giant CECEE, the rail project aims to decongest traffic in Nigeria's commercial hub. The "Metro Blue Line" will move commuters from Marina – a densely populated business district – to Okokomaiko, with 13 stops in-between, providing workers with an easier alternative to the hectic traffic faced daily on roads.

Eko Rail, the Nigerian company given a 25-year license to manage the rail, also recently agreed to purchase 255 trains from Canadian Toronto Transit Commission's Subway vehicles for use in the Blue Line. *(Ventures Africa)*

Angolan capital Luanda to have new commercial port

A new commercial port serving the Angolan capital Luanda is to be built at the Dande River bar to help decongest the city's main port infrastructure, which is nearing saturation, reports the Africa Monitor newsletter.

A naval base will also be built at the site located about 50 km north of Luanda, associated to a plan to acquire warships, the report specifies. The aim is to enhance the fight against sea piracy, terrorism and threats to the country's security and vital economic interests, among them the exploitation of offshore oil and gas resources.

Such threats to Angola's offshore economic assets are expected to increase in the next few years due to factors such as expansion of the maritime oil exploration zone due to the start of pre-salt production and forecasts of increased criminal activities such as piracy targeting the oil industry in the Gulf of Guinea area.

Luanda's port has been functioning at top capacity in recent years, which have seen Angola's foreign trade expand significantly. In the first half of this year, for example, cargo movements increased by 68 percent.

With 2013 drawing to a close, the capital's port has moved an estimated 600,000 containers this year, compared to 150,000 containers in 2007.

The government made these projects a "special priority" in the 2013-017 National Development Plan and aims to invest nearly US$8.8 billion in this sector over the next five years.

The country's second-ranking port, Lobito, offers advantages such as deeper water and proximity to the mineral regions of Katanga in the Democratic Republic of Congo and the Zambia copper corridor.

The government has already invested US$1.2 billion to modernise and expand this port. The National Development Plan considers expansion of existing ports, besides three new ports in Cabinda, Bengo and Cuanza Sul provinces.

Angola's ports play a "vital role" in facilitating the country's exports, both as an African port of entry for merchandise and as a platform for supplying neighbouring countries and connecting to Europe and China, Portugal's Banco Espírito Santo indicated in a recent report.

"Port development is vital as a response to growing internal demand and the strong increase of commercial dynamics," states the analysis document released by that bank, which stresses that Angola's ports can become "a maritime platform for Africa". *(Macauhub)*

Benin to Invest 134bn FCFA in Road Infrastructure in 2014

Libreville — Benin will invest more than 134 billion FCFA (US$280.7million) on several road infrastructure projects, covering 234.19 km, in 2014, officials said.

Benin invested about 327 billion FCAF (US$685 million) in road infrastructure in 2013, representing 20 per cent of its national budget, an indication of the priority it places on such projects.
The investment enabled the government to construct 581.30km of tarred roads in 2013, apart from road network maintenance. *(Info Plus Gabon)*

Government publishes list of 47 approved PPP development projects

To bridge the funding shortfall for key development/infrastructure projects, estimated at USD 2.0bn – USD 3.0bn per annum, The National Treasury published a list of 47 projects that have been approved to proceed under the Public Private Partnership framework. The most notable projects include: second Nyali Bridge; Operate and maintain partners for Thika road & soon to be completed Nairobi Southern Bypass; JKIA terminal 2 & JKIA transit hotel; Nairobi commuter train rehabilitation, expansion & operation of commuter rail link to the airport; Construction of 4 geothermal plants targeting a total of 2,560MW and 800MW liquefied & 980MW coal power plants; Operate and maintain partner for the 2nd container terminal at Mombasa port; Conversion of berths 11-14 to container terminal; Development of the Tana delta irrigation sugar project targeting 10,000 ton sugar processing capacity installation of 34MW cogeneration power plant & 75,000ltrs/day ethanol plant; Development of ICT infrastructure at Kenyatta National Hospital; Installation of a National land information management system; Construction of a multi storey car parking facility with capacity for 5,000 cars in Mombasa; Establishment of special economic zones in Mombasa and construction of student hostels at Moi and Kenyatta University and dualing of Nairobi-Mombasa and Nairobi-Nakuru roads. *(Daily Nation, Standard Investment Bank).*

Addressing the need to open Africa's skies

When thinking about regional integration in Africa we often think first of trade policy, telecommunications, ICT, and road infrastructure. But on a continent larger than China, India, the US, and Europe combined, air transport is inevitably going to play a key role in facilitating integration. For Africans to interact and do business with each other, they need to get there.

Moreover, as incomes rise, patience with long and arduous road journeys is bound to diminish. On a personal note, I thought little of taking a 24-hour bus ride in East Africa as a student, but as a working professional I very gladly pay extra to take a one-hour flight instead.

However, Africa accounts for less than 2% of global airline passenger traffic and about 1% of global airlines' cargo. The challenges facing the African aviation industry range from strong state protectionism, lack of an enabling environment for new investors, high taxes and charges (above comparative world averages), a poor safety record due to ageing fleet and insufficient regulatory supervision. Likewise, a lot of air transport infrastructure across the continent is in need of upgrade.

So how do we get safer, more efficient and cheaper airlines?

One of the key problems is a lack of competition which contributes to high fares. Although in some cases low passenger volumes may create natural monopolies, in many countries competition is artificially restricted by making it difficult for foreign airlines to access certain routes, in order for governments to support their own national carriers. This is despite an agreement more than 13 years ago to "open the skies". The Yamoussoukro Decision (1999) was signed by 44 countries, who agreed to liberalise intra-African air transport, including allowing non-national airlines to land and take passengers to a third country – so-called "fifth freedoms" of the air. Implementing this decision could do much to reduce fares and increase air traffic across the continent.

All of this sounds fine in theory, but what about in practice? A comprehensive 2010 World Bank study led by Charles Schlumberger looked at a number of specific examples of what happened when routes have been liberalised in Africa. When the Nairobi-Johannesburg route was fully opened up in 2003, passenger volumes increased 69-fold. When the domestic South African market was liberalised, passenger volumes increased by 80%. On average in the Southern African Development Community (SADC), routes that were liberalised saw fares drop by 18%. The study estimates that full liberalisation in the SADC region would increase passenger volumes by around 20%.

A more recent study was presented at the African Development Bank's (AfDB) African Economic Conference by Megersa Abate, an Ethiopian transport economist, looking at air transport routes to and from Addis Ababa. While Abate did not find any impact of liberalisation on prices, he did find large increases in the number of flights – up to a 40% increase. He concludes that in the long run competition is likely to reduce prices. Even without price drops, more flights and more routes are clearly needed.

Despite these potential gains, at present over a quarter of air routes in Africa are served by only one carrier. In total up to 70% of air transport is served by a monopoly carrier. Why are countries slow to "open the skies"? Too often it comes down to simple protectionism, driven by fear that the national carrier won't be able to compete with the continent's big players from Kenya, Ethiopia and South Africa as well as other competitors from the Gulf and beyond. Earlier in 2013 it took the total collapse of Air Malawi for Kenya Airways to be allowed to operate flights between Malawi and other countries, despite "fifth freedom" rights already agreed to by Malawi through the Yamoussoukro Decision. Individual airlines and countries should not need to make ad-hoc bilateral agreements, when an agreement for open competition continent-wide already exists.

In addition to restricting competition, many countries also provide generous subsidies to their national "flag" carrier. So in addition to limiting the number of flights available, governments then spend scarce resources propping up inefficient airlines. The president of Zambia recently called for the establishment of a new national airline, while the former transport minister noted the challenges that prevented financial viability of the national airline over the years. Achieving success, efficiency and profitability calls for smart partnerships with the private sector and strategic alliances within the sector.

The challenge of financial viability and efficiency is not confined to Africa alone. Major European and American airlines have folded or receive billions in state aid, capital injections, and debt write-offs – demonstrating that the airline industry is fraught with difficulties. Moreover, developed and emerging markets have witnessed the growth of low-cost carriers which are allowed to compete on the same routes with the major carriers, thereby driving down prices. To be sure low-cost carriers in Africa face a host of additional challenges including high costs due to poor safety records and slow courts, but implementing "open skies" would be one less thing for them to worry about.

Lower airfares and more flights could generate a whole host of new economic opportunities. The successful flower industries in Kenya, Ethiopia and elsewhere rely critically on air transportation, as do other similarly perishable agricultural goods. International tourism earned Africa US$43.6b in 2012, and directly created eight million jobs. This could grow with increased and cheaper air transport.

Cheaper air fares will also likely have social benefits, facilitating interaction between people of different cultures. Increased intra-African tourism might also contribute to the non-economic aspects of integration goals, preparing the ground for stronger transnational feeling.

Economists like to say that there is no such thing as a "free lunch". But for the cost of some short-term political pain, Africa could gain some big economic and social benefits.

Lee Crawfurd is a development economist at Oxford Policy Management, where he is currently focused on education policy strategy and evaluation. This article was first published by the African Development Bank.

AGRIBUSINESS

Africa Fails to Increase Agriculture Budgets, Says Report

Most African countries continue to face growing threats of hunger because they have not fulfilled their 2003 pledge to increase support for small-holder farmers, especially for women who do much of the farming on the continent.

In a report this month, the international aid agency ActionAid, warned African governments, that unless they provide more money for agriculture and make sure it goes to smallholder farmers, hunger will continue to increase across the continent.

The report "Walking the Talk," highlights the failure of African countries in keeping their promise made ten years ago, under the 2003 Maputo Declaration, to devote ten percent of their national budgets to agriculture. And going forward they point out that while African governments have designated 2014 as the "Year of Agriculture and Food and Nutrition Security," the true meaning of the phrase will remain empty unless they provide more money for agriculture.

"Ten years down the line, it is amazing to see that not more than about nine countries have been able to meet that declaration in terms of implementing those targets that were set, because the governments in Maputo said they would invest ten percent and anticipate that there would be six percent annual growth within the agricultural sector," explained David Adama, coordinator of finance for agriculture for ActionAid in Abuja.

After examining the extent of government spending on agriculture in seven African countries, ActionAid found that for example, in Burundi, Ghana, Kenya, Rwanda, Uganda, Nigeria, and Zambia, it was found that none of these countries consistently met the ten percent spending target.

Unfortunately Adama said that countries are saying there are too many competing interests, such as military spending, for example.

Failure to meet those pledges impacts the small-holder farmers productivity significantly, said the ActionAid coordinator, who referenced a report by the United Nations Food and Agriculture Organization, FAO, on the potential of women farmers.

"This clearly points out that if women are given equal access to land, seeds, as their male counterparts, we can reduce hunger in the world by 140-million people, which is about 17% of people who are living hungry," he explained.

Adama emphasized that the government needs to reprioritize public investment and focus on agriculture that benefits small-holder farmers.

In the same vain, small-holder farmers need to cooperate, with the help of civil society organizations, and farmer organizations, with the government. This involves becoming engaged in the policy making process, and making sure the government recognizes the need to include them in their budgeting and decision-making processes.

Adama said if small-holder farmers are engaged at this level, then even with the little money they are receiving from the government, their needs can still be met. *(AllAfrica)*

Angola Investe programme enables potato production increase in Chinguar

Chinguar - The "Angola Investe" programme, an initiative of the Angolan Executive, this year enabled an increase in the production of white potatoes in Alfeu Vinevala farm, in Chinguar municipality, central Bié Province, as well as boosted the sale of this product in other regions of the country

The information was given to ANGOP on Thursday by the farmer and entrepreneur Alfeu Vinevala, who manifested his satisfaction at the levels of potato production achieved by his farm this year, propelled by the credit acquired in the ambit of the “Angola Investe” programme.

“We are happy because the government helped us this time, because of this fact we transported many tons of white potatoes to different provinces of the country to be traded (...)”, emphasised the farmer.

He also explained that the distribution of the product in other provinces, mainly in the eastern part of the country, was made easy by the resumption of the train service of the Benguela Railway Company (CFB). *(ANGOP)*

The challenges of boosting Tanzania's rice production

By the end of this century there are set to be four times as many people to feed in Africa as there are now, and it is clear that farmers will need to increase their food production.

The speed of this population growth is visible in Tanzania's biggest city, Dar es Salaam, which has seen its population double from roughly two million two decades ago to four million today.

The G8's answer to this challenge has been to call in private sector agriculture firms, asking them to invest billions in Africa and kick-start an agricultural revolution.

Already companies such as the US food giant Monsanto, Switzerland's Syngenta, and Norway's Yara International, have signed up.

But there are some doubts about how this will work in practice - and what will happen to people already living on land which is then handed over to foreign investors.

One case which is being held up as a model of private investment is the KPL farm in Kilombero district, central Tanzania.

It is one of east Africa's largest rice farms, covering 5,800 hectares of fertile river valley land.

Owned by the British firm, Agrica, its chief executive Carter Coleman, is convinced large-scale commercial investment in farming is essential for securing Africa's food supplies.

"People have this notion of just helping the smallholders," he says.

"But for 50 years aid agencies have been trying to lift the smallholder from subsistence to surplus - and they've failed."

Instead he points to the 5,000 small-scale farmers he claims are being helped and supported by his farm.

Boosting rice yields

One of these is Betrida Kiganga, who supports herself and her five children with the rice she grows on a tiny plot behind her house.

Betrida has been trained by the KPL team in a intensive rice farming technique, called SRI, which unlike conventional rice farming, does not require flooding paddy fields with water or huge financial outlays.

Instead, it relies on planting rice in a grid where every seed is placed 25 cm apart rather than the traditional technique of random sowing.

This means there is less competition with neighbouring rice plants, more room for each plant to develop its root system and allows for easier weeding.

"Before, life was so tough - but after joining the group and being trained this started to improve my life," says Betrida.

"Now we're harvesting more. We were only getting ten sacks, now we're getting up to twenty in the same plot."

With these basic techniques, combined with fertilizer and improved seed, farmers report they have doubled their crop yields or more.

For Betrida, these simple steps have transformed her fortunes.

"There are big differences in my daily life now. Now I can afford to pay school fees for my children, and improve my house."

The impact of training local farmers in these techniques also raises questions about the efficacy of chasing more complicated and expensive solutions like genetically modifying rice.

While the smallholders around the KPL farm appear to be happy, critics of the G8's scheme say it is a licence for commercial investors take over the land and make profits at the expense of locals.

Even in KPL's case, over a 100 smallholders had to be moved from the land when the farm was established, although KPL says it spent $663,000 resettling them according to World Bank guidelines.

'It is painful to move'

But not all Tanzanian farmers can be guaranteed this support.

A couple of hours drive down the valley, is the small village of Mbwene, comprising a few dozen houses, a couple of shops and a school. It is on former game reserve land that is now earmarked for investment.

While the villagers there know about these investment plans, they say they have no idea what is going to happen to their homes, community, and most importantly, the land they currently rely on for subsistence.

William James, the acting village executive officer, says even though he has written to the district authorities asking for information - the villagers have been told nothing.

"People are very shocked and angry" he says.
Grace Sintanga, who has been farming land outside the village for 30 years, says: "They're just taking out our land, the land we depend on.
"I don't know the result if they take away my land. It is painful to move from the place you have been living, it's very painful and I'm angry."

'A grey area'

The Tanzanian government agency in charge of agricultural investment told the BBC that someone would be going to Mbwene soon to speak to villagers, and that any smallholders who need to be moved would be resettled and compensated.
But Joseph Chiombola, from the Tanzanian land rights organisation Haki Ardhi says people are not reassured by government policy.
"It is written in the law. However, the way it's conducted - and experience - has shown that it's not a guarantee.
"There are those being moved from their areas without being given proper compensation."
He says the whole issue of relocation remains "a grey area".
The current model also involves compensating farmers with money, which he says is not enough to compensate people for land they give up.
"Land is more than a commodity. It has history and it has connection to the people.
"As it's a source of livelihood, it means more than just money. Giving them money doesn't meet the actual value of that land."

Looking for safeguards

Back at the KPL farm in Kilombero, Carter Coleman thinks there is plenty to stop investors just kicking people off the land.
Big projects like commercial farming need development bank finance, which is only forthcoming if "you are squeaky clean, and have not thrown somebody off the land," he says.
But as investment deals between big business and the government are made across Tanzania, those working on behalf of small-scale farmers argue that more needs to be done to ensure their needs are not overlooked. *(BBC)*

Angonabeiro company to begin international sales of Angolan coffee in 2014

Angonabeiro, a company pertaining to Portugal's Nabeiro group, will begin international marketing of the Ginga coffee brand in 2014, the company's general director, José Carlos Beato, told the Angolan newspaper Expansão.
Beato said the process would begin in the South African, Namibian and Mozambican markets, adding that negotiations were under way with companies from those three countries interested in commercialising the product.
The three countries will also serve to test the company's export activity, with the aim to eventually sell coffee in various European countries, he said.
If the negotiations are successful, Ginga coffee will be consumed for the first time outside Angolan territory, thereby marking a milestone for the group, Beato stated.
The initiative is one of the objectives of Angonabeiro, the brand's owner, for 2014. Other goals include actions to increase coffee consumption in Angola, which is still considered low.
Angonabeiro is a Nabeiro group company which since 2000 has operated in the Angolan market in the trade and industry area with the Ginga and Delta coffee brands, the products Adega Mayor and Agrodelta, Vimeiro water and Sagres beer.
The Nabeiro group and Delta Cafés have strong and long-lasting ties to Angola dating back to the time when the country occupied a significant place in world coffee production. *(Macauhub)*

Zimbabwe to import maize from SA in bid to stave off hunger

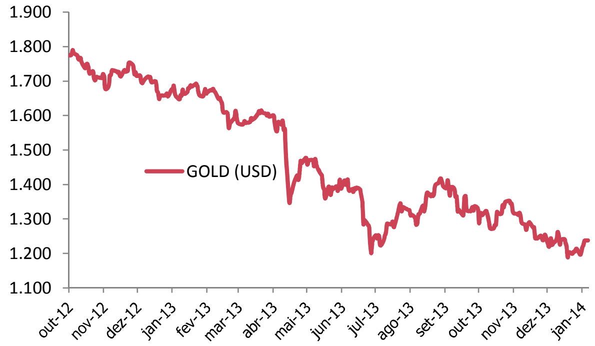
HARARE — Zimbabwe is importing 150,000 tons of maize from South Africa to guarantee food supplies before the April harvest, a senior official said on Friday, with an estimated 2.2-million people at risk.
"We are importing maize from South Africa to cover the gap between now and the next harvest," Deputy Agriculture Minister David Marapira said.
At least 2.2-million people in rural areas will require food aid before the April harvest, according to a survey by the Zimbabwe Vulnerability Assessment Committee, which groups government and aid agencies.
"So far, we have received 300 tons by road through Bulawayo and will be moved to other parts of the country," Mr Marapira said. "The total we are importing is 150,000 tons and we are hoping this will cover the period between now and April."
Perennial food shortages have prompted the Zimbabwean government to import maize from neighbours to augment local production.
Poor food production has been blamed on land reforms that saw the seizure of white-owned commercial farmers under President Robert Mugabe's land reforms for redistribution to landless blacks.
The government says poor rains in recent years are to blame for the drop in food production.

Zimbabwe needs more than 2-million tons of maize a year, but last year the country produced only 800,000 tons, a drop from 1.4-million tons the previous year.
Last year, the government signed a deal to import maize but deliveries have been slow, Mr Marapira said.
"We are still getting maize imports from Zambia but the movement of the maize has been very slow," he said.
Zimbabwe has a population of almost 14-million people. *(BDLive)*

MARKET INDICATORS
06-01-2014

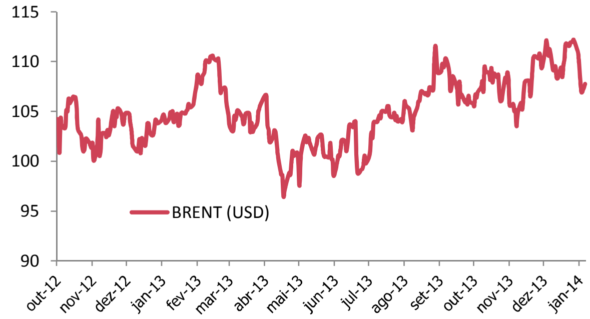
STOCK EXCHANGES		
Index Name (Country)	**06-01-2014**	**YTD % Change**
Botswana Gaborone Domestic Index (Botswana)	9.064,31	20,69%
Bourse Régionale des Valeurs Mobilières (Ivory Coast)	229,76	37,93%
Case 30 Index (Egypt)	6.814,95	24,76%
FTSE NSE Kenya 15 Index (Kenya)	177,25	40,95%
Morocco Casablanca Stock Exchange CFG 25 (Morocco)	18.965,03	-0,93%
Nigerian Stock Exchange All Share Index (Nigeria)	41.257,91	46,94%
FTSE/JSE Africa All Shares Index (South Africa)	45.978,67	17,14%
Tunindex (Tunisia)	4.363,27	-4,73%

Source: Bloomberg and Eaglestone Securities



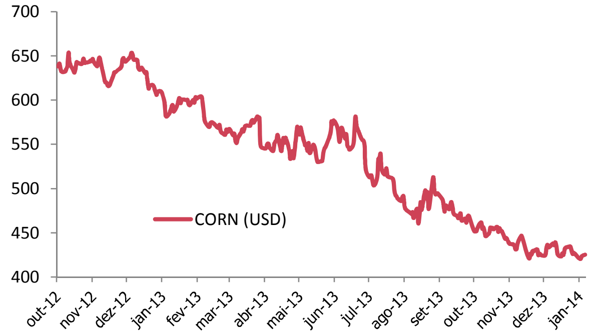
METALS		
	Spot	**YTD % Change**
Gold	1.237	-26,14%
Silver	20	-33,96%
Platinum	1.403	-8,91%
Copper $/mt	7.315	-7,77%

Source: Bloomberg and Eaglestone Securities



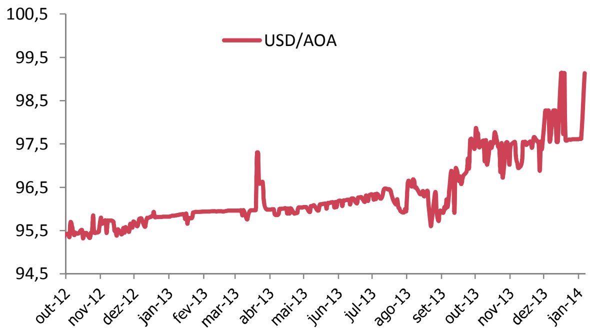
ENERGY		
	Spot	**YTD % Change**
NYMEX WTI Crude (USD/barril)	94,5	1,46%
ICE Brent (USD/barril)	107,8	-0,66%
ICE Gasoil (USD/cents per tonne)	914,5	-0,14%

Source: Bloomberg and Eaglestone Securities



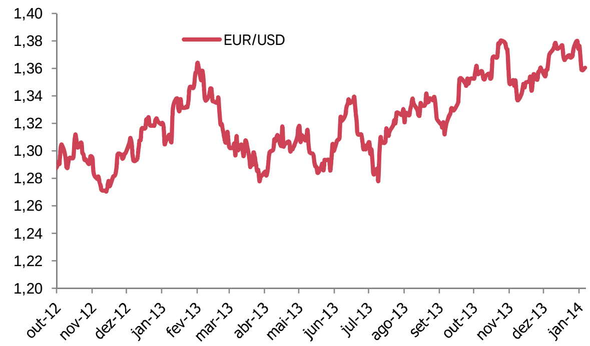
AGRICULTURE		
	Spot	**YTD % Change**
Corn cents/bu.	425,3	-39,27%
Wheat cents/bu.	607,3	-22,91%
Coffee (KC) c/lb	116,9	-20,31%
Sugar#11 c/lb	16,0	-19,00%
Cocoa $/mt	2689,0	19,30%
Cotton cents/lb	83,7	10,33%
Soybeans c/bsh	1274,3	-8,93%

Source: Bloomberg and Eaglestone Securities



CURRENCIES	
	Spot
KWANZAS	
USD	99,135
EUR	132,808
GBP	159,861
ZAR	9,127
BRL	41,013
NEW MOZAMBIQUE METICAL	
USD	29,895
EUR	40,670
GBP	48,955
ZAR	2,795
SOUTH AFRICAN RAND SPOT	
USD	10,696
EUR	14,552
GBP	17,516
BRL	4,493
EUROZONE	
USD	1,36
GBP	0,83
CHF	1,23
JPY	142,34
GBP / USD	1,64

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/?&)*

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*

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"

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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

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