INSIDE AFRICA

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Now is the time to invest in Africa

EAGLESTONE SECURITIES

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In-depth:

Sub-Saharan Africa economy: Boosting business

Governments in Sub-Saharan Africa (SSA) are making it easier for firms to do business, with 39 of 48 states reducing the complexity and cost of regulatory processes, according to the World Bank's Doing Business 2015 report, released at the end of October. However, there is still a long way to go before they catch up with their emerging-market peers, while foreign investors in many cases continue to pay more attention to resource endowments such as oil or minerals and market size than to the ease of doing business.

Doing Business seeks to assess regulations affecting crucial aspects of a business, including the ease of starting an operation, dealing with construction permits, obtaining electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. The latest report makes some important revisions to the methodology of measuring progress towards greater business efficiency, the most useful of which is a country's "distance to frontier" (DTF) score, which shows the gap between an individual economy's performance and the best performance on each of the indicators across all economies covered by Doing Business. Zero represents the lowest performance and 100 represents the frontier: in other words, a score of 75 means that an economy is 25 percentage points away from the "frontier" constructed from the best performances across all economies and across time.

Mauritius tops the regional table

The top-ranked 13 countries out of 189 all have DTF scores over 80, with Singapore, ranked first, at 88.27. The highest-ranked Sub-Saharan country is Mauritius, in 28th place with a DTF score of 74.81-ahead of developed-world countries such as Japan, France, Spain and Belgium. South Africa ranks 43rd (with a DTF of 71.08), very closely followed by Rwanda (in 46th place) with a DTF of 70.47. A further four regional states-Ghana, Botswana, Seychelles and Namibia-have scores of more than 60.

At the other end of the scale Eritrea is ranked bottom of all states worldwide with a DTF score of just 33.16, while the Central African Republic, South Sudan and Chad do little better, with scores of less than 40. The largest bloc of countries (17) is clustered between 40 and 50 on the DTF scale; this category includes the region's largest economy, Nigeria, and a number of fast-growing oil and gas exporters , such as Angola, Congo (Brazzaville), Mauritania, Equatorial Guinea and Sudan.

Most sub-Saharan countries made some positive reforms

This mixed performance is unsurprising given the different stages of development, and variety of economic structures, of sub-Saharan states. Encouragingly, however, SSA had the largest number of countries making reforms in 2013-14-39 of the 48 cut the complexity and cost of regulatory processes, while 36 strengthened their legal institutions. Importantly, too, the region had the second-largest average improvement in DTF scores (after Europe and Central Asia). Indeed, five of the ten countries to improve the most across three or more areas of doing business are sub-Saharan-Benin, Cote d'Ivoire, the Democratic Republic of Congo, Senegal and Togo-although it has to be said all have poor ratings and therefore plenty of scope for improvement. One-third of the 30 countries to improve most in reducing the distance-to-frontier were sub-Saharan.

Investors are more concerned about resource endowments

The region's progress at a time when many economic indicators point to a slowdown in emerging-market growth, while geopolitical risk is rising, is good news. However, Doing Business rankings are not a reliable guide to foreign direct investment (FDI) decisions. Iraq, ranked 156th in the report, attracted US$15bn of FDI in 2013-nearly three times as much as South Africa, which was ranked 43rd. Meanwhile, two countries with poor Doing Business rankings-Nigeria (ranked 170th) and Mozambique (127th) were among the region's top FDI locations in 2013, with US$6bn and US$5.8bn respectively, again more than higher-ranked South Africa. This suggests that foreign investors pay much more attention to resource endowments such as oil or minerals and market size than to the ease of doing business-although business conditions are likely to have a more decisive impact on FDI decisions when it comes to smaller, low-income and resource-poor economies.

However, the relatively close correlation between those economies with high rankings in the Doing Business report and those in the World Economic Forum's Global Competitiveness Index (GCI) is significant. It suggests that high Doing Business rankings boost competitiveness and vice versa. The top three sub-Saharan Doing Business countries-Mauritius, South Africa and Rwanda-hold the same positions in the GCI. Other high scorers in both reports are Botswana, Seychelles, Namibia and Zambia, while oil and gas exporters, including Angola, Chad, Mauritania and Nigeria, score poorly on both.

For all its flaws, therefore, Doing Business is a useful means of assessing business climates. Governments can use it to prioritise policy reforms designed to improve national productivity, while it helps provide potential investors with a guide to the challenges of individual states' operating environments. Measured in these terms, sub-Saharan states-with a number of exceptions-still have substantial work to do to catch up with their emerging-market peers. *(Economist Intelligence Unit)*

Sub-Saharan spending to grow 10% a year

Overall infrastructure spending in sub-Saharan Africa is projected to grow by 10% a year over the next decade and will exceed $180bn by 2025, says a PwC report. Nigeria and South Africa dominate the infrastructure market, but Ethiopia, Ghana, Kenya, Mozambique, and Tanzania are also poised for growth.
South Africa’s spending will grow to $60bn by 2025, having grown by 10% average a year, but it may lose share relative to Nigeria because of Nigeria’s better fiscal position and oil revenues. Overall infrastructure spending in Nigeria is expected to grow from $23bn in 2013 to $77bn in 2025.
Spending in chemical, metals and fuels is forecast to increase in the seven major African economies to $16bn annually, from $6bn in 2012. Spending on utilities has a forecast annual increase rate of 10.4% to 2025. Spending on electricity production and distribution is expected to rise from $15bn in 2012 to $55bn, while expenditures for improvements in water and sanitation services are forecast to increase from $3.3bn in 2012 to $10bn by 2025.
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Extraction spending is projected to increase at 8% annually with the bulk in south Africa and Tanzania. The extraction sector will grow at an annual rate of 5%.
Resources and consumer market potential coupled with trade, economic and political reforms, increasing urbanisation and shifts in demographics will drive most investment. It is crucial for policy makers, citizens and businesses to act responsibly and strategically. *(African Business)*

Angola economy: A cautious approach in the 2015 budget—up to a point

Falling oil prices and muted global growth look set to make 2015 a difficult year for Angola. Preliminary figures for the 2015 budget-released in late October by the Ministry of Finance-indicate that the government will cut spending from 2014 levels, adopt a significantly lower crude benchmark price of US$81/barrel and run a deficit of more than Kz1trn (some US$10bn). However, despite these gloomy figures and an overall tone of caution and pragmatism, the government is ambitiously forecasting GDP growth of 9.7%.
Angola's budget, the Orçamento Geral do Estado, is due to be submitted to parliament in the coming weeks, but is unlikely to change significantly from the draft set out by the finance ministry. According to a statement released in late October, spending for 2015 will be set at Kz5.2trn, while revenue will be Kz4.17trn.
Spending is down slightly on the 2014 budgeted spend of Kz5.38trn, but more significantly it leaves a shortfall of over Kz1trn. Local media in the capital, Luanda, report that the deficit will swell to 7.6% of GDP, based on a figure given by the finance minister, Armando Manuel, during a news conference, although that number is not included in his official statements published on the ministry website.

A conservative benchmark

The government's deficit projection for 2014 is 3.8% of GDP, so the jump to 7.6% of GDP next year will be sizeable. Such a large deficit after several years of surpluses raises questions about Angola's (relatively newly launched) sovereign wealth fund, since it does not make sense for the government to be saving and investing money through the Fundo Soberano de Angola at a rate lower than the one it pays on its debts.
This year Angola set a benchmark oil price of US$98/b, which at the time was conservative. In a bid to manage the plunging
price-currently hovering around US$80/b-it has reduced this level for 2015, to US$81/b. That may not be enough if prices continue to fall (which is not our core forecast, as we currently expect international oil prices to average US$97.6/b in 2015), but it shows some pragmatism on the part of the Angolan authorities.
Overall Mr Manuel's tone is one of caution, echoing the president, José Eduardo dos Santos, who used his annual state of the nation address in October to warn of a need to "rationalise" public spending. In his statement, Mr Manuel calls for "restraint" from families and companies, arguing that "from rationality comes efficiency". The minister stresses the authorities' commitment to "stability" and gives a strong assurance that measures are in place to protect Angola from difficult external economic conditions.
However, this preparedness and caution about public spending are offset by an incredibly ambitious growth forecast. Mr Manuel says that with projected non-oil growth of 9.2% and projected oil growth of 10.7%, overall GDP growth will be 9.7%. This would be the country's highest growth rate since 2007 and, given the current domestic and global climate, seems vastly over-ambitious. The Economist Intelligence Unit is currently projecting growth of 4.8% next year.
In September the International Energy Agency predicted that Angola will become Sub-Saharan Africa's largest oil producer in 2016, overtaking Nigeria because of oil theft and legislative shortcomings in the latter. Even if that is the case, however, it is unlikely that Angola's production rate will go much over 1.8m barrels/day (b/d), from an estimated average of 1.78m b/d in 2014, and if prices remain muted, it is hard to see how the sector will generate enough money to drive growth in excess of 10%.

Self-promotion
Angola likes to promote its image abroad in order to attract international investment, and it has grown used to being tagged globally as one of Africa's fastest-growing economies. Thus this growth projection is likely to be more about global promotion than real economics. For the past five years the government has set high GDP growth projections and then had to revise them down because of the prevailing economic situation. We expect this to happen again in 2015.

Changing spending priorities
The 2015 budget also reflects some changes to spending priorities. The allocation to the social sector (health and education) has increased to 34% of total spending (from 29.97% in the 2014 budget), which is a positive move if the money is going to help to develop the country's weak education sector. A lack of skills has held Angola back and created a dependence on overseas workers and expertise. This needs to be corrected if the country wants to be able to create a strong private sector and compete regionally and globally.

Spending on defence and public order has meanwhile been cut, from 16.45% to 14.2%. This is still high by regional standards, but the reallocation of some of that to the social sector will be welcomed by opposition parties and civil society organisations, which have long complained about the high levels of military spending at the expense of other sectors.

The most significant chop is to the public services sector, spending on which has been almost halved from 33.97% to 17.93%. Mr Manuel also indicated that with the exception of the health and education sectors, government hiring and promotions would be limited. Angola's civil service is notoriously bloated and inefficient so this rationalisation is again a positive development.

Overall, the cautious tone of the 2015 budget plans shows pragmatism on the part of the authorities, but the GDP growth forecast is incongruous. Beyond these headline figures, however, it is also important for Angola to improve its spending efficiency and ensure that public contracts are well-executed and add value; it remains to be seen whether the country will make progress in this respect in 2015. *(Economist Intelligence Unit)*

South Africa growth fears prompt Moody’s downgrade

Moody’s downgraded South Africa in the latest blow to Africa’s most developed economy, citing poor growth prospects and deteriorating investor climate.

The rating agency reduced the government’s debt rating to Baa2 from Baa1, while changing the outlook from negative to stable.

The impact of the downgrade was immediately felt in the market, with the volatile rand, which has been weak all year, down 1.9 per cent to R11.246 against the dollar.

South Africa’s economy has been battered this year by strikes, severe electricity shortages, weak consumer demand and fragile investor confidence. Last month, the Treasury sharply lowered its forecast for growth this year to 1.4 per cent, its lowest level since a recession in 2009 .

Moody’s said the key drivers of its decision included “poor medium-term growth prospects due to structural weaknesses, including ongoing energy shortages as well as rising interest rates, further deterioration in the investor climate and a less supportive capital market environment for countries such as South Africa that are highly dependent on external capital”.

It is South Africa’s second rating downgrade of the year after Standard & Poor’s lowered its rating one notch to BBB- in June.

Last month, Nhlanhla Nene, finance minister, delivered a sombre medium-term budget policy statement, in which he pledged to rein in government spending, get tough with state-owned entities that relied on state guarantees and bailouts, and aim to narrow the budget deficit from about 4.1 per cent of gross domestic product to 2.5 per cent over the next three years.

His speech was generally welcomed as a sign that the government was taking a tough stance on fiscal consolidation in the hope that it would help to stave off further downgrades.

But Moody’s said there was the prospect of further rises in the government debt-to-GDP ratio because of the low-growth environment, “which even strict compliance with the government spending ceiling and somewhat smaller fiscal deficits are unlikely to arrest in the near term”.

The agency did, however, say the stable outlook “reflects policy makers’ commitment to reining in government debt growth over the medium term and the broad political support for a macroeconomic strategy”.

The Treasury responded to the downgrade by saying it was committed to narrowing the budget deficit and stabilising debt. Last month, it forecast that net debt to GDP was expected to stabilise at about 46 per cent of GDP over the next three years.

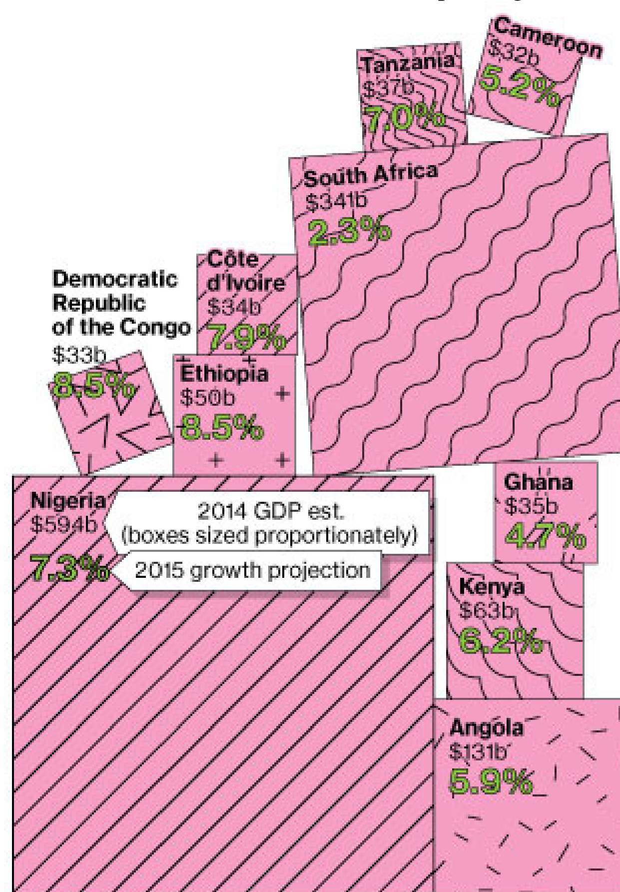
“Government notes Moody’s decision and recognises that economic growth has slowed down and there is a need to implement growth-inducing initiatives,” the finance ministry said in a statement. “Government will continue to make the tough decisions that are necessary to address our challenges so we can build on the gains we have made over the past 20 years to improve the lives of our people.”

South Africa, which is one of the most traded emerging markets and is heavily exposed to the eurozone and China, has struggled to recover from the 2009 recession, with its growth deteriorating over the past three years.

While some of its woes are blamed on global factors, domestic issues including labour unrest, infrastructure constraints and policy uncertainty are seen as critical issues damaging investor sentiment and stymieing its growth prospects.
This year, it endured an unprecedented five-month strike in the platinum sector, which is a vital source of export earnings. That was followed by more than 200,000 engineers and metalworkers downing tools in a separate wage dispute that affected thousands of companies and lasted for weeks.
Severe power constraints have exacerbated the situation, with Eskom, the beleaguered state utility, forced to introduce scheduled power outages several times this year, while also requiring industrial users to reduce electricity consumption.
“South Africa’s structural weaknesses are also a major factor behind the poor investment climate, which has been exacerbated by the extensive work days lost to strikes in recent years and heightened tensions over a multitude of socio-economic challenges still impacting the country 20 years after the democratic transition,” said Moody’s. *(Financial Times)*

Kenya, Nigeria, and Africa's New Hope for Growth

On the top two floors of a five-story building on Strathmore University’s campus in Nairobi, students with tablets and laptops are gradually changing the face of the East African economy. As part of the university’s master’s program in mobile telecommunications, they spend their days developing computer apps tailor-made for African markets. Their creations include Valuraha, an app that simulates trading on the Nairobi stock exchange as a teaching tool, and Henga Systems, which tracks activity on a mobile phone owner’s M-Pesa bill-payment account. A research academy at Strathmore, @iLabAfrica, has helped nurture such ideas with financial backing from about 20 companies, including Google (GOOG), Samsung (005930:KS), and Safaricom, a Kenya-based mobile phone service provider. The academy has produced 36 startups since 2011, more than half of which are still operating.



GRAPHIC BY BLOOMBERG BUSINESSWEEK;
DATA: INTERNATIONAL MONETARY FUND

The success of such initiatives is being fueled by a 540 % increase in mobile phone connections across the world’s poorest continent since 2005, says research firm Gartner (IT). The thriving IT economy is providing fresh impetus for the African growth that started to accelerate 20 years ago, when global prices for iron ore, oil, copper, and other commodities started their long rise, yielding billions in wealth. Almost 60 % of Kenya’s 40.7 million people have Internet access, and 78 % have mobile phone subscriptions. Safaricom, which began selling mobile phone services in 2006, is now East Africa’s biggest publicly traded company.
The tech boom is one of many factors boosting African economies, helping offset the effects of civil wars, Islamist militant violence, and the worst-ever outbreak of the Ebola virus across West Africa. Sub-Saharan Africa’s economy is forecast by the International Monetary Fund to grow 5 % next year, one of the fastest rates in the world. Kenya and

Nigeria are among 16 sub-Saharan countries whose economies are expected to expand more than 6 %, according to the IMF. "The engines of growth in these markets are increasingly diverse," says Simon Freemantle, a political economist at Johannesburg-based Standard Bank Group (SBK:SJ). "You are not simply finding growth coming out of a single exporter or a single commodity, which has previously been the case in many countries. This allows for more income accumulation outside of a high-level political and economic elite."

Angola, Mozambique, and Kenya are gradually improving their roads, railways, and airports, removing a large obstacle to trade. Projects include an 1,800-mile rail link between Rwanda and Kenya's port Mombasa, a hydroelectric dam in Ethiopia, and two coal-fired power plants in South Africa. Retail is also booming as chains such as Cape Town-based Shoprite and Truworths (TRU:SJ) expand to meet rising consumer spending. The number of middle-class households in 11 leading sub-Saharan economies, excluding South Africa, tripled over 14 years to 15 million, a study by Standard Bank found. Says Whitey Basson, Shoprite's chief executive officer: "You've seen a complete mind shift in how governments operate and how willing they are to take investors in."

Sub-Saharan Africa's economic prospects would be even brighter if it weren't for ongoing conflicts in several key markets and the Ebola outbreak. Those factors were cited by the IMF on Oct. 20 when it cut its 2014 growth forecast for the region to 5 %, from an April estimate of 5.5 %. In Nigeria, Boko Haram rebels have been fighting security forces for the past five years. Civil wars rage in South Sudan, the Central African Republic, and Somalia, and al-Qaeda-linked militants have killed dozens of people in Kenya. Ebola has infected about 13,500 people since December and killed about 5,000 of them, mainly in Guinea, Liberia, and Sierra Leone. Even without the epidemic and fighting, there's plenty for the region to be concerned about: The United Nations Development Programme estimates 585 million people, or 72 % of the African population, live in or on the brink of poverty. *(Bloomberg Businessweek)*

IMF, WORLD BANK & AFRICAN DEVELOPMENT BANK

AfDB Reaffirms its Support to Geothermal Development in East Africa

Over the course of the 5th African Rift Valley Geothermal Conference (ARGeo C-5), the African Development Bank (AfDB) has clearly reaffirmed its on-going support to the development of geothermal power in the East Africa Rift Valley region.

The ARGeo conference seeks to further regional cooperation in the development and utilization of geothermal resources in East Africa. It brought together approximately 400 policy, technical and development experts to network and interface with both local and international geothermal companies to explore how to reduce project lead times, leverage financing and effectively manage geothermal power plants.

Speaking during the conference, Thierno Bah, a Principal Energy Specialist at the AfDB, said: "The AfDB is very heartened to witness the significant progress achieved so far in the development of the geothermal resource in this part of Africa. The Bank has worked hard to mobilize various instruments and sources of financing, including the Partial Risk Garantee instrument as well as highly concessional financing from the Climate Investment Funds (CIF), to support geothermal growth and it is encourgaing to see the results of our work beginning to emerge."

In addition to acting as a key sponsor of the event, the AfDB actively participated in the conference and had the opportunity to address the delegates. Bank representatives highlighted the AfDB's previous experience in bringing geothermal projects to fruition and detailed future possibilities for the development of goethermal power in the region. In addition, representatives of the AfDB held productive meetings with a number of bilateral partners to explore the potential for future collaboration.

Throughout the course of the conference, delegates were able to learn more about the internatoinal experience of geothermal development, reservoir engineering, geographical information systems in geothermal develpoment, drilling, business development and financing.

The conference also saw the launch of the African Rift Geothermal Inventory Database (AGID). This database will serve as a repository of information on the geothermal projects underway in the Rift Valley region, including project progress, funding, human resources capacity and equipment available or needed.

During the ministerial-level closing session of the conference, representatives from countries including Tanzania, Eritrea, Malawi and Mozambique highlighted the significance of energy development in Africa and, in particular, the key role that geothermal will play in supporting further growth. Eritrea's Ambassador to Kenya, Beyene Russom, announced that ARGeo C-6 will take place in Asmara, in 2016.

IMF Executive Board Approves US$5.24 million Disbursement Under the Rapid Credit Facility for Guinea-Bissau

The Executive Board of the International Monetary Fund (IMF) approved emergency financial assistance under the Rapid Credit Facility (RCF)1 equivalent to SDR3.55 million (about US$5.24 million) for Guinea-Bissau to enable the authorities to meet their urgent balance of payment and fiscal needs. The Board's approval enables the immediate disbursement of the full amount, which is equivalent to 25 % of Guinea Bissau's quota in the IMF.

The IMF financial assistance is aimed at restoring macroeconomic stability. It will help address urgent budgetary and balance of payments gaps, reduce poverty by resuming key government services and strengthen the capacity of the government of Guinea-Bissau. The Board's approval of the RCF disbursement will also enable the authorities to engage in discussions with development partners' regarding further assistance.

The newly elected government inherited very difficult conditions. After two years of economic disruption, eroded government revenues, a compression in social spending and accumulated external and domestic arrears, real gross domestic product (GDP) fell by 2 % and poverty increased markedly. In its first months, the new government started to rebuild government revenues, which, together with renewed donor assistance and the placement of treasury bills in the regional market, allowed for the elimination of almost all salary arrears. Economic activity is projected to gradually recover and grow by 2.5 % in 2014.

Following the Executive Board discussion on Guinea-Bissau2, Mr. Min Zhu, Deputy Managing Director and Acting Chair, issued the following statement:

"The newly-elected government of Guinea-Bissau is taking action to confront the country's economic and social challenges. After two years of economic disruption and worsening fiscal imbalances, the authorities have resumed many of the basic government functions, approved the 2014 budget, and cleared most of wage arrears incurred since 2013.

"To maintain macroeconomic stability, the government must continue with a prudent fiscal policy that limits spending to available resources and prioritizes it carefully. Clearing the still outstanding domestic arrears of 2013 and 2014 and all external arrears by year-end will be an important step to support the recovery. Going forward, the authorities should focus on preventing re-emergence of arrears by avoiding extra-budgetary expenditures and improving cash management. In this regard, the reinstatement of the treasury committee and the preparation of cash management plans are steps in the right direction.

"International financial support for Guinea-Bissau needs to be complemented by further efforts to mobilize domestic revenues and strengthen public financial management. Technical assistance from development partners to prioritize fiscal reforms, and boost implementation capacity will be crucial in the period ahead.

"The government's intention to audit the operations of the national cashew fund is welcome. Abolition of this fund would have an immediate beneficial impact on household consumption. The authorities will need to elaborate more efficient and pro-poor alternatives to support agriculture and the cashew sector.

"The medium-term prospects for poverty reduction and economic development in Guinea Bissau hinge on addressing pervasive economic and political vulnerabilities. In addition to the security sector reform, this calls for structural reforms on a broad front to diversify the economy and improve governance and the business environment."

1 The RCF provides immediate financial assistance with limited conditionality to low-income countries with an urgent balance of payments need. In this context, the economic policies of a member receiving RCF financing are expected to address the underlying balance of payments difficulties and support policy objectives including macroeconomic stability and poverty reduction. Financing under the RCF carries zero interest (until end 2014), has a grace period of 5.5 years, and a final maturity of 10 years. The Fund reviews the level of interest rates for all concessional facilities every two years.

2 At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.imf.org/eternal/np/sec/misc/qualifiers.htm.

Ghana: World Bank to Mobilize New Financing to Improve Mobility along Select Transport Corridors Vital For Economic Growth

The World Bank's Board of Executive Directors approved US$25 million in new financing from the International Development Association (IDA)* to support the Government of Ghana's effort to improve the mobility of goods and passengers on selected roads through reduction in travel time, in vehicle operating costs and enhanced road safety awareness.

"Ghana has done very well to improve its transportation sector in the short and medium term and the government is now focusing its efforts on the quantity and quality of the road infrastructure, said Yusupha Crookes, the World Bank's Country Director for Ghana. "We are excited to support the Government's strategy for an efficient and sustainable transport system. The project will also indirectly help to ensure competitiveness, reduce vulnerability, and improve governance in the sector."

The new financing will support the ongoing Ghana Transport Sector Project which has made significant achievements. It has helped reduce the fatality rate per 10,000 vehicles by 17.9; increased the rural population to 66% who are now within 2 kilometers of an all-season classified; and increased the number of road networks in good and fair condition to 57%.

"Besides constraining economic activity in Ghana and reducing the competitiveness of the country's tradable sectors, poor infrastructure impedes the mobility of goods and passengers and creates high costs," said Kavita Sethi the World Bank Task Team Leader for the project. "The project will improve the drainage and pavement structure of the Ayamfuri-Asawinso Road where traffic levels have gone up by more than 300% since 2005. Quality infrastructure is

crucial for sustaining economic growth as the road links western Ghana, the timber and mineral rich areas, and neighboring countries to the deep water port of Takoradi."
The project contributes to the World Bank Group's (WBG) two broad goals of ending extreme poverty and boosting shared prosperity. Rehabilitating the Ayamfuri-Asawinso road and constructing selected roads in the Accra East Corridor will improve the transport linkages to main business districts, natural resource trade routes, hospitals, and ports.
The roads in the Accra East Corridor are part of a network that link the suburban areas in the eastern part of Accra to the Central Business District and to critical facilities including the Accra International Airport and 37 Military Hospital. The project will help increase transport capacity in Ghana which will lead to greater mobility of goods and passengers that will facilitate the development of economic activities and competitiveness along the corridor areas.
* The World Bank's International Development Association (IDA), established in 1960, helps the world's poorest countries by providing zero-interest loans and grants for projects and programs that boost economic growth, reduce poverty, and improve poor people's lives. IDA is one of the largest sources of assistance for the world's 82 poorest countries, 40 of which are in Africa. Resources from IDA bring positive change for 2.5 billion people living on less than $2 a day. Since 1960, IDA has supported development work in 108 countries. Annual commitments have increased steadily and averaged about $16 billion over the last three years, with about 50 % of commitments going to Africa.

INVESTMENTS

Private investment in Angola reaches US$218 million from July to September

The value of investments approved by Angola's National Private Investment Agency (ANIP) between July and September totalled 21.6 billion kwanza (US$218.2 million), a year on year drop of 16.4 %, according to an ANIP report.
The report ANIP, cited by Angolan newspaper Expansão, said that in the July to September 2013 period the value of approved investments reached 25.8 billion Kwanza (US$261 million).
The amount recorded this year does not include the investment contract with telecom operator Unitel, in the value of 191.4 billion kwanza (US$1.9 billion), which was subject to a special approval by the President of the Republic, José Eduardo dos Santos.
Of the 59 projects approved in the quarter, 53 were approved by ANIP, of which 47 had total investment of up to US$10 million, while the rest were approved by the President as total investment was over US$10 million, as in Unitel's case.
On the origin of investments approved in the third quarter of this year, the report points to three distinct regions, namely Europe, Africa and Asia and highlights the investments originating in Europe for bringing together a total of 21 proposals, representing 35.59 % of the total . *(Macauhub)*

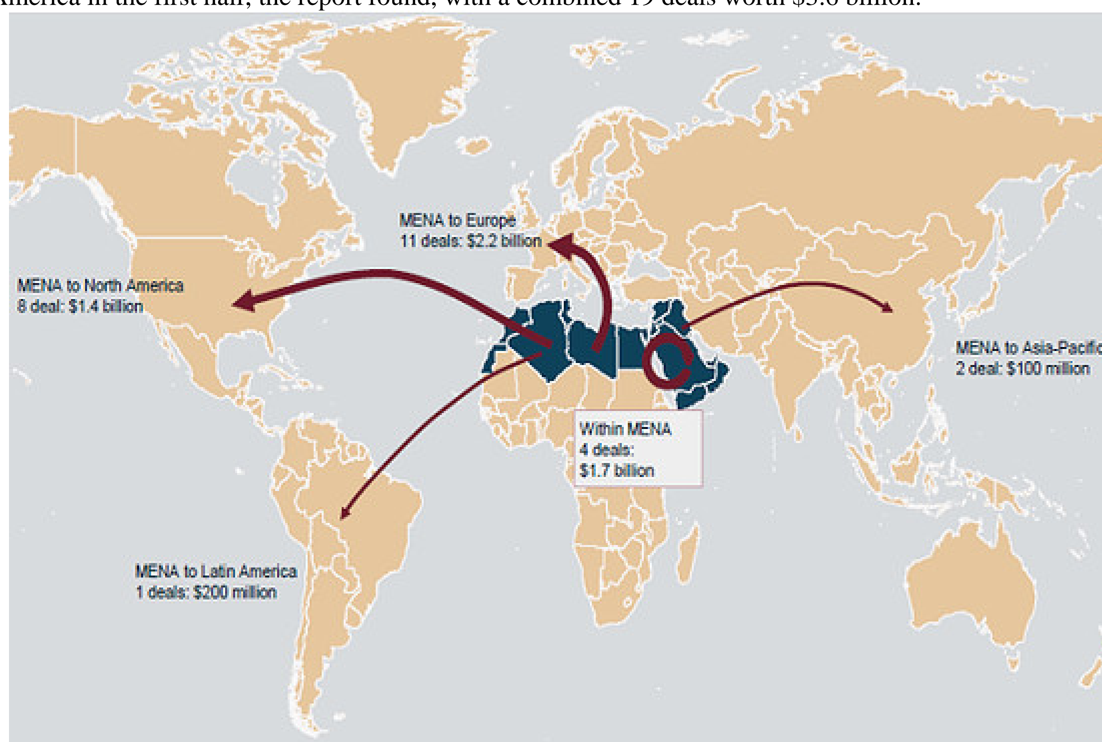
British Shoe Brand Clarks To Double African Stores By 2015

British shoe manufacturer and retailer, C. & J. Clark International Limited (Clarks) has confirmed interests in deepening its reach across Africa, announcing its plan to double the number of stores across the continent's leading markets.
It is keen on participating in the continent's economic boom and capturing a chunk of its burgeoning middle class and an attractive consumer space.
"Africa is an important growth strategy for Clarks," said Irfan Porbanderwalla, Africa is moving from bazaars to high streets and shopping malls. We want to be part of that revolution and growth," said.
Clarks, a privately-held shoe maker, is targeting upwardly mobile clients with an eye for stylish British shoes. It is particularly interested in African countries with strong retail markets. Primary entry targets include Botswana, Ethiopia, Ghana, Namibia, Uganda and Tanzania.
It also hopes to expand in its existing African markets such as Algeria, Egypt, Morocco, Kenya and South Africa.
Established in 1825 by Quaker brothers James and Cyrus Clark, Clarks is one of the biggest shoe manufacturers globally. Its sales exceeding £1.5 billion (US$2.4 billion) across more than 100 markets.
Clarks launched its fourth Footwear concept store at the Galleria Mall of Nakumatt Holdings, Kenya bringing its number of new stores in the Middle East and Africa (MENA) region to 75. *(Ventures Africa)*

Real Estate Investments Less Attractive for SWFs, Report Says

The shine may be wearing off for high-end real estate investments by sovereign wealth funds, according to a new report, a consequence of perceived market frothiness and increased competition for property assets.
Sovereign wealth funds collectively closed $5.9 billion in real estate deals in the first half of this year, according to the report from Institutional Investor's Sovereign Wealth Center. That was a 43% decline in value compared to the same period last year.
Sovereign funds, some of the largest of which are based in the Middle East, have become major players in real estate in recent years.

Funds from Abu Dhabi and Singapore, for example, were the main backers of the $1.3 billion purchase early this year of the Time Warner headquarters building in New York. Qatari state investors have snapped up London digs worth billions of pounds in recent years, and reportedly agreed this month to buy London's HSBC headquarters – the city's largest office building – for £1.1 billion.
The recent fall-off in real estate investment probably has to do partly with rising competition for these assets with pension funds and insurance companies, the Sovereign Wealth Center report said. These competitors are looking to real estate to replace the steady income they'd received from bonds before the financial crisis, the report said.
That trend has driven prices upward, making real estate less attractive for sovereign funds. While a special interest in London real estate persists, funds by and large have responded by shifting toward assets like logistics, retail spaces and residential complexes that offer better value. They're also looking more seriously at redevelopment and renovation projects, something the Abu Dhabi Investment Authority and the Qatar Investment Authority have put money into this year.
Among other trends the Sovereign Wealth Center spotted in the first half, it said some funds appeared to be developing more complex and intertwined relationships with external asset managers, while the success of funds' efforts to develop more in-house expertise has been mixed.
Foreign direct investment by sovereign funds from the Middle East and North Africa went mostly into Europe and North America in the first half, the report found, with a combined 19 deals worth $3.6 billion.



(Wall Street Journal)

French Hotel Group Accor Plans to Double Mideast Presence

Dubai has always had a penchant for luxury hotels and some of the best-known ones such as the sail-shaped Burj al Arab have come to be an integral part of the city's skyline.
As Dubai's economy has firmly picked up again following the infamous 2009 crash, the city is busy as ever building hotels to meet the rising numbers of visitors. This time, however, its focus is shifting towards the mid-market hotel segment to cater to local and regional consumers rather than the ultra-luxurious, says the chief executive of one of the largest hotel groups in the world.
"It [the luxury segment] is just the top of the iceberg," said Sebastien Bazin of France's Accor. "The Dubai Vision 2020 [the emirate's tourism strategy for the next years] is insisting that Dubai should open itself to that new economic, mid-scale segment. Same thing in Saudi Arabia. Same thing in Qatar now," Mr Bazin said.
The French executive, who spent a large part of his career at Accor shareholder and private equity firm Colony Capital, argues that religious tourism to the holy cities of Mecca and Medina together with infrastructure spending needed for organizing events such as the World Cup football and the Expo 2020 will drive demand for more hotel rooms in the years to come.
To that end, Accor plans to double the size of its operations to 30,000 rooms by 2020 in the Middle East. Most of those new rooms will open in the Gulf region under one of the company's brands such as Ibis and Pullman.

Accor's Mideast plans coincide with a wider push by the company to grow in higher-growth markets outside Europe such as Latin America and Asia. Looking further ahead, Mr. Bazin singles out Africa and eventually Iran as offering mouthwatering opportunities for expansion.
"The name of the game is to be less European-dependent and more in emerging markets, knowing we're going to have some up and downs in those markets," said Mr. Bazin, referring to political upheaval in the Middle East or a recent health crisis such as Ebola. "That's basically the price to pay when you go in those emerging markets," he said. *(Wall Street Journal)*

US builds in Kenya

American construction firm International Green Structures (IGS) plans to build a manufacturing fac- tory outside Nairobi, costing s14m. IGS, known for the manufacturing of compressed agricultural fibre (CAF) panels, will build two-bedroom housing units in Kenya using alternative building materials such as compressed rice and wheat husks. This is expected to create more than 4,000 direct and indirect jobs by 2015.IGS will also train the youth in manufacturing, construction and secondary finishing products. *(African Business)*

Danone pays €278m to stake in Morocco's main dairy company

Danone, the world's largest yoghurt maker, plans to spend €278m to further tighten its control over Morocco's main dairy company, Centrale Laitiere, as it reduces its dependence on slow-growth Europe.
Danone will buy an additional 21.75% of Centrale Laitiere, which has a domestic market share of nearly 60%, taking its stake to 90.86%, Danone said in a statement.
The deal follows news last week that Danone was investing $550m in Chinese milk powder maker Yashili International Holdings.
Analysts have also speculated that Danone might sell its medical nutrition business and push deeper into markets such as China and Africa through acquisitions.
Danone, which generates 60% of its turnover in emerging countries, has invested more than €1bn in Africa over the past two years. In July, it bought East Africa's top dairy producer, Brookside, for an undisclosed amount.
Last year, the owner of yoghurt brands Activia and Actimel bought a 49% stake in Fan Milk International, a west African producer of frozen dairy products and juices with sales of €120m. Danone had already spent €550m to raise its stake in Centrale Laitiere to 67% in 2012. *(BDLive)*

Self-sufficiency of African healthcare systems

The role of international donors as a source of funding for African healthcare

African countries are increasingly tapping into their own funding to tackle some of the most intractable diseases, such as HIV/AIDS, tuberculosis and malaria. However, donor funding will remain an important resource in bridging funding gaps and strengthening healthcare systems, says Professor Sheila D. Tlou, director of the UNAIDS Regional Support Team for Eastern and Southern Africa.
The past few years have seen unprecedented economic growth in Africa. The World Bank's latest Annual Report 2014 shows that, with real GDP growth projected to rise above 5% in 2015-16, Sub-Saharan Africa will continue to be one of the world's fastest growing economies. Many countries have also shown improvements in governance, poverty reduction and overall human development, creating opportunities for investments in equitable and sustainable health systems.
However, Africa is far from self-sufficient in the broader healthcare delivery system. The region continues to rely on donor resources to sustain current improvements and expand health and community services to scale up responses to HIV/AIDS, tuberculosis and malaria. The response to HIV/AIDS, however, provides important lessons on how shared responsibility and global solidarity can deliver results. Country ownership, strong political leadership, and reduced dependence on external resources have enabled almost every country in Africa to have success stories—stories of many lives saved and hope for mothers and their babies. For example, domestic resources account for more than 70% of the HIV/AIDS budget in Botswana, Namibia, Mauritania, Mauritius and South Africa.
UNAIDS figures indicated that, thanks to increased investment and unprecedented global and community actions, new HIV infections in Sub-Saharan Africa declined by 33% and AIDS-related deaths fell by 39% between 2005 and 2013. Over 9m people living with HIV in Sub-Saharan Africa are estimated to have accessed treatment in 2013 compared with 6m in 2010.

Bridging the funding gap

However, there are still some challenges. UNAIDS estimates that Africa will require an annual investment of US$11bn-12bn for its HIV/AIDS response in 2015; that same year, the expected funding gap will be US$3bn-4bn. Donor funding remains an important resource in narrowing the gap and strengthening healthcare systems. African leaders need to increase their commitment to sustainable healthcare systems—and they are doing so.
In 2012 the 19th Summit of the African Union adopted the Roadmap on shared responsibility and global solidarity for AIDS, TB and malaria response in Africa. This calls on African governments and development partners to raise funding for the three diseases together, investing their "fair share" based on ability and prior commitments. Resources from the

international community remain important in bridging the funding gap and strengthening healthcare systems to sustain delivery of integrated HIV and other health services.
The HIV/AIDS response has also taught us that there are ways to maintain healthcare and community systems, including by:
- increasing domestic resources;
- investing to address the challenges of human resources in the healthcare sector; and
- combining the strengthening of healthcare systems with innovative service-delivery models, such as task shifting ("the rational redistribution of tasks among health workforce teams", according to the World Health Organisation), health service integration, and point-of-care and community mobilisation to create demand for access to equitable services that leave nobody behind.

The post-2015 development agenda will also be critical in ensuring that international donors continue to deliver on their commitments to strengthen healthcare systems and fast-track the end of the AIDS epidemic by 2030.
The role of donor funding in financing African healthcare systems is one of the themes discussed in a new report, "The future of healthcare in Africa: progress on five healthcare scenarios", written by The Economist Intelligence Unit and sponsored by Janssen.
The future of healthcare in Africa will also be discussed at an upcoming conference, Health Care in Africa 2014: fast-tracking to the future. (The Economist)

BANKING

Banks

AfDB approves US $148 million Line of Credit to Equity Bank Limited

The African Development Bank (AfDB) approved on November 5, 2014 in Abidjan a US $148 million multi-sector senior Line of Credit (LoC) to Equity Bank Limited of Kenya (Equity Bank) for on-lending to key economic sectors in the country.
The LoC approved by the AfDB Board is expected to further leverage Equity Bank’s capacity to deepen its lending activities to vital economic sectors such as manufacturing, agribusiness, transportation, financial services, telecommunications, construction and energy.
Equity Bank is one of the largest banks in Kenya making up just under 10% of total bank lending. With over 9.2 million customers, Equity Bank Group is also at the forefront of the financial inclusion efforts of the country and closely associated with the empowerment of the traditionally unbanked.
In 2013, Equity Bank provided loans to SMEs totaling over KES 35 billion (US $412 million). The Group includes subsidiaries in Rwanda, Tanzania, Uganda and South Sudan which make up just 10.6% of Group net interest income and 19% of Group assets.
The LoC will contribute to Equity Bank’s continued financing of projects that are strategically important to the country’s development agenda by supporting the expansion of credit to SMEs, with associated benefits in private sector development, inclusive growth, increased employment and higher government tax revenues.
The LoC to Equity Bank is well aligned with both the Kenya Government’s and the Bank’s priority areas. It will enhance SME access to finance therefore contributing to their growth and development and will contribute to helping Kenya further its growth and development aspirations.
AfDB’s funding will contribute to diversifying and lengthening the maturity profile of Equity Bank’s funding and enhance its ability to extend medium to long-term financing to viable projects and borrowers. The provision of foreign currency resources for on-lending to entrepreneurs importing dollar-priced machinery and equipment also fosters additionality by providing a natural foreign-currency risk hedge. *(AFDB)*

The pros and cons of EAC monetary union

There has been very vocal interest in regional integration, including monetary integration, in Africa over the decades since independence. With Africa rapidly on the rise – home to seven of the world’s fastest growing economies – African leaders are looking to safeguard a future of sustained growth. A currency union, therefore, appears to be en vogue as (at least one part of) a solution, writes Abdirashid Duale*
However, the concept of a currency union is, perhaps rightly, perceived as inherently flawed. How can separate countries with widely differing economic performances and different languages be effectively tied to a common monetary policy and interest rate? The recent history of the European Union has also hardly been encouraging. Nevertheless, the West African Monetary Zone (WAMZ) [The Gambia, Ghana, Guinea, Liberia, Nigeria and Sierra Leone] is set to introduce a single currency, the eco, from 2015. The intention is that the new currency will eventually merge with the West African CFA franc to create a common currency for much of West Africa. Meanwhile the East African Community (EAC), which comprises Burundi, Kenya, Rwanda, Tanzania and Uganda, has announced its own proposals for a shared currency. The prospect of a single currency in the EAC, following the trade bloc’s approval of

plans to harmonise monetary and fiscal policies and establish a common central bank over the next 10 years, is very much a reality. A currency union in the EAC will be attractive as it will provide a more stable currency in terms of purchasing power, while currency volatility and fluctuation will be minimised. A common currency can eliminate transaction costs, quicken cross-border payments and make investments and the movement of people more viable.

The prospect of a single currency in the EAC, following the trade bloc's approval of plans to harmonise monetary and fiscal policies and establish a common central bank over the next 10 years, is very much a reality .

One of the main factors which has hampered Africa's economic progress over the years has been the very small scale of intra-regional trade, currently only about 12%. Therefore, given the relatively small size of individual economies, currency harmonisation could play a very significant role in increasing intra-African trade. Should a currency union within the EAC come to fruition, trade will be fuelled by a reduction, albeit limited, in transaction costs, the elimination of exchange rate risk and region-wide price harmonisation – all of which will undoubtedly be underpinned by policy incentives. Early evidence (such as the recently launched East African single tourist visa, designed to encourage greater international tourism for the region), suggests the EAC will not be shy about blurring national lines to encourage financial growth. Amidst the great optimism and promise of economic development through greater integration and bilateral trade following a currency union, the fact that cross-border flows will be made easier and more efficient following a currency union has seldom been mentioned. However, the unrestricted flow of capital, both regional and, more pertinently, overseas remittance finance, will undoubtedly continue playing a vital role in helping to sustain and drive development in the region. While it is certainly correct to suggest that the EAC, which is home to approximately 135m people, and a new frontier for oil and gas exploration, will attract greater levels of foreign investment on the back of a monetary union, remittance finance and external aid will remain core sources of finance for the region.

Proceed with caution Although the beleaguered IMF chief Christine Lagarde recently warned the bloc not to rush into a currency union, pointing to the issues faced in Europe while implying that the convergence benchmarks were slightly too ambitious, the EAC is already better positioned than the Eurozone countries were back in 1999 to form such a union. This is due to the close economic, political and even social ties which already exist between the East African countries. Among the hurdles that hindered the euro were barriers to the movement of labour and capital within a diverse region like Europe, and, more pertinently, the fact that the Eurozone economies were effectively running on different cycles, at contrasting stages of growth. These issues would not be so apparent in the EAC. With the exception of Burundi, the five EAC member countries have a similar GDP per capita, despite Kenya being the largest EAC economy. Equally, the EAC is already an existing trade bloc with its own common market for goods, labour and capital within the region. As a result, many of the foundations have already been laid towards the implementation of an East Africa Monetary Union, including the harmonisation of banking regulation and the payment system integration, the harmonisation of monetary and exchange-rate policy formulation and implementation. Furthermore, there is strong political support for a single currency, which is critical.

The EAC, home to approximately 135m people, and a new frontier for oil and gas exploration, will attract greater levels of foreign investment on the back of a monetary union .

Encouraging as these developments are, Ms Lagarde is certainly correct to warn of the need for caution: there are serious considerations which will prove challenging for the EAC if, or indeed when, the monetary union is introduced. For example, the institutions and support structures which will have to be established to support the single currency, including a regional central bank and a statistics body, effectively take away national autonomy in steering monetary policy. Secondly, a new central bank for the region will assume responsibility for setting a common interest rate for the entire East African Community. However, the interest rate set by the central bank may be inappropriate for countries which are growing much faster or much slower than the EAC average. For example, Uganda experienced high inflation levels in 2011 that resulted in the Bank of Uganda raising its base rate and influencing commercial banks to do the same with their interest rates. Meanwhile, Kenya's policy makers felt that interest rates approximately 8 to 10% lower than those of Uganda, were suitable for delivering the desired price stability. How the EAC manages the fiscal convergence criteria will be vital to plans for a monetary union, particularly given the heavy dependence on aid flows to mitigate fiscal imbalances – although the degree of dependence on aid is different among the EAC countries.

Making adjustmentsAnother factor is the issue of asymmetric shocks within a monetary union. A good deal depends on how similar, or different the production, economic and export structures are among the member states. In the case of the EAC, while the economic cycles and product diversification are reasonably aligned, the export structures are different within the five countries. Trade forms a much greater percentage of GDP in Kenya than in Rwanda or Burundi, which indicates that EAC countries may face asymmetric shocks. This would not support the rationale of a monetary union. Equally, issues of national sovereignty, which African governments have been particularly reluctant to cede, will become more problematic if central bank policies are deemed to be less than favourable to their national interests. Since it is not unusual for African governments to manage their exchange rates to meet short-term political goals – such as maintaining a stable nominal exchange rate to avoid price increases of food, fuel, luxury imports, or on payments of international debt – a monetary union might entail a major loss of political power. In sharp contrast to the European countries, the bigger members of the EAC have spent more than a decade operating highly independent and flexible exchange rate regimes, and these have underpinned successful macroeconomic stabilisation. More stringent

exchange rate commitments imposed by a regional central bank may therefore be counter-productive. As Kenya's President Uhuru Kenyatta boldly proclaimed, the continued integration of the EAC countries will mean they "cease to be a group of neighbouring nations and become one people". The EAC appears to be very much committed to regional integration, with leaders and policy makers publicly acknowledging the benefits, fiscal policy is not expected to present an immediate issue but nonetheless must be considered. However, monetary union in the EAC is far from a done deal. The tough convergence benchmarks alone have many believing this is an impossible project. The experience of the Eurozone reinforces the point that successful economic and monetary union requires member states to relinquish sovereignty to a much greater degree than was, perhaps, initially thought. However, if the EAC members continue moving in the same direction, with the right political support, guidance and motivation for a monetary union, then this deep political bargain can be navigated. The objective of introducing a single currency into the EAC is principally to promote monetary and financial stability in aid of the wider integration agenda, which the EAC believes will foster further growth and sustainable development. While the feasibility of the monetary union has been called into question, many of the convergence criteria set out in the Protocol could yet still be met. While progress towards a new regional currency, with the various implications it brings, may be slow, the process alone of policy cooperation and coordination between partner states will be hugely beneficial for the East African Community. Rapid progress is being made in areas such as the harmonisation of cross-border settlement systems, regulation, information exchange, and discussion on reserve pooling and policy coordination. Similarly, as the EAC moves further along the course towards unionisation, by tackling macroeconomic and structural convergence, this process will undoubtedly advance fiscal, trade and labour market policies in the EAC – which, while not the ultimate objective, is certainly an invaluable payoff. *Abdirashid Duale is the Chief Executive of Dahabshiil Group, Africa's largest international payments firm. *(African Business)*

Kenya outruns rest of East Africa

Of the five countries that make up the East African Community (EAC) bloc, Kenya's banks are still the trailblazers in the region, followed by Tanzania, Uganda, Rwanda and Burundi respectively.

Kenya remains the dominant banking market in the region, holding more than half of total banking assets with growth outpacing that of its regional peers, the East African Banking Sector 2013 report by Ernst & Young released this year says. According to the report, Kenyan banks control 60% of the shares of bank assets followed by Tanzanian banks at 23% with Uganda and Rwanda following at 13 and 14% respectively. The Burundian banking sector is still small. Rwanda's Central Bank governor John Rwangombwa acknowledges that "big gaps" exist within the regional banking sector but integration is helping reduce the differences. Although Burundi does not feature much in the discussion on financial matters in East Africa, it is attracting major regional banks who are opening branches in its capital Bujumbura. The E&Y report says that in 2013, Kenyan banks grew their assets by 16%. Tanzania followed with 14%, Uganda's stood at 13% while Rwanda closed at 12%. "Kenyan banks are growing at three times the rate of economic growth. This is the highest multiple in the region, and could be at least partly due to the influential role that mobile payment platforms have played incorporating growing numbers of adults into the banking network," says the E&Y report. The second similarity is the advantage enjoyed by large banks in the specific countries. They have diversified portfolios offering a wide range of products for different niche needs, and their reach too is well spread – giving them rewards associated with scale. Though the region recorded some impressive growth in the sector in the 2013 and is expected to do the same till 2016, according to Moody's, it is still trailing the North and Southern African banks. However, according to audit firm PwC, with the prospects of oil and gas exploitation in Uganda, Tanzania, Kenya and Rwanda, the affluence of East African economies and banks seems assured. In less than a decade, the local lenders are likely to play bigger roles in the continental sector and break out of the current token challenge position they occupy. Uganda: Low rates squeeze profitsThe 'pearl of Africa's' banks which had been expected to perform well in the past have been beset by low interests rates and the high ratio of non-performing loans to total gross loans. The ratio rose from 4.2% in December 2012 to 5.6% in 2013. A blot on the financial sector in Uganda occurred on 1st September when BOU issued a public notice for the liquidation of the Global Trust Bank. According to Emmanuel Tumusiime-Mutebile, the Governor of Bank of Uganda, Global Trust Bank's losses had reached Ushs 60bn ($22.8m) and it suffered governance deficiencies including providing inaccurate information to the government.

In 2012 Fina Bank sold out to Nigeria's Guaranty Trust Bank and the National Bank of Commerce suffered the same fate as Global Trust Bank when it was liquidated. This was not the only low point of the Ugandan banking sector. Unlike Kenya and Tanzania, Uganda is still being seen as not doing enough to combat proceeds that aid terrorism and money laundering and is yet to be removed from FATF's monitoring list. The other low point that has stalled the progress of Ugandan banks is low interest rates. By June 2014 UShs 9 trillion ($3.5bn) had been disbursed as credit by the combined 25 Ugandan banks. In 2012 the total assets stood at $5.9bn which rose to $6.6bn in 2013. Loans however, took a dip from the 11.6% high of 2012 to 6.5% in 2013. Kenya: Innovation and profits galoreBetween 2004 and 2014 Kenyan banks have been synonymous with handsome profits. This trend is showing no sign of abating in this East African nation a decade since it started. Interestingly, local banks, Kenya Commercial Bank (KCB) and Equity Bank have upstaged multinational lenders, Standard Chartered and Barclays Banks as the top-performing financial institutions. The Kenyan banking sector is bubbling with creativity, the desire to try new products and taking competition to a new level. The Commercial Bank of Africa's (CBA) 2012 rollout of the M-Shwari product, which is a

mobile-based banking platform that allows customers to deposit and borrow, has seen the bank's profitability increase and has moved it into the first tier league of banks. So far CBA has disbursed $87.7m as loans and seen its deposits bulge to $269.9m. Equity Bank's 2010 launch of M-Kesho redefined the banking sector and is attributed as the major catalyst that has not only opened the banking space and simplified banking to the unbanked but boosted Equity's fortunes. Other than huge profits, the banking sector has been identified with three other success points. These include unrelenting cross-border expansion tendencies, bold uptake of modern technology and constant recruitment of high performing individuals into their management boards. Six indigenous Kenyan banks, Kenya Commercial Bank (KCB), Equity Bank, Diamond Trust Bank (DTB), Cooperative Bank, I&M Bank and CBA have subsidiaries in all the EAC countries of Uganda, Tanzania, Rwanda, Burundi and South Sudan and are nursing ambitions for growth outside EAC into the Southern African Development Cooperation (SADC) bloc. According to the Kenya Bank Supervision Annual Report 2013 released this year, the sector recorded a 15.9% growth in total net assets. In December 2012 the total assets stood at Kshs 2.33 trillion ($26.2bn). This figure rose to $30.45bn in 2013. The report prepared by the Central Bank of Kenya (CBK) also goes to say that 32.7% of Kenya's adult population has access to formal "prudentially regulated financial institutions" and 66.7% have access to formal financial providers. By December 2013, pre-tax profit stood at $1.4bn. In the eight months of 2014 all indications were clear that the Kenyan lenders were set to break their record yet again as the profits before tax by August amounted to $1.03bn.

Tanzania: Slow but sure

According to Professor Benno Ndulu, the Governor of the Bank of Tanzania (BOT), Tanzania's banking sector "is sound, well capitalised and with adequate liquidity".

Even though Tanzania has the largest population in the East African Community bloc at 45m, the country trails Kenya and Uganda in terms of access to banking. While 12.5% of Tanzanians – 5.6m people – have access to banking services, for Uganda it is 17% and Kenya has seen 70% of its population enjoying regular banking services. This is not necessarily a bad thing for Tanzania as it actually makes its banking sector even more attractive with much room to manoeuvre.

For a decade, Tanzania has maintained a steady average of 6% economic growth with both the IMF and the World Bank now predicting that it will reach 7.2% in 2014. All economic watchers predict a rising economy for Tanzania tin the next decade with the commercialisation of the massive hydrocarbons discovered in offshore Mtwara in southern Tanzania near the border with Mozambique.

CRDB, a successful indigenous Tanzanian bank will now join multinationals Standard Chartered and Barclays in the oil and gas sector. Last year CRDB rolled out agency banking which it had replicated from Kenya and it opened its operations in neighbouring Burundi. As of July this year, CRDB's profits had reached $64.6m.

The BOT directorate of banking supervision records show that Tanzania has 53 banking institutions composed of 34 fully authorised commercial banks, 12 community banks, five financial institutions and two deposit-taking microfinance institutions. In total Tanzania currently is served by a network of 642 branches.

New governor prepares increase financial access to more Rwandese

In February 2015, John Rwangombwa will be celebrating the second year since he succeeded Claver Gatete as governor of the National Bank of Rwanda (RNB). Maintaining price stability and containing all shocks in the financial sector with little disruptions of the Rwandese franc against major currencies is seen as one of Rwangombwa's successes.

This banking sector consists of 10 commercial banks, a development and a cooperative bank and four microfinance banks. According to RNB Rwandese banks total assets rose from RWF1.5trillion ($2.18bn) to $2.61bn. Two Kenyan bank subsidiaries, notably Equity Bank Rwanda and KCB Bank Rwanda together with the Bank of Kigali were mentioned as the lenders contributing to the profits growth curve in Rwanda's banking sector.

Rwanda's largest bank by assets, the Bank of Kigali (BoK), made an impressive half-year profit topping up the $10.6m it had made last year to reach $14.2m this year. This was an increase of 35% in the half-year net profit in BoK's books. The same case was recorded in Rwanda's second-largest indigenous bank Banque Populaire du Rwanda (BPR).

There was also a marked improvement recorded on the microfinance sector – referred in Rwanda as the savings and credit cooperatives (Saccos) societies sector – which are said to have contributed towards general financial inclusion. The Saccos' gross loans increased from $74.7m to $92.8m. *(African Business)*

How the Ecobank – Nedbank alliance was made

Perhaps the biggest African banking story so far this year was the announcement on 2nd October that South Africa's Nedbank had acquired a 20% stake in Ecobank Transnational for just under $500m. This investment has been a long time in the works and there were many who doubted that it could ever happen, especially after Ecobank's well-publicised troubles earlier this year. But it has, and the implications for both institutions are profound. Nedbank's Managing Executive, Rest of Africa, Smit Crouse is in conversation with the editor of African Business, Anver Versi

How did the story between Nedbank and Ecobank start?

I joined Nedbank at the beginning of 2008. Back then, we were having internal discussions about how to position ourselves into the rest of Africa. Compared to our peers we were one of the major banks without a significant footprint outside South Africa. We didn't have a clear strategy of how to establish ourselves. Nedbank was perceived as very

strong in terms of corporate banking and yet we had no presence in the very fast-growing economies where most of the multinational corporates wanted to expand to, including West Africa and Central Africa. We had one of two options really. One was going the traditional route and acquiring banks. But given the P/E multiples of buying banks at the time, especially in Nigeria, it was very difficult to see how one was going to get a decent return in the short to medium term. So we opted for a very much longer-term view – ensuring that we have the risk mitigated and a capital-efficient strategy of moving into the rest of Africa.

Why were you picked to look into this, especially as you were a lawyer and not a banker?

I'm an attorney by profession and before Nedbank I was at PwC doing corporate finance, specialising in international M&A. So I looked at it objectively, without the appreciation of all the red tape and the complexities of expanding and buying banks – and that turned out to be a good thing. What we needed was a defensive strategy in terms of maintaining our market share position in South Africa with our corporate clients, which was at risk without a larger African footprint; so we needed to accelerate the process and started looking at who we could potentially partner with.

Who approached who?

Our chairman, Reuel Khoza [the South African business leader and former freedom fighter] met Arnold Ekpe [former Ecobank CEO] at an event and they had a discussion. Arnold had been known to our institution and various executives for some time and the idea was gaining ground; we had this concept of an African champion banking network which no one could match. I called the meeting with Arnold and his team. We wanted to have a conversation at the CEO and chairman levels to say: 'Let's talk about this in a very mature and a very unconventional way: how do we create something of value, which is very, very unique and long term'.

What happened next?

Phase one was to say: 'Let's collaborate, let's refer each other's clients'. Phase two would involve also looking at potential joint investments in some countries; and then phase three was really about shareholding at the top holding-company level, which would really cement the alliance. This would benefit not only the clients but would also specifically give Nedbank shareholders the opportunity to also enjoy very diversified earnings, including the prospect of faster-growing markets than South Africa. So we formulated our discussions around those three phases. We actually drew up the Lagos Principles, as we called it, to define the guiding principles of this relationship. Everything was on a reciprocal basis in terms of each other's contribution to the relationship itself. So overnight we were able to announce that we had a network, which took us from having a presence in five countries to over 30 countries jointly with Ecobank. However, with no equity investment, the big challenge at that point in time was to what extent could you integrate and provide this 'one bank' customer experience as we called it? Both parties really invested into this relationship.

What was is in it for Ecobank? You moved fairly swiftly and securely from five to 33 banks and having a good footprint in Africa. What did Ecobank expect to get out of it?

At that time Ecobank had applied for a rep office licence in South Africa. There were a lot of multinationals and also South African companies, who used South Africa as a base to expand into the jurisdiction where Ecobank operates in middle Africa. Ecobank realised that Nedbank was extremely strong in terms of our corporate clients. We introduced them to all our corporate clients. Very quickly they were servicing more than 50 of our top corporate clients and opening up hundreds of bank accounts. These were large, key multinational companies who moved accounts from big international banks in West Africa completely to Ecobank. So from a revenue perspective, Ecobank certainly was a major beneficiary.

What was the reaction from your some of your people?

They were asking, "So what are the numbers? How much money are we going to make of this alliance?". I said the number is 33. Overnight we had moved from five to 33 and who cares who makes the most money. We were establishing a relationship. It is that attitude and spirit which paid off.

The relationship them moved to the next level, phase two?

That call came when Ecobank was looking to acquire Oceanic Bank in Nigeria. Arnold phoned us and asked for our advice and help on the transaction. We discussed jointly with Ecobank and we provided a loan of $285m to help Ecobank make the acquisition. I felt that was the day they felt comfortable with us and solid trust had been established.

And was that a specific aim?

Yes, that was for Oceanic Bank. Then we've been holding hands for quite some time now, we need to go to the next level. Hence we structured the $285m loan in a convertible debenture that would give Nedbank the option to subscribe for shares that would give us a 20% stake in the organisation at a point in time.

And vice versa with Ecobank?

Once again, everything was on a reciprocal basis. If Ecobank wants to likewise take a stake in Nedbank, we would obviously facilitate that. It wasn't an outright contractual right, but there was a clear acknowledgement that if Ecobank would want to take up a stake, there would be some facilitation process to look at. So we looked at reciprocal board representation.

Now you've moved onto phase three would you say?

Yes.

When is the big date?
We've served our subscription notice, very technical in terms of the agreement, on Ecobank and the money is being transferred, a total investment of $493m, which will give Nedbank a 20% shareholding in ETI.
So that's a £285m loan plus the difference?
Exactly.
Were you worried after Arnold Ekpe retired and the succession problems that were occurring in Ecobank?
Because we knew the organisation so well, and we knew Arnold and the evolution of Ecobank, we always knew that the transition would be difficult. Arnold being the leader and the person he is, it was always going to be quite tricky to place somebody who could actually take the organisation to the next phase in terms of how we saw the evolution. It was a question of us keeping our distance to a certain extent but supporting management. We were comfortable and confident but we were monitoring the situation very closely obviously.
Do you foresee a change in the structure of the two banks?
Or is each bank going to basically run its own show? Yes, absolutely. We remain independent banks. What is very important for us is to take the integration of this 'one bank customer experience' concept to the next level. We certainly have a lot of projects in mind of how we can make that experience a lot more seamless and come up with very innovative products. Certainly there will be significant investment in terms of integration. Ecobank, for instance, have rolled out their Flexcube banking platform across all the jurisdictions. It is also the platform which we have now chosen for our subsidiaries outside of South Africa and that's being rolled out as we speak. We realised the major opportunity is in retail banking and dependency on innovation; not moving away from bricks and mortar but looking at getting into the technology that will really leverage the major opportunity in retail across Africa.
Will your ordinary customer notice the 'alliance', if you like, of these two banks?
It's obviously very different if you look at a retail customer versus a wholesale banking customer. I think the focus having initially been on the wholesale banking space, I don't think there's any awareness initiative that's required in terms of this. From a retail perspective, that's where the big opportunity is going to be going forward now. On the other hand, we don't want to get too complicated in terms of two different brands trying to advertise or sell something or a product. The product is more important than who is selling the product.
Will Nedbank have any physical presence wherever Ecobank is?
The Ecobank strategy for Nedbank is really around West and Central Africa, that's where we believe Ecobank has got strong banks and they are well positioned; and Nedbank doesn't have any appetite to expand our physical presence into those jurisdictions. We have our own expansion drive in terms of SADC countries and East Africa, so there will be overlap but that will be in the smaller countries, where we both have smaller banks and not the big economies like the Nigerias and the Ghanas. Mozambique, Malawi and Zimbabwe are the countries where we have overlap, but once again we have recognised that from the outset and we'll have a certain set of rules where we collaborate and work together.
Will a Nedbank customer be able to use his card in an Ecobank ATM?
Yes, and very importantly the non-branded Ecobank card, which is not a Visa or a MasterCard, works on Nedbank ATMs across South Africa. This was quite nice because we were able to launch that just before the soccer World Cup in 2010 and, very surprisingly, the volume of the usage of those cards is quite enormous. And while these are not moneyspinners, they provide service for clients. If you go to any Nedbank ATM, there's a clear message to say we take Ecobank cards. We rebranded all our ATMs, thousands of them across the country.
One would imagine that a major part of the strategy is to encourage more intra-African, cross-border business?
There's no doubt about that. From the outset we knew the concerns of corporates wanting to expand north into the rest of Africa, specifically in West and Central Africa. It's an extremely intimidating process for them: the language barrier, different legal and regulatory systems, etc. A lot of companies have failed just because they weren't able to secure good local partners and they didn't necessarily do their homework. The issue is really about local knowledge. You can go to research institutions and get reports about this country or company but all that is not much use unless you have expertise on the ground. That is where Ecobank comes in. Their bankers go well beyond numbers and basic analyses; they know people, cultures, customs, languages, traditions, perspectives, viewpoints, etc.
Ecobank now has a several big investors: yourselves, Qatar National Bank (QNB), PIC (Public Investment Corporation), IFC (International Finance Corporation). Are you happy with your new partners?
I suppose for us what's important is that it increases the shareholder base and, secondly, it increases the client base of Ecobank as well. In terms of QNB taking up that stake, there are clear benefits if you look at it from a geographic perspective – referring clients from the Middle East to Middle Africa and vice versa.
Do you have some kind of agreement preventing, say, Ecobank from diluting shareholding any further should they think of doing that, or it doesn't concern you?
We certainly would like to remain at 20% and shareholders in terms of the ETI articles have a pre-emptive right in terms of capital raising. *(African Business)*

Markets

Izwe Loans Issues Ghana's First Corporate Bond Since 2007

Izwe Loans Ltd. will list debt on the Ghana Alternative Market next week after selling the West African nation's first corporate bond in more than seven years.

The company, which started giving personal loans in Pretoria, South Africa's capital, in 2004, will list 38.6 million cedis ($12 million) of one- to three-year securities sold to 13 Ghanaian fund managers, it said in a statement e-mailed by the stock exchange in Accra, the capital. They're part of an 80 million-cedi medium-term note program, Izwe said.

Issuance in Ghana dried up as the cedi plummeted against the dollar, inflation accelerated and economic growth slowed. HFC Bank Ghana Ltd. sold dollar debt in 2007, while Standard Chartered Plc's local unit issued cedi notes in 2005, according to report from the Ghana Stock Exchange. Both have matured and currently only two- to seven-year government debt are listed on the GSE.

"Now we have an alternative on the market," Collins Appiah, head of asset management at NDK Financial Services Ltd. in Accra, who bought some of the debt, said by phone. "Fund managers do not have to keep giving their money to the government."

Izwe's notes "offer a premium over government of Ghana Treasury-bill rates," the company said, without giving details. On Oct. 31, the Bank of Ghana sold one-year debt at 22.5 % and two-year securities at 23 %. The last sale of three-year paper was on July 31 at a yield of 25.4 %, according to data compiled by Bloomberg.

The alternative market was set up last year for smaller companies that don't meet the requirements for listing on the GSE. Bonds from Izwe, which has seven branches in Ghana and also gives loans in Kenya, Zambia and South Africa, will be the first on the alternative exchange, the company said.

"The bonds provide a welcome window for private pension funds to invest their funds, which are growing on a daily basis," Appiah said. "Listing it on the market gives it visibility and provides further opportunity for trading in the bonds." *(Bloomberg)*

Private Equity & Funds

Private equity bridges infrastructure gap

Private equity investors are becoming more active in Africa's bid to narrow the $90bna-year infrastructure funding gap constraining the continent's growth, reports the Southern African Venture Capital and Private Equity Association (Savca) and KPMG. The report found that, during 2013, 23% of the $14.4bn in assets under management were from funds with a dedicated infrastructure mandate.

The 2014 Private Equity Industry Performance Survey showed this was an 18% increase on the prior year.

Infrastructure assets in Africa offered private-equity-style returns and enabled private equity groups to invest in scale, Savca reported. Private equity funds from various regions – including Southern Africa – are funding infrastructure projects across sub-Saharan Africa in the energy, transport and information and communication technology sectors.

The bulk of the current investments are directed towards the power sector, particularly renewable energy, with smaller projects are favoured over the complex and difficult to manage traditional power projects.

Infrastructural investment has benefits for cross-border investments and regional integration, with the potential opening up of new opportunities for peripheral investments.

Private equity investment in Africa can serve as a catalyst for development on the continent in a way that fosters the achievement of targeted and specified developmental goals, the report concludes. (African Business)

PPC Ex-CEO Says Expansion at Risk Without $200 Million Funds

PPC Ltd. (PPC), South Africa's biggest cement maker, may struggle to continue a continental expansion plan because a deal to obtain $200 million of funding is close to collapse amid a boardroom dispute, according to former Chief Executive Officer Ketso Gordhan.

The loan from a development finance institution he didn't identify may not be completed unless Gordhan returns to the post he resigned from in September, he said in an interview in Johannesburg. PPC said Oct. 31 it would hold a shareholders' meeting next month to vote on the removal of the entire board following a request from three investors. A new board would then appoint a CEO, Gordhan said.

The development finance institution "met with the company and said we won't do the deal with you," said Gordhan, who resigned after fellow boardmembers blocked his attempt to fire an unnamed senior executive. "Growth stops unless you can find an equally attractive source of equity funding which, at the moment, is very unlikely."

PPC will "continue to engage with all stakeholders and will make relevant announcements when appropriate," spokeswoman Azola Lowan said in an e-mailed statement, when asked to comment on the development Gordhan cited.

Africa Expansion

The company is expanding in African countries where demand for cement outstrips supply, and plans to have new plants operating in the Democratic Republic of Congo, Rwanda and Ethiopia. Without the $200 million funding, the acquisition of a 49 % stake in Hodna Cement Co. of Algeria may not be completed, while potential new deals may also not be realized, Gordhan said.

PPC has been embroiled in a boardroom battle since the company said Gordhan resigned on Sept. 22. He says he'll return if investors want him. Foord Asset Management has said it's one of the shareholders leading the call for the board's removal. Other significant investors include the Public Investment Corp., Africa's biggest fund manager, and investment bank Lazard Ltd, according to data compiled by Bloomberg.

PPC shares declined 1.7 % to 28.21 rand as of 3:42 p.m. in Johannesburg, after falling about 13 % since Gordhan's departure.

Preparing Complaint

Gordhan said PPC may be preparing a complaint against him related to an alleged corporate governance breach in the build up to the planned acquisition of Hodna Cement in Algeria. Gordhan was introduced to the company by Jayendra Naidoo, the chairman of Johannesburg-based investment company Jay & Jayendra Pty Ltd., in which Gordhan owns a 5 % stake. Naidoo didn't answer a phone call to his office.

"There's an allegation that I'm benefiting from this deal indirectly," Gordhan said. "There's no relationship at all between J&J and this project other than the fact that a friend of mine introduced me to the project. That's it." Naidoo isn't being paid for his assistance, Gordhan said, while his stake in J&J was declared at the time of his appointment at PPC.

Gordhan said PPC's share price could double by 2019 if the company continued to pursue the Africa expansion strategy. The ex-CEO has about 1.4 million shares, he said, which are valued at 40 million rand ($3.6 million). *(Bloomberg)*

South Africa begins $2bn sell-off to raise funds for state utility

South Africa is pushing ahead with a $2bn partial privatisation programme as it tries to raise money to support struggling state electricity utility Eskom.

Nhlanhla Nene, finance minister, said discussions about asset sales had already been taking place within the government, with the companies that could be affected and with shareholders.

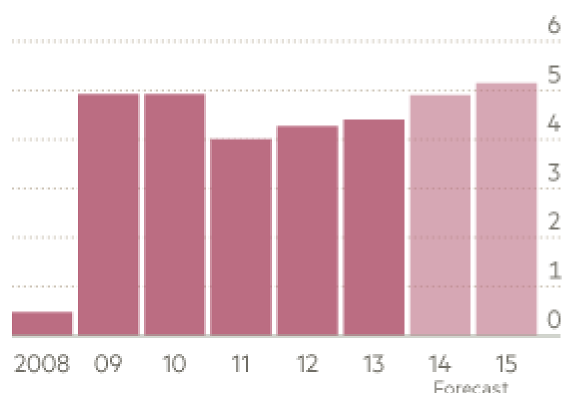
"There are negotiations under way," Mr Nene said in an interview with the Financial Times. "It's something we would want to conclude as soon as possible."

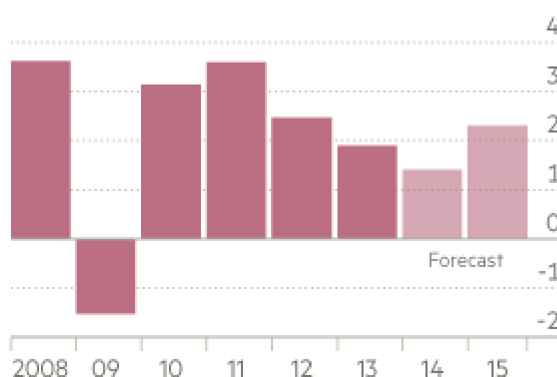
The sale will be the first on such a scale in South Africa since the 1990s. But any moves that could be interpreted as privatisation could face internal resistance from members of the ruling African National Congress's tripartite alliance, which includes powerful unions and the communist party.

Mr Nene declined to give details about which companies the government is talking to but said any sales would involve what it considers to be "non-core assets". But Pretoria has a significant portfolio of investments in listed and unlisted groups, including a 40 per cent holding in Telkom, the fixed line operator – which is unlikely to be considered non-core – and 14 per cent in Vodacom, a mobile phone operator.

It also has stakes in a range of entities through the Industrial Development Corporation, a state-owned developmental institution. These include a 8 per cent stake in Sasol, the energy company, a 13 per cent stake in Kumba Iron Ore, a unit of Anglo American, and 24 per cent stake in BHP Billiton's aluminium smelter in Mozambique. But bankers believe that selling assets from the Industrial Development Corporation would be complicated.

The decision to sell government assets marks a significant shift in policy and comes as Eskom, the state-owned utility, faces funding gap of R225bn ($20.6bn) over the next five years. In his maiden midterm budget last month Mr Nene said the state would provide a capital injection of at least R20bn financed through the sale of non-core assets. "If you look at the Eskom matter, it's a matter that needs to be resolved as soon as yesterday, so we are working very hard at making sure we are able to arrive at that," he said.





South Africa is this year set to record its slowest economic growth since the global financial crisis of 2008-09. Tight electricity supply is a factor hurting the economy

In recent days, Eskom has invoked emergency measures to force energy intensive industrial users, such as mining groups, to cut consumption by at least 10 per cent during peak times, while warning of intermittent blackouts because of technical problems that have taken out about a quarter of its generation capacity. This is in part due to Eskom's ageing infrastructure following years of under investment, and the fact that the utility has had to put off maintenance as it has struggled to meet demand.

Eskom is not the only state-owned company in trouble. South African Airways is also struggling and over the past five years the government has kept it afloat with a cash injection of R1.55bn and R7.9bn of guarantees backing its debt. Last month, Lynne Brown, public enterprises minister, said the airline was "technically bankrupt," adding that the government could look for a potential equity investor.

Mr Nene said the message to state entities was: "Make sure you are running viable, sustainable enterprises so that you don't come to us." Any future financing would have to be "deficit neutral," he added.

In his midterm budget, Mr Nene said fiscal consolidation "can no longer be postponed." To do otherwise "would risk exposing the country to a debt trap," he said, in a sombre speech that was generally welcomed as South Africa seeks to stave off potential rating downgrades.

Mr Nene's target is to narrow the budget deficit from 4.1 per cent of GDP to 2.5 per of GDP in three years, while the growth forecast for the year was downgraded to 1.4 per cent. *(Financial Times)*

ENERGY

Dangote Seeks Approval For Tanzania Power Plant Development

Africa's business mogul and President of the Dangote Group, Alhaji Aliko Dangote has sought regulatory approval to commence development of a coal-fired plant. The plant is expected to power a Dangote owned $500 million cement factory in Mtwara, Tanzania.

"Dangote Industries applied for a 75 MW electricity generation licence to build, own and operate a coal-based captive power plant adjacent to its cement manufacturing plant," a statement released by state-run Energy and Water Utilities Regulatory Authority (EWURA) said.

Construction at the cement facility has already commenced and should be commissioned next year. It holds a production capacity of 3 million tonnes per annum

With most African business societies having to contend with unreliable power supply, larger conglomerates – with the financial muscles to embark on independent power projects – are increasingly ditching public power, decreasing reliance on national grids and government-driven energy systems.

Tanzania, East Africa's second largest economy, is expected to grow at seven % in five years with influx from manufacturing and mining sector. Dangote Cement hopes to take advantage of the surge in local demand for cement not only in Tanzania but across East Africa.

Dangote cement currently operates across 13 African countries with annual revenue averaging $2.45 billion. This has catapulted Dangote to the position of Africa's largest cement producer. *(Ventures Africa)*

Kenyan Cement Maker To Build $19m Coal Power Plant

Kenya's National Cement, a member of the Devki Group of Companies plans to build a Sh1.7 billion ($19 million) coal-fired power plant to feed its clinker manufacturing and limestone mining operation in Kajiado, 80 kilometres south of the country's capital Nairobi.

The power plant will produce 15 megawatt of electricity and is seen as a better alternative to the expensive national grid. "The cost of procuring electricity from Kenya Power is twice as much when compared with the cost of generating power using coal," read an Environmental Impact Assessment (EIA) report for National Cement's proposed power plant. Power currently costs Sh16 per kilowatt hour (kWh) in Kenya, compared to coal power, which costs an estimated Sh13 per kWh based on the price of coal on the international market. And with the country's cement industry being an energy-intensive one, the move by National Cement is expected to reduce production cost.

Aside cost reduction National Cement also described electricity provided by Kenya Power as unreliable, with intermittent interruptions detrimental to the company's clinker production. To power its plant, National Cement will need an estimated 63,360 tonnes of coal. This it plans to import from South Africa, among other coal-rich countries, until local mining kicks off. *(Ventures Africa)*

US Treasury Secretary visits AfDB-financed power supply sub-station in Tanzania in the context of Power Africa

US Treasury Secretary Jacob Lew recently paid a visit to the Sokoine electricity supply sub-station in the Ilala District of Dar es Salaam, Tanzania. The expansion of the substation and the construction of at least one of its control rooms are among the many activities scheduled under the African Development Bank (AfDB)-financed Electricity V project in

Tanzania. Electricity V will be implemented in Arusha, Dar es Salaam, Mwanza, and in the Shinyanga region of the country.
The project consists of the construction of distribution networks, rehabilitation of substations, technical assistance, and project engineering, supervision and management. Its objective is to extend, secure, and improve the supply of electricity to economic sectors and households in rural towns, peri-urban areas and district headquarters. On completion in June 2015, the Sokoine station will provide reliable energy to residents and businesses in Dar es Salaam city centre.
The AfDB has injected US $50 million into the project – a US $42.40-million African Development Fund loan and a US $2.9-million African Development Fund grant – which accounts for almost 90% of the total project cost. On the occasion of Secretary Lew's visit, AfDB Resident Representative in Tanzania Tonia Kandiero said that more than generating electricity, the country needs a stable transmission system. "The AfDB decided to fund the project to support the Tanzania Electric Supply Company Limited in meeting and capturing unsatisfied electricity demand and providing wider access to the service," she stated.
Currently Dar es Salaam city centre experiences regular power cuts mainly because the Sokoine substation has failed to meet and capture growing electricity demand. Actual distribution capacity at the sub-station stands at 15 MVA. Upon completion of the expansion project, capacity is expected to double to 30 MVA.
Tanzania's economy is growing at the rate of 5-7% per annum. The country has faced multiple energy crises in the last decade linked to frequent drought. Without reliable power supply, economic growth is not likely to be sustained. In fact, in its effort to become a middle-income country by 2025, the Tanzanian Government launched its ambitious Big Results Now (BRN) plan to improve power supply nationwide. The plan is receiving support from both the AfDB as well as from the US Government through the Power Africa initiative launched by President Barak Obama in 2013. The AfDB is an anchor partner of Power Africa. *(AFDB)*

Raising Awareness of Energy Efficient Light Bulbs Pays off in Rwanda

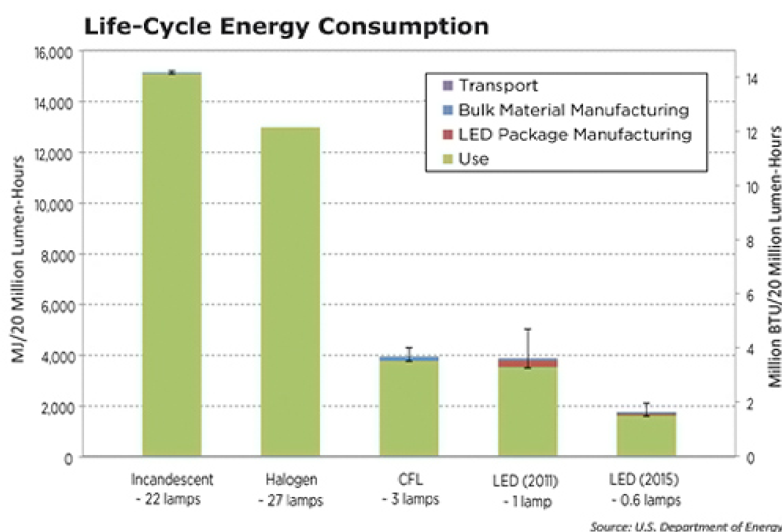
- In a creative bid to reduce energy poverty, Rwanda's national utility launched a campaign to distribute energy-saving Compact Fluorescent Light (CFLs) bulbs, effectively using energy efficiency to lower power demand and so it could expand electricity access.
- The high adoption rate and new energy-saving behavior by customers has helped end-users save 64 GWh per year, valued at $14.5 million.
- The project is also helping the climate – and is the first in Rwanda to earn carbon credits. It is expected to reduce approximately 24,000 tons of CO_2 per year, equivalent to taking 5,000 cars off the road

In Rwanda, one of the most densely populated of the least-developed countries in Africa, 45 % of the population lives in poverty and communities face acute electricity shortages. Here, every watt of electricity counts.
In 2009, only 6 % of Rwanda's population had access to electricity. The majority of households were either living without lights or using kerosene lamps or batteries.
In an effort to increase access to electricity and save energy, the Rwandan government put in place the Economic Development and Poverty Reduction Strategy, which aims to expand electricity connections to 70 % of the population by 2018. At the same time, the government realized it could address energy shortages and black-outs by making energy consumption more efficient.
By 2012, about 18 % of Rwandan households were connected to the grid. People are changing their behavior by wasting less energy, paying less per kilowatt hour and saving energy on a national level, with more power now available to poor rural areas. Over 200,000 households, representing almost 1.5 million people, have received CFL light bulbs through a World Bank-supported project that has allowed them to earn carbon credits for the first time.

How did Rwanda do it?

Using CFLs to become more energy efficient

Under the Rwanda Electrogaz Compact Fluorescent Lamp (CFL) Distribution project, the Rwanda Energy Group – the national public electricity utility, formerly called Electrogaz – conducted an ambitious countrywide distribution of 800,000 high-quality compact fluorescent lamps (CFLs), commonly known as "Energy Savers," that are up to 75 % more efficient than incandescent bulbs. The company bought the CFLs at bulk price, with half the cost financed through the World Bank electricity access scale-up project and the other half through an advance payment for future carbon credits purchased by the World Bank's Community Development Carbon Fund (CDCF).
High-efficiency lighting can reduce electricity use, making it a crucial tool in offsetting price increases that come with extending power grid connections. The CFL distribution brought down costs for consumers and enabled more poor clients to afford access to electricity. It also led to a reduction in greenhouse gas emissions, making the project eligible for carbon credits under the UN's Clean Development Mechanism (CDM). "Our partnership with the World Bank has contributed to savings for our end users of 64 GWh per year, equivalent to approximately US$ 14.5 million as well as a reduction in the power demand by approximately 30MW," said Jean Bosco Muginareza, CEO of the Rwanda Energy Group. "The extension of the electrical grid to rural areas has decreased the use of biomass and kerosene lamps for lighting, lowering smoke pollution. It has also contributed to job creation such as carpentry, soldering, sewing, and the use of power-based mills to transform dry cassava and grains into flour. Some villages are becoming small commercial centers, open late into the night."



Public outreach and education changed the game

The utility used newspapers, posters and billboards to carry out a wide-reaching awareness campaign on how to save energy and differentiate between high- and low-quality CFLs– some of which break after just a couple of months. Quality control is important to the project's success: if markets are flooded with low-quality CFLs, users can revert back to cheaper incandescent light bulbs.

In rural areas, an additional 95,000 households were connected to the grid between 2012 and 2014. Each household received three to four CFLs with their new electricity meter.

In urban areas, 109,000 existing grid-connected households were given the opportunity to exchange old light bulbs for high-quality CFLs at a subsidized price of 200 RWF (approximately USD 37 cents) per bulb. They are now paying less for electricity and using less energy to light their homes and shops for longer.

To make distribution efficient and customer-friendly, the strategies differed by location. In urban areas, customers exchanged their incandescent bulbs for CFLs at distribution centers. But it soon became clear through surveys that people in rural areas didn't have the means to travel to distribution centers, so lamp distributors travelled to remote villages and distributed CFLs.

As a result, 204,000 Rwandan households (with an average of seven people per house) today benefit from high-quality CFLs. The old incandescent light bulbs are being disposed of in a safe manner by the Rwanda Energy Group and the Rwanda Environmental Management Authority. There has been a sea-change in the use of energy efficient light bulbs in Rwanda. Customers in urban and rural households now also buy energy-saving light bulbs in their local markets rather than incandescent bulbs. And they use the campaign's lessons to further reduce their bills by turning off lights when they leave a room. As a result, power demand at certain times of day can be as much as 30 MW less than before thanks to reduced demand, allowing the Rwanda Energy Group to expand the grid access to additional households.

First carbon credits issued in Rwanda

Last month, the United Nations Framework Convention on Climate Change (UNFCCC) approved and issued 22,000 Certified Emission Reductions for the CFL project, for emissions reduced between May 2010 and July 2012. It was the first issuance of carbon credits in Rwanda and the first for a CFL project in Africa, said Sandrine Boukerche, fund analyst for the CDCF.

By selling the carbon credits to the World Bank's carbon fund, they create a revenue stream that finances cleaner technology."It demonstrates that fighting climate change can go hand-in-hand with energy efficiency and combating energy poverty," Boukerche said.

The project is expected to reduce about 24,000 tons of carbon dioxide each year, which is equivalent to taking about 5,000 cars off the road in the United States.

The design and development of the Rwanda Electrogaz CFL project is also contributing indirectly to climate change mitigation elsewhere. As part of the carbon finance component of the project, a new Clean Development Mechanism methodology was developed in cooperation with the World Bank for "Demand-side activities for efficient lighting technologies". The methodology is being used to estimate greenhouse gas emissions reductions for more than 37 efficient lighting projects worldwide. (World Bank)

Climate Innovation Center Unlocks Potential for Kenya's Green Entrepreneurs

- Over 90% of Kenya's population uses wood, charcoal, or kerosene for their daily cooking needs
- Young entrepreneurs are using the country's lack of access to clean energy as a business opportunity
- On October 28, 2014, World Bank Group President Jim Yong Kim visited Kenya's Climate Innovation Center to see these innovative energy projects

In Kenya, over 90% of the population uses wood, charcoal, or kerosene for their daily cooking needs. These fuels pollute the environment and pose serious health risks such as respiratory infections or even death.
While the country offers several clean energy sources, such as bio fuels and solar power, their market is still in its infancy. Prices are often not competitive compared to less sustainable but cheaper alternatives, and the lack of adequate infrastructure prevents their adoption in many rural areas.
Mohamed Kadhi saw a business opportunity in Kenya's lack of access to clean energy when he founded Consumer Choice Ltd (CCL), a clean technology startup that develops clean cookstoves and a bio-ethanol fuel. On October 28, Mohamed had the opportunity to showcase CCL's product lineup to Dr. Jim Yong Kim, President of the World Bank Group, during his visit to the Kenya Climate Innovation Center, a business incubator supported by infoDev, the World Bank's global innovation and entrepreneurship program. The bio-ethanol gel is an alternative biofuel made from molasses, a by-product of sugar extraction.
Another exhibitor during Dr. Kim's visit to the Kenya Climate Innovation Center was the Keekonyokie slaughterhouse. This business has been recycling blood from a community-based Maasai slaughterhouse to create biogas for cooking. The slaughterhouse generates about 10 metric tons of slaughter waste. To manage the waste and turn it into something useful, the abattoir has constructed a biogas digester which channels waste into gas. The firm even stores the fuel in used tires, lessening the environmental impact of the operation.
While bio-ethanol fuel and biowaste-based gases are clean and highly efficient energy alternatives, getting Kenyan kitchens to adopt these alternatives at affordable prices remains a daunting challenge that would require carefully planned sales, marketing and financial strategies.
Since its founding in 2012, the Kenya CIC has been helping CCL and Keekonyokie with identifying potential target market segments and financing mechanisms, developing marketing strategies, and providing policy support through working with local policymakers in order to create greater incentives for the adoption of clean fuels.
The Kenya CIC supports 83 client enterprises – selected from over 330 applicants. With support from the governments of the United Kingdom and Denmark, the Center aims to spark the next wave of clean technology innovation in Kenya, and catalyze new solutions that promote Kenya's private sector growth while achieving sustainable development objectives. Thanks to the services of Kenyan CIC entrepreneurs, about 8,300 persons have better access to safer, cleaner water, 55,000 people are better able to cope with effects of climate change, and close to 49,000 people are using low carbon energy sources. The infoDev Climate Technology Program is establishing CICs in eight countries: Ethiopia, Ghana, India, Jamaica, Kenya, Morocco, South Africa, and Vietnam. To learn more about how the World Bank Group is supporting climate-smart entrepreneurs, please visit www.infodev.org/climate. *(World Bank)*

MINING

Mozambique signs contracts for coal mining in Tete

Mozambique's Minister of Minining Resources, Esperança Bias, in Maputo signed two new mining contracts for coal mining in Tete province, in central Mozambique, according to news agency AIM.
The agreements were signed with Eurasian Natural Resources Corporation (ENRC) of Kazakhstan and ETA Star of the United Arab Emirates.
The ENRC project is located in the district of Cahora Bassa and the concession covers an area of 23,760 hectares, where US$180 million were invested in prospecting and over US$800 million is expected to be spent to mine the coal deposits.
The company expects to mine 25 million tons of coal per year for 25 years.
The representative of ENRC in Mozambique, José Dai said that the project involves production of liquid fuels from coal and generating 120 megawatts of electricity to be sold in Mozambique and possibly to Zambia.
ETA Star, in turn, will explore a mine in Moatize district, in an area of 4,000 hectares, located approximately 40 kilometres from the city of Tete.
The company plans eventually to mine four million tons of high quality thermal coal per year which, at a later stage, is expected to rise 7.5 million tons, although its method of transport to the port of Beira is under consideration.
The Mozambican subsidiary of ENRC is 90 % controlled by the parent company with the remaining 10 % reserved for Mozambicans, while ETA STAR is 75 % owned by the parent company and 20 % by the Mozambican state, with the remaining 5 % reserved for sale to Mozambican nationals. (macauhub/MZ)

Giant Diamonds Lure Investor Cash to Botswana

What's Worth $28 Million and Fits in Your Pocket?

GABORONE, Botswana—In a quiet room behind several sets of bulletproof doors, N.B. Parag turned a 141-carat rough diamond in his hands. The golf-ball-size rock was too big for a ring finger, but just right for an investment portfolio.

"People that buy big stones are invested in their value," said Mr. Parag, a director at Karp Group, an Indian diamond manufacturer and retailer. He says about half the large stones he sells end up in the vaults of wealthy customers who see diamonds as a long-term store of value.

Mr. Parag was in Botswana's sleepy capital to bid on the latest batch of jumbo stones unearthed at an open-pit mine a few hundred miles to the north, at the edge of the Kalahari Desert. He marveled at the stone that sold days later for $6.1 million. "It's like a work of art," he said. He bid on it but fell short.

Dozens of diamond dealers are flocking to this remote African country to buy huge gems. Some of those stones are going into investment portfolios alongside stocks, bonds and gold, a trend that has accelerated as miners in southern Africa have started to put more big diamonds on the market in the past few years.

"It's $10 million you can carry in your pocket without setting off an alarm, and it's reasonably resalable. That's unique," said Brian Menell, an oil, gas and mining investor who has helped find big diamonds for wealthy clients and formerly worked for diamond-industry giant De Beers.

Stones of up to a few carats—each carat weighs 200 milligrams—have traditionally driven the diamond jewelry industry that has boomed in China and India. Mined in Africa, Canada and elsewhere, they are generally polished in Belgium, Israel or India and then set in rings, necklaces and other jewelry.

Like the price of gold, the value of those relatively common stones has declined since the height of the global financial crisis in 2011, when investors snapped up both minerals as a haven.

But over the past two decades, prices for larger stones have more than doubled. Prices for more accessible one-carat stones have risen 76%, according to the Rapaport Group, thanks to factors including De Beers's tight control of many of the jewelry-grade stones that reach the market.

Martin Rapaport, founder of the firm whose price reports are the industry standard, believes diamonds will continue to appreciate as emerging-market consumers develop a taste for luxury. "If you want a long-term play on global economic expansion, diamonds are an increasingly accessible way to get it," he said.

Zurich-based Finanz Konzept AG agrees. The firm launched a fund in 2012 that buys diamonds and stores them in Switzerland, Dubai and Hong Kong before reselling them to jewelers and other investors. Asset manager Necip Babuc says investments of at least $100,000 from wealthy individuals and $1 million from institutions should push the fund above $50 million next year.

Reflecting the recent dip in diamond prices, the fund is down almost 7% since 2012—better than many gold-focused funds that are down about 25% in that time.

As the fund grows, Mr. Babuc says he may add more "exceptional stones"—the industry term for gems of about 10 carats or more—to a portfolio that leans toward the smaller diamonds that drive the jewelry trade. Large diamonds can be hard to resell, he says, because of their high price tags.

But diamond traders say demand for big stones is on the rise from wealthy individuals drawn to the discreet exclusivity of a pocket-size asset with a seven-figure value. To fill orders for clients (which none was willing to name), they are turning to Botswana, where Vancouver-based Lucara Diamond Corp. and other miners are turning out large stones with increasing frequency.

"The top end of the market is evolving," said William Lamb, Lucara's chief executive. "Suddenly, there are more stones available."

This year, Lucara made $136 million selling just 50 big diamonds, up from $72 million on 45 "exceptional stones" in 2013. London-based Petra Diamonds Ltd. in September sold a 123-carat blue diamond recovered from its flagship mine in South Africa for $27.6 million. Since it opened in 2006, Gem Diamonds Ltd.'s mine in Lesotho, a mountainous nation landlocked within South Africa, has produced four of the 20 largest white diamonds ever found.

Botswana is the world's top diamond producer, but its stones were long spirited off by De Beers and other producers for sale in London and polishing in Antwerp, Tel Aviv and India.

At the government's insistence, De Beers last year instructed its customers to pick up their diamonds in Gaborone instead. More than 20 polishing factories have opened here, and most of them specialize in larger diamonds that help make up for production costs that are higher than in India and other markets. They have created 4,000 jobs in a country with scant employment opportunities beyond government and the safari-tourism business.

"The cost of doing business in Botswana is just that: You have to do your business here," said Jacob Thamage, the government's lead liaison to the diamond industry.

The heart of this new industry is a high-security office park near Gaborone's airport, where armored trucks weave between goats and cattle and young Botswanans sift piles of rough diamonds worth many millions of dollars.

There, Mr. Parag of the Karp Group was one of several diamond merchants who had flown in from Johannesburg to assess 14 stones. They ranged from 32 carats to a dazzling 239 carats that Lucara had up for auction.

Miners in southern Africa have fetched millions of dollars for exceptionally large stones mined recently. Select sales:

Oct. 21, 2014: Vancouver-based Lucara Diamond Corp. sells a 203-carat diamond from its mine in Botswana for $8.2 million.

Oct. 1, 2014: Britain-based Gem Diamonds Ltd. sells a 198-carat diamond recovered from its mine in Lesotho for $10.6 million.

Sept. 16, 2014: London-based Petra Diamonds Ltd. sells a 123-carat blue diamond, above, from its flagship mine in South Africa for $27.6 million.
Source: the companies *(Wall Street Journal)*

AngloGold Ashanti Sees Low Prices as Biggest Challenge
Miner's Profit Rises Sharply as Cost Cuts Offset Drop in Revenue

NAIROBI, Kenya—Low gold prices are the biggest challenge to the industry, AngloGold Ashanti Ltd. 's chief executive said, as the company reported a jump in third-quarter profit.
The world's third-biggest gold- mining company posted a net profit of $41 million, up from $1 million a year earlier, as it continued to shut mines and to become a more streamlined company. "We'd like to be conservative and look at the downside" of price forecasts, Chief Executive Srinivasan Venkatakrishnan said. "At the end of the day, the world economy is still fragile."
The fundamentals of gold are strong over the medium and long term, he said. "Short term, there is still pressure."
The rise in the Johannesburg-based mining company's earnings would have been greater still were it not for low gold prices, high inflation and taxes, the company said.
Revenue fell 5.5% to $1.34 billion. Gold fell $1.70 to close at $1169.40 a troy ounce in New York, down 2.7% for the year. Mr. Venkatakrishnan said AngloGold Ashanti was cutting costs to wrestle with inflation in several of the 11 countries in which it operates. The effect on revenue from Argentina's inflation rate, at more than 30%, is a particular concern, he said. The company's costs dropped 19% in the third quarter from a year earlier, to $1,144 an ounce. "Our job here is to keep effectively running down an escalator that's going up," he said.
Ebola hasn't affected business in Guinea, Mr. Venkatakrishnan said. One of AngloGold Ashanti's mines is in Guinea's Siguiri area, where cases of Ebola have been recorded. Mr. Venkatakrishnan said none of its miners or contractors has contracted the virus and the company had put in place increased safety measures in consultation with the World Health Organization, including daily distribution of disinfectants and education programs for its employees.
A feasibility study to assess the prospects of hard-rock mining under the surface of the mine in Siguiri is continuing and expected to be delivered next year. Mr. Venkatakrishnan said the investment would be small, between $5 million and $6 million. The Ebola outbreak wasn't thwarting plans to press ahead with the study, he said.
Nevertheless, AngloGold Ashanti has suspended all nonessential travel to and from the Guinea mine, Mr. Venkatakrishnan said, as part of its plan to keep staff as shielded as possible from Ebola. He said the company was also keeping a close eye on Ebola cases in Mali, one of which was recorded about 50 miles away from one of AngloGold Ashanti's mines. He said that, so far, Mali outbreaks weren't cause for concern. Cutting debt by $1 billion over the next three years is a priority, Mr. Venkatakrishnan said. He said he expected to see a "real dent" around mid-2016.
AngloGold Ashanti produced 1.1 million ounces of gold in the third quarter, up 8.1% from a year earlier and up 2.7% from the second quarter. The company reported no fatalities in its mines for a second consecutive quarter, an AngloGold Ashanti record. *(Wall Street Journal)*

Appetite for Africa's untapped riches grows despite many hazards

It is Africa's great paradox: the continent is home to a wealth of natural resources and most of the world's poorest countries.
According to the African Development Bank, the continent holds about 30 per cent of the world's known minerals and half its uncultivated arable land. It is a significant producer of oil and, increasingly, gas, a position bolstered by recent discoveries.
In one way or another, however, its resources have all caused trouble. Access to oil and mineral revenues, land and water have given rise to friction and conflict. Hopes pinned on extractive industries as a basis for broader development have been largely disappointed. The continent has ample energy potential, but most energy investment goes to export projects, and only a minority of countries manage to supply electricity to more than half their populations.
With low farm productivity, most African countries have become net food importers. Forest and marine resources are depleted by illegal and under-regulated logging and fishing. Water is abundant in large areas, but others are plagued by recurrent water and food shortages. Drinking water supplies in sub-Saharan Africa have improved rapidly since 2000, but still reached only 64 per cent of people in 2012, according to UN agencies, well below the average for developing regions.
Pressures are expected to increase on two fronts – the population is set to double to more than 2bn by 2050, and climate change threatens to extend arid and semi-arid areas, curb food production and limit the scope for hydro power.
Despite Africa's growing profile as an investment destination, foreign companies operating in any of these sectors continue to find it a high-risk environment. Oil and mining companies, especially, have been hit by a wave of changes and uncertainties affecting tax and other key conditions in numerous countries – including Nigeria and South Africa, the biggest economies – as governments seek more revenues and economic benefits from, and control over, these activities.
Many risks such as political violence, expropriation, regulatory changes and currency upsets are covered by investment guarantee and insurance schemes provided by the World Bank and other multilateral, public and private institutions. But others, such as infrastructure failings, corruption and bureaucratic hold-ups are not.

Africa can always spring surprises. Amara Mining, a gold prospector traded on London's Alternative Investment Market has not only faced lower world gold prices, but two of the trio of west African countries it was focusing on have been hit by the Ebola epidemic.
"You have to look at what could possibly go wrong, and try to ameliorate that," says John McGloin, Amara's executive chairman. He underlines the importance of working with local communities, which often means investing in facilities such as healthcare and education. "It's a delicate area. If you don't do it correctly, you lose the whole project," he says, adding: "The more you work with the local community, the less you spend on security."
Appetite for investment in Africa and its untapped resources has grown despite the hazards. Christoph Wille, an Africa analyst at the consultancy Control Risks, suggests one factor may be a perception that armed conflicts have become less widespread. But he cautions: "The risks in Africa are diverse and remain extremely challenging in some contexts."
This environment tends to favour smaller companies willing to start projects in exchange for the prospect of high returns. Companies have been moving into remote areas – Tullow Oil in northern Kenya, for instance – where there may be little infrastructure and a scarcity of resources such as access to water and land suitable for agriculture.
"In these cases, community relations are going to be much more difficult to manage," Mr Wille says.
Chris Bredenhann, a partner at PwC's advisory division in Cape Town specialising in oil and gas, sees a change in companies' attitudes to local participation. "Co-operative approaches seem to be gaining more traction," he says.
In Nigeria, Royal Dutch Shell and other oil majors have been selling onshore and shallow-water interests, reducing their exposure to sabotage and illegal siphoning of oil in the Niger Delta.
The International Energy Agency predicts that unrest, oil theft and uncertainty for operators over delayed legislation will cause Nigeria to lose its place as sub-Saharan Africa's biggest oil producer to Angola in the next few years.
So, are companies getting better at managing risk in Africa? Maria van der Hoeven, IEA executive director, gives a nuanced reply. "I think there is a realisation they have to be better at handling risks, and they do what they can," she says. But, she argues, it is up to African governments to "de-risk the situation" by providing better regulatory frameworks, financial stability and security. *(Financial Times)*

OIL & GAS

Angola's National Oil Firm Diversifies Into Banking Sector

State-owned Angolan oil company Sonangol has expanded its business portfolio by extending its tentacles to the banking sector. This was confirmed when it injected a US$252 million capital into local bank Banco Económico, SA (BESA).
"The oil company is expected to provide a significant part of the capital injection that Banco Económico SA will receive, invest about US$252 million, which will allow a 35 % stake in the bank," said Sonangol in a statement.
Other investors in BESA include Lektron Capital, a Chinese-owned company, and Angolan group Geni.
Sonangol is a government parastatal that was founded in 1976 to oversee petroleum and natural gas production in Angola. Oil is the backbone of Angola's economy, making up over 90 % of the country's exports.
Last month multinational oil and gas company, BP group said it plans to invest $15 billion in new Angola oil fields. BP has to date invested more than $25 billion to grow its Angolan business, whose net average production is around 200,000 barrels of oil per day. In 1966, Cabinda Gulf Oil Company discovered the most significant oil reserves in Cabinda at the time. From then on, oil has played one of the most important roles in the Angolan economy, having surpassed coffee in exports in 1973. *(Ventures Africa)*

Oil accounts for smaller portion of Angola's GDP as production in other sectors increases

The weight of oil production in Angola's Gross Domestic Product (GDP) declined in the last five years from between 60 and 65 % to between 41 and 43 %, reflecting the higher contribution of other sectors, Angola's Oil Minister said in Luanda.
Minister Jose Maria Botelho de Vasconcelos, who was speaking at a meeting about the importance of internationalisation of Angolan companies, said that this drop in the composition of GDP reflects the commitment to non-oil sectors of the economy. At the meeting promoted by the Community of Angolan Exporting and Internationalised Companies (CEEIA), the minister noted that oil "has been the basis of our development."
"In 1975 we were producing about 173 000 barrels [per day]. Today, after almost 40 years, we produce ten times more [1.8 million barrels]," he said. He said, however, that the weight of oil revenues "continues at the level of 1975," while in exports this dominance is now 98 %, with almost half of Angola's output – 46 to 48 % – being sent to China. The 2015 Angolan State Budget prepared by the Government outlines daily production of 1.83 million barrels of oil, or 10% growth compared to this year. *(Macauhub)*

New fields to come on stream

Chad: Chad expects to double oil production by the end of 2015 as new fields come on stream and it has appointed firms to inven- tory potential mineral deposits. Produc- tion is currently around 100,000 barrels a day.

Kenya: American firm ERHC plans to conduct seismic surveys or drilling of a well at Block uA with CEPSA after com- pleting preliminary work on its Turkana block.
Mozambique: The Mozambican authorities are seeking an international consulting firm to evaluate new domestic and regional markets for itsoil and natural gas using a $50m grant by the World Bank under the Technical Assistance Project for Gas and Mining. Drilling of oil has begun in oil and gas reserves in Northern Mozambique's Caho Delgado province.
Nigeria: Nigerian oil trader Igho Sanomi isset to acquire Royal Dutch Shell's highly productive oil block, Oil Mining Licence 29 (OML 29) for $2.5bn. Sanomi's Taleveras Group will also be buying a pipeline. The oil block is the most coveted of all the oil assets, including OMLs 18, 24, 25 and 29, put up for auction.
One of Africa's youngest billionaires, Sanomi topped the Choiseul Africa 100 list of African economic leaders under 40 (*African Business)*

Mozambique Needs to Ready for Gas Boom Revenue, IMF Says

Mozambique should strengthen its management of public finances as it prepares for high growth and revenue associated with an expected natural-resources boom, the International Monetary Fund said.
"While substantial natural resource revenues are six to 10 years away, efforts are needed to put in place adequate institutional arrangements and capacity to address the large new challenges associated with this sector and the promise it holds for the country," Doris Ross, head of the IMF mission visiting Mozambique, said in a statement at the end of a two-week stay in the southeast African country.
The International Energy Agency in September estimated fiscal revenues associated with the development of gas fields off northern Mozambique at $115 billion over the next 25 years. That compares with GDP last year of $15 billion, according to World Bank figures. The IEA Africa Energy Outlook report projects the first exports of liquefied natural gas in "the early 2020s."
The ruling Front for the Liberation of Mozambique won parliamentary and presidential elections last month. Filipe Nyusi, a former defense minister, was chosen to lead a country where 54.7 % of the population lives below the poverty line, according to the World Bank's latest figures, from 2009.
The IMF team encouraged the Mozambican authorities to focus on rural infrastructure development. That, along with an improved business environment, "should help make growth more inclusive by enhancing agricultural productivity and job creation in the private sector," the IMF said.
Enhanced Transparency
The IEA has said Mozambique aims to increase its electrification rate to 85 % from 39 % currently by 2035.
Mozambique should "step up implementation of key structural reforms, especially in the public financial management area," the IMF's Ross said. Authorities in the country are "appropriately committed to further strengthening their management of public resources, including by adopting a fiscal rule to improve the management of windfall revenue," and are "enhancing the transparency and efficiency of public investment."
The IMF statement called for the management of public enterprises to be strengthened and for audited annual reports to be disclosed for the largest public companies. It singled out the Mozambican Tuna Co., or Ematum, for particular mention.
It emerged last year that an $850 million bond issue by Ematum to buy more tuna fishing boats was also used to finance anti-pirate patrol boats, a development that surprised some participants in the transaction. *(Bloomberg)*

LNG: Will Mozambique be a winner in the global energy supply market?

Mozambique is set to have one of the most promising liquid natural gas (LNG) export markets over the next decade, thanks to recent discoveries of vast reserves of natural gas. Although exploration has yet to begin, the race for concessions in the Rovuma basin already involves multi-million dollar deals.
Known for years for its extreme poverty, Mozambique is now highlighted internationally for its natural resources, rich in hydrocarbon reserves, and minerals such as coal.
The Rovuma sedimentary basin in the northern province of Cabo Delgado, which until recently was an unknown region of the world, has turned this country on the Eastern coast of sub-Saharan Africa into the location of one of the world's largest natural gas reserves, alongside countries such as Russia, Iran, Qatar, the United States, Australia and Norway.
With quantities of natural gas constantly revised upwards it has become difficult to determine exactly how much gas there is in this Indian Ocean basin, although the latest figures from the Mozambican government point to 180 trillion cubic feet of natural gas.
The Maputo government split the basin up into six concession areas, which they granted to multinational companies Anadarko Petroleum Corporation, Ente Nazionale Idrocarburi S.p.A (ENI), Petronas and Statoil. So far only concession Area-1 and Area-4 have announced "massive" natural gas discoveries.
Area-1, managed by US group Anadarko, which was granted the concession in 2006, has 20 wells drilled to date. Estimates point to reserves of between 45 and 70 trillion cubic feet of recoverable natural gas.
In Area-4, led by Italy's ENI via its subsidiary ENI East Africa, projections point to around 90 trillion cubic feet of natural gas. By the end of September 2013 the company had drilled ten test wells.

There is no information available on the results of test drilling by Malaysia's Petronas, which holds the concession on Areas 3 and 6, but the company has so far invested around US$ 50 million in drilling a single test well whose findings are promising.
In what can be seen as an indication of a delay to its activities in the Rovuma basin, in the last 12 months, Petronas has asked the Mozambican government for an extension of its prospecting license. If the results it gets from testing are in the meantime "satisfactory" Petronas can make use of a 30-year period for commercial exploration, in line with other companies that signed contracts with the Mozambican authorities in the oil and gas sector.
Norway's Statoil's results were less positive, and in 2013 it gave up on its surveying of Areas 2 and 5 in favour of "projects with greater potential", in countries such as Angola, Tanzania, Brazil and Mexico. The Norwegian oil company's exit from the project is almost certain, but that does not mean, however, that the project itself will come to an end as Ireland's Tullow Oil plc, which acquired Statoil's 25 % stake, has already shown interest in carrying on with prospecting activities, this time focused exclusively on oil.

Prospects worth billions

In the two-time Oscar-winning film by Paul Thomas Anderson There Will Be Blood (2007), Daniel Plainview, the ambitious and vengeful protagonist, a role that won Daniel Day-Lewis an Oscar, stands up against the monopoly of US company Standard Oil by refusing an offer of US$ 1 million for some promising oil wells, which he bought in California for a small sum.
Although the film fictionalises the rampant nature of the oil business since the beginning of the 20th century, some of its messages are relevant to the current reality of oil and gas projects around the world, including those in the Rovuma basin.
Since acquiring their concession, Anadarko and ENI have sold some of their capital to other multinationals, in deals involving several billion dollars.
The Mozambican state has had a 15 % stake in Area-1 via Empresa Nacional de Hidrocarbonetos (ENH) from the beginning of the project, though its current shareholder structure now includes Indian groups ONGC Videsh (20 %) and BRPL Ventures (10 %), Japan's Mitsui&Co (20 %), and Thailand's PTT (8.5 %).
Anadarko, which started out with an 85 % stake in the project, now has 26.5 %, which makes it the operator of Area-1. As well as this offshore project, the US oil company also has an onshore concession, also in Cabo Delgado province, which so far has no known natural gas prospecting activities.
Taking as a basis the price paid by Mitsui&Co in 2008 for 20 % of Anadarko's stake in Area-1, of just over US$ 140 million, and the fact that in 2013 ONGC Videsh paid out about US$ 2.64 billion for 10 %, it is easy to see the rising value of the Rovuma concessions.
The lucrative sales of stakes go even further, with some companies acquiring stakes at a low cost, stating their interest in carrying out the natural gas exploration projects, only to later sell their stakes for huge sums, without their involvement having actually contributed to the projects at all.
In 2008, for example, Videocon Industries paid US$ 75 million to Anadarko for 10 % of its capital. Five years later it sold that same stake for US$ 2.4 billion to ONGC Videsh.
Although it has had fewer changes to its shareholder structure, the project managed by ENI has also been lucrative, particularly for the Italian oil company which, in 2013, was paid US$ 4.21 billion in the sale of 20 % of its stake in the project to the China National Petroleum Corporation (CNPC).
"CNPC's move into Area-4 is a strategic development for the project, because of the Chinese company's position in global up and downstream sectors," ENI said in a statement about the transaction. They went on to note that a joint venture may be set up by the two companies to explore a "promising" shale gas block in the Sichuan basin, in China.
The Area-4 consortium is currently made up of ENI (50 %), CNPC (20 %), Korea Gas (10 %), Portugal's Galp Energia (10 %), and Mozambican state company ENH (10 %), but this structure may see changes as ENI has shown interest in selling off another 15 % of its stake, which is expected to happen over the next few months.

"Unexpected" and valuable capital gains income

The Mozambican state has not charged tax on all the capital transactions over the last few years in the Rovuma basin or in other "mega-projects" for exploration of natural resources in the country. In 2013, however, it controversially charged capital gains tax of around US$ 800 million on some of those deals.
In the deal to sell 20 % of ENI's shares to China's CNPC, the Mozambican government negotiated with the Italian company to charge a capital gains levy of US$ 400 million. In the Videocon Industries deal the State managed to net revenues of US$ 224 million.
"If the rate charged to ENI had been 32 %, we would have netted over US$ 1 billion. This way we ended up with US$ 400 million," Fátima Mimbire, from the administrative probity of the Centre for Public Integrity (CIP), told Macao magazine, noting that the problem of taxing capital gains was related to "political rather than technical issues".
The Mozambican government was severely criticised for not establishing a single set of criteria for charging capital gains tax, as the rate of taxation varied from deal to deal. This year it announced plans to set a rate of 32 % on all future transactions, thus directly pegging it to Corporate Tax (IRPC).
Discussion amongst the country's economists now focuses on how the government should spend the money. The Government has so far used it for current expenses related to the State budget such as salary payments or repaying

Value Added Tax (IVA) to companies. Some people are of the opinion, however, that the country should establish a sovereign or investment fund.

For those people that are calling for this measure, the State should start preparing to invest in future natural gas exploration projects in Areas 1 and 4, where it has a stake via ENH. Construction of units for liquefaction of natural gas alone is expected to require total investments of US$ 60 billion until full exploration, according to government forecasts.

"In Botswana, for example, the State agreed not to take part in investments for extraction and only receives part of the profits. In Mozambique, however, the government agreed that ENH would also help pay for investments, which is a concern as we know that our capacity to take on loans is not very big and we can see that capita gains are not being channelled into investment funds," said Mimbire.

As an alternative, Mozambique, may ask the companies to provide ENH's share of investment, though this option would result in a delay in receiving any profit for the state from gas exploration projects.

Legislative review may allow for renegotiation of Rovuma LNG contracts

The new Oil and Mining Law is about to go up for approval in the country's parliament. This new law will replace the current law, from 2001, which was the basis for negotiation of the oil and gas exploration projects in the Rovuma basin.

Although in a different context and on a much smaller scale, Mozambique already has some experience in the natural gas sector through the project in Pande and Temane, regions of the coastal province of Inhambane, led by South African petrochemical company Sasol.

The project, which in 2004 started exporting natural gas extracted in the region along a pipeline to South Africa, has been criticised by Mozambican civil society, which accuses it of generating residual revenue for the Mozambican state unlike the initial project that pointed to possible revenues of around US$ 2 billion over the project's 25-year lifetime.

"The value of sale of gas from Mozambique in South Africa is now over US$ 800 million per year, whilst the state's total revenue in the first eight years of the project was less than US$ 50 million," according to a report from the CIP on the Mozambican state's revenues from the Sasol project.

Initial projections of possible state revenues from the Rovuma projects, which pointed to profit of around US$ 5 billion per year, are now under question and some projections now point to no more than US$ 1.2 billion by 2026.

In line with the requirements of the International Extractive Industries Transparency Initiative (IEITI), the Mozambican government recently published the Rovuma concession contracts. Now that the content of the contracts is known, the government is under pressure to renegotiate them. "As they have been published, we believe it is time to start renegotiating the contracts because we can now see that they are not very good," said CIP's Fátima Mimbire.

Palma, the future LNG export powerhouse?

With its modest gross domestic product (GDP) of around US$ 14 billion, Mozambique is anxiously awaiting the launch of LNG exploration projects in the Rovuma basin and, of course, their revenues.

Driven by a lively economic optimism and bolstered by large investment projects linked to natural resources, such as those of Brazilian group Vale and Anglo-Australian group Rio Tinto in the coal region of Moatize, in Tete province, Mozambique's young economy has seen "consistent" annual growth of around 7 %.

This level of growth puts Mozambique amongst the fastest-growing economies on both a regional and global level, and it is expected to remain there until the beginning of the next decade, according to projections from the World Bank and the International Monetary fund (IMF).

The Mozambican government and multinational companies Anadarko and ENI have pointed to 2018 for the first shipments of LNG to be exported from Mozambique, although some more cautious analysts do not expect exports to begin before 2020.

"We are working at full tilt for production to begin within the legal deadlines. At the moment all the activities are on schedule," Mozambique's former deputy Mining Resources Minister, Abdul Razak told Macao magazine recently at the end of a meeting about the Natural Resources sector held in Mozambique.

So far, the only known project for construction of an LNG factory serving the Rovuma basin was presented by Anadarko, which was granted a land concession of around 18,000 hectares for that purpose. Since the beginning, the Palma district has been the chosen location for the project, which, if it goes ahead, promises to make that quiet part of Cabo Delgado province unrecognisable.

In its initial plans Anadarko projected construction, in modules, of 10 natural gas liquefaction units by 2026. By then the plant would reach full production by processing around 50 million metric tons of natural gas per year.

However, due to the amount of investment that this scheme requires, the plan has raised questions about its viability, and, in the guidelines of the 2013 Gas Master Plan, the Mozambican government itself was more contained and mentioned just six processing units built by 2026.

The CIP, which estimates that each processing unit will take four to five years to build, considers it will be "an extraordinary feat" to build four units by 2026.

It is also unclear how much investment is needed to launch the projects. Anadarko expects investments of around US$ 15.7 billion, the IMF has said at least US$ 17.5 billion and the 2013 Gas Master Plan gives a figure of US$ 18.3 billion.

For the time being there are no investors secured for the project. Although it is likely that the Area-1 concession holders will be involved, the same cannot be said of those from Area-4, which had been considered possible investors.

At the end of 2012, Anadarko announced it had entered into negotiations with ENI, with a view to developing the Palma project together. The result of these negotiations were not publicly announced, but ENI's recent launch of a public tender for acquisition of a floating, production, storage and offloading unit (FPSO) for processing LNG, puts the Italian company's interest in taking part in the project into question.
Its is interesting that the announcement followed information provided by the director of Anadarko, Al Walker, saying that the US company had already found "Asian buyers" for two thirds of the annual processing capacity of the future Palma project. According to Walker, remaining production is also expected to be shipped to Asia.
"I can say that we have removed the risk from this project," Walker said in March, adding that an announcement would be made about the investment to be made in the natural gas liquefaction unit at the end of the year.
Whether they are together on the Palma project or not, Anadarko and ENI are facing huge competition from several countries, such as Australia and the United States, which have seen major advances in their natural gas exploration projects.
"In Australia, North America and East Africa everyone wants to sell their LNG to Asia. There will be more gas than necessary, so the ones that reach the market first and at the lowest price will win," Ebbie Haan, the managing director of Sasol Petroleum International, said recently.
Although issues of time taken to carry out the natural gas projects in the Rovuma basin seem not to fall in Mozambique's favour, the country's geographical position is a benefit for Asian markets.
Its location will certainly have an impact on transport costs and, as a result, on the final sales price of LNG. It remains to be seen, however, if this will be enough for Mozambique to find a place as a "giant" in the world energy market. *(By Emanuel Pereira, in Maputo/Macauhub)*

TELECOM

Angolan President's Daughter Bids to Buy Portugal Telecom

Isabel dos Santos, the daughter of Angola's president, made a 1.2 billion-euro ($1.5 billion) bid for Portugal Telecom SGPS SA, the holding company that owns a minority stake in the carrier created from a merger with Brazilian telecommunications carrier Oi SA.
Dos Santos, an investor in Portugal Telecom rival Nos SGPS SA, is offering 1.35 euros a share through Lisbon-based Terra Peregrin-Participacoes SGPS SA, 11 percent more than the stock's Nov. 7 close, according to a filing yesterday. Conditions include an acceptance level of more than 50 percent and no major changes such as a sale of strategic assets. Trading in Portugal Telecom shares was halted today in Lisbon.
Portugal Telecom no longer controls the operating assets of the country's former phone monopoly after its merger with Brazil's largest landline carrier. Oi, which is selling assets in Portugal and Africa, is considering a 7 billion-euro offer made this month by billionaire Patrick Drahi's Altice SA for the Portuguese assets.
In a statement today, Rio de Janeiro-based Oi said it considers any changes to the terms agreed with Portugal Telecom "inopportune."
Oi and Portugal Telecom agreed a year ago on a combination to create a carrier with 100 million customers to compete against Telefonica SA and Carlos Slim's America Movil SAB. In July, the companies renegotiated the transaction to give Portugal Telecom a smaller stake in the combined entity after it emerged that the Lisbon-based partner was holding 897 million euros in short-term debt defaulted by Rioforte Investments SA, part of the Espirito Santo Group.

Veto Rights

Portugal Telecom is now the owner of the debt. The holding company also has veto rights over a sale of the Portuguese assets, according to two people familiar with the matter.
Terra Peregrin plans to keep the main strategic guidelines set by Portugal Telecom's board and the objectives "inherent" to the merger agreements signed by Portugal Telecom and Oi, "subject to some changes to the calendar," it said in its statement.
Caixa-Banco de Investimento SA, the investment banking unit of Portuguese state-owned lender Caixa Geral de Depositos SA, is assisting with the offer, Terra Peregrin said.
Besides Nos, Portugal's biggest cable-television provider, Dos Santos also has a stake in Banco BPI SA, a Portuguese bank that is also active in Angola.
Portuguese shareholders in Portugal Telecom include Ongoing Strategy Investments, Grupo Visabeira SGPS SA and Novo Banco SA, the bank that emerged from the breakup of Banco Espirito Santo SA. *(Bloomberg)*

IHS in biggest African fund raising since crisis

The largest African fundraising since the start of the 2008 financial crisis shows the Ebola crisis has not deterred investor interest in the continent. Nigeria-based IHS, the telecoms infrastructure group, has raised $2.6bn in equity and debt in one of the biggest private funding packages for an African business.
The company will raise $2bn in equity from a consortium of Asian, European and African investors alongside a loan facility of $600m. Money has also been raised from existing shareholders, which include funds managed by Goldman Sachs, Wendel of France and Emerging Capital Partners, the private equity group.

Issam Darwish, IHS chief executive, said the fundraising showed the depth of the financial market for businesses in Africa. Asked about the impact of the Ebola crisis in his talks with investors, he said: "Africa has its own risks, but with the kind of returns that investors get [nowadays] from Europe and the US, Africa is a strong alternative on a risk-return basis."

The African Development Bank (AfDB) estimates the continent will attract a record of nearly $85bn in foreign inflows this year, as investors pour money into local securities markets, infrastructure and factories.

Over the course of the year, big foreign investors such as state-owned Temasek of Singapore and Kohlberg Kravis Roberts, the private equity firm, have announced a big push into Africa. Barack Obama, US president, also hosted the first US-Africa summit in August, pushing American businessmen to invest into the region. IHS said the money would be used to pursue deals to buy mobile cellular towers from telecoms groups such as Bharti Airtel of India and Etisalat of the United Arab Emirates. IHS owns the towers and then leases access back to the operators.

The company will also use the funds to pay for its $2bn acquisition of more than 9,000 towers from MTN of South Africa. The deal made IHS the largest towers group in Africa, with about 20,000 sites in Nigeria, Cameroon, Rwanda, the Ivory Coast and Zambia. IHS plans to build new sites and improve existing towers with solar power systems and efficient generator units.

Mr Darwish said IHS would seek an initial public offering in the coming years on an international stock exchange.

Tower sites can be expensive to operate given the need to provide power to often remote areas, as well as the costs of upkeep and security in crime-prone countries such as Nigeria. "The contribution of our investors significantly strengthens our position and the ability to move into the next phase of growth and development with confidence," he said. "We are clear in our ambition to play a leading role in the creation of the widest, most efficient and reliable mobile networks in Africa. The social and economic benefits to the local economies where we operate are significant." The debt component of $600m is split between US dollars and naira, with a seven-year tranche and eight-year tranche fully underwritten by banks. Goldman Sachs and UBS advised IHS on the capital raising. *(Financial Times)*

Safaricom Secures Approval For Essar Mobile Acquisition

Safaricom, Kenya's largest mobile operator, has received regulatory approval from the Competition Authority of Kenya (CAK) and the Capital Markets Authority (CMA) of Kenya to acquire assets of Essar Telecommunications Kenya Limited. "I am confident that our customers in both urban and rural areas will benefit from the anticipated improvement of the quality of service on both voice and data services as we switch on more of the acquired capacity," said Bob Collymore, CEO of Safaricom. Collymore however said in an interview with Business Daily that most of YuMobile's workers will be absorbed Safaricom. The assets – YuMobile's infrastructure and frequency spectrum – are valued at Shs 7.2 billion ($80 million). This excludes its 2.7 million customers, which will be swallowed up by Airtel as part of a combined acquisition deal with Safaricom. The deal has been described as one of the largest in Kenya's telecom sector. Essar decided to sell its YuMobile business after it made annual losses totalling Sh3 billion ($33.5 million). Since it was launched in 2008, YuMobile has been unable to break-even. It has had to rely on its parent company Essar to keep the business afloat. *(Ventures Africa)*

Samsung To Launch First Digital Village In West Africa

Electronics giant, Samsung is poised to launch West Africa's First Digital Village in Volo in the Volta Region of Ghana. The project, which is part of the company's Citizenship Programme, has already been launched in South Africa, Ethiopia and Gabon.

In Ghana, Samsung will partner with the government, local health services and international stakeholders including UNESCO to set up a sustainable project. The village will use solar energy to improve healthcare delivery and education. It will also help local traders develop their business though the use of sustainable and low-cost alternative energy source. The village will comprise of a Solar Powered Internet School (SPIS), Solar Powered Tele-Medical Center (SPMC), Solar Powered Health Centre (SPHC) and Solar Powered Generator (SPG).

The Solar Powered Tele-Medical Center will provide healthcare to inhabitants of remote villages. The SPIS is a solar-powered mobile classroom designed to meet the basic education needs of the community, especially in remote rural areas that lack access to energy. Harry Park, Managing Director of Samsung Electronics West Africa, said the company expects these facilities to "have a positive impact on education and healthcare delivery in Volo and the surrounding communities." *(Ventures Africa)*

Nine African States Plan $1.9bn Telescope

Kenya recently hosted eight other African countries in a series of meetings to explore opportunities to lead in global science while positioning the East African country as a regional hub for Basic Space Science; all nine countries have agreed to cooperate in radio astronomy research.

The Square Kilometer Array (SKA) Senior Officials Meeting (SOM) was successfully ended as the countries formalized their ambition via a Memorandum of Understanding (MoU). The partnering countries include South Africa, Mozambique, Botswana, Mauritius, Namibia, Zambia, Madagascar, Ghana and host Kenya.

The meeting explores the SKA Africa Readiness Strategy, joint implementation plan and cost estimates for partner states in hosting the African Very Long Baseline Interferometry Network (AVN) and SKA dishes.

When fully constructed, the SKA, a huge telescope with a total collecting area of one square kilometer, is expected to be able to survey the entire skies more than ten thousand times faster than ever achieved by any existing equipment using bandwidths and data transfer rates faster than the current global internet traffic. The huge telescope, which will be the world's largest and most sensitive, will help further research into the dynamics of space and possibly help detect life elsewhere in the universe.
Kenyan Education, Science and Technology Principal Secretary, Prof Jacob Kaimenyi, noted that the SKA will drive in a number of appealing benefits even though it required huge capital investments. Among the benefits mentioned included new job opportunities and increased business opportunities for local industries during and after the construction.
The move was also in line with facilitating the government's Science Technology and Innovation (ST&I) policy framework which is a key theme of the country's Vision 2030. The policy seeks to devote resources to scientific research, improve the technical capabilities of the workforce and raise the quality of teaching science and technology in learning institutions.
Other moves made by the government to boost the ST&I implementation include the ST&I Act of 2013 which mandates an allocation of about 2% of national GDP for research and development (R&D). *(Ventures Africa)*

Africa, Middle East Will Have Second Highest Cloud Workload by 2018

A new study suggests that the Middle East and Africa will have the second highest cloud workload growth rate by 2018. This will be driven by the proliferation of cloud computing across the regions and its increasing adoption by Africans.
According to the report, data center traffic will nearly triple over the next 5 years with the cloud making up for 76 % of overall data traffic. This projected increase is justified by examining just how mobility is becoming prolific across the continent; as more people acquire the means to access content wherever they go, and from multiple devices, this trend is sure to stay.
In specifics, the study suggests that the Asia Pacific region will see a growth of 45% Compound Annual Growth Rate (CAGR) over the 2013-2018 period with the Middle East & Africa coming in second at 39% while Latin America follows closely with 34% CAGR. In terms of traffic, the Middle East & Africa data center traffic is expected to reach 366 exabytes (an exabyte equals 1 billion gigabyte) per year by 2018, a clear upward shift from 68 exabytes per year as of 2013. This represents a 40% GAGR from 2013-2018.
The United Nations estimates that the total world population by 2018 will be 7.6 billion. A good majority will possess residential internet facilities and a projected 53% of these will use cloud storage for personal and professional uses.
"The growth in population and internet usage has increased the demand and use of cloud-based technology across Africa. The Cloud is definitely becoming a reality in Africa as businesses gain confidence in both the security and reliability of the Cloud," commented Den Sullivan, Head of Architecture, Cisco Emerging Markets, at the launch.
Also, Global Data Center Traffic is expected to rise significantly, experiencing a CAGR of 23% and growing from 3.1 zettabytes (one zettabyte equals 1 trillion gigabyte) per year in 2013 to a projected 8.6 zettabytes per year in 2018. To put this figure in context, 8.6 zettabytes of data is equivalent to streaming all 500,000 movies and 3 million movies ever made in ultra-high definition about 250,000 times.
Lastly the number of countries the report classifies as being "cloud ready" has increased steadily. This year, about 109 countries have met the single advanced application criteria for fixed network, up from 69 countries last year. Also, the number of countries that met the intermediate single application readiness criteria for mobile networks grew from 42 last year to 52 this year.
As more individuals and enterprises in Africa are motivated to embrace the cloud, it is evident that this technology will be one of the fundamental game-changers of the 21st century. *(Ventures Africa)*

FOOD & BEVERAGES

Refriango of Angola opens new beverage plant

A new factory for Refriango, an Angolan beverage production company, is due to open on the outskirts of the Angolan city of Huambo, following an investment of US$4.7 million, the company said in a statement.
The plant, located on a 10-hectare plot and whose construction began in 2012, has an installed capacity to produce an average of 100,000 hectoliters of various products.
Refriango is an Angolan company specialised in the production and distribution of soft drinks, juices, waters, energy drinks and alcoholic beverages and currently has nine brands.
It was the first Angolan beverage production company to be granted ISO certification and currently exports its products to 10 countries: Portugal, Mozambique, Namibia, Benin, Senegal, South Africa, Guinea-Bissau, the Republic of Congo, Equatorial Guinea and the Democratic Republic of Congo. (macauhub/AO)

Sale of Chi Farms highlights appetite for African food sector

The sale of one of Nigeria's top beverages companies is showing that appetite among foreign investors for Africa's food sector remains buoyant in spite of a drop in the profitability of many regional companies.

The family behind Chi Farms, which markets juice and dairy products in Nigeria, has put the company up for sale, attracting tentative interest from multinationals such as Nestlé and Kraft and private equity groups including KKR, Blackstone and Carlyle, according to people familiar with the talks.

The sale, expected to conclude in early 2015, could fetch between $750m and $1bn, the same people said. The first round of bids is expected soon.

The sale talks follow two big food and beverages deals last week in Africa. Danone, the largest yoghurt maker, paid €278m to tighten its control over Morocco's main dairy company Centrale Laitière. Meanwhile Abraaj, a Dubai-based private equity group focusing on emerging markets, has offered nearly $120m for Bisco, one of Egypt's top biscuit makers.

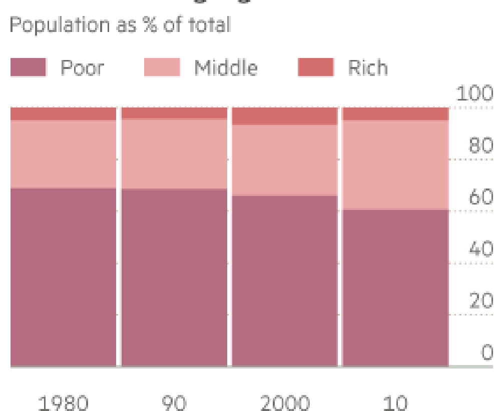
In August Sanyo Foods, Japan's third-largest maker of instant noodles, paid $233m for a 25 per cent stake in the packaged-food business of commodities trader Olam in Nigeria, in a rare deal bringing an Asian group into Africa.

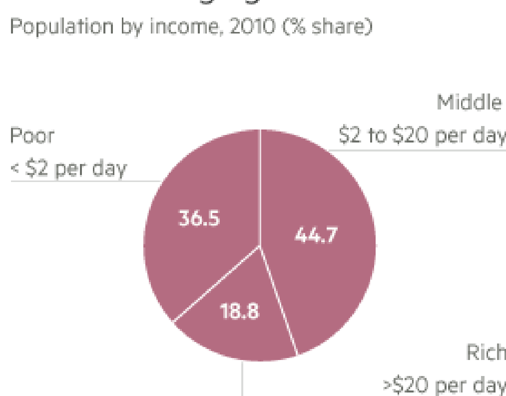
"The food and beverages sector remains quite attractive as the middle class expands," says an investment banker involved in deals in the continent.

The Ebola crisis and signs of slower economic growth in some African countries, including Nigeria and Angola, owing to a drop in oil prices, are not deterring potential investors either, the banker added.

But executives are warning that the rapid arrival of new players into the food, beverages and consumer-goods sector could hurt profits because of much greater competition. "The era of fat margins is over," says a Lagos-based senior executive with a food group. He added that some new investors were nonetheless pouring in money using valuations based on old – and unrealistic – return assumptions.

In fact, the recent results of the local subsidiaries of Nestlé, Cadbury, Guinness and Unilever have shown a big drop in profitability. Dangote Sugar, a unit of the conglomerate owned by Aliko Dangote, Africa's richest man, has also suffered.





Esili Eigbe, consumer analyst at emerging markets specialist bank Exotix in Lagos, wrote in a report to clients that the recent drop in profits was because of "weakness in consumer spending" in Nigeria and across other African countries. In addition, "competition among local consumer companies has risen significantly in the last few years, owing to the entry of new players across categories," he said. Wannabe investors played down the fears, insisting that over a 10-year horizon, the consumer-goods sector in Africa offered higher rewards than in other regions.

So far this year, the food and beverages industry in Africa has seen deals worth $1.1bn, nearly double the $668m in 2013, according to Dealogic, the data provider. The number of M&A deals has risen to 45, the second highest since 2008.

Over the past five years, the sector has become a magnet for foreign investors as they bet that the continent with the world's youngest population would over time demand more juice, confectionery and beer. For many multinationals – as well as local entrepreneurs – African families emerging from poverty and joining a new consuming middle class represent one of the biggest opportunities in business.

The African Development Bank estimates that the continent's middle class, which numbered 115m in 1980, has grown to 326m in the past three and a half decades.

Despite the rapid growth, Africa still has the smallest middle class as a share of total population of all emerging regions. According to the AfDB, the middle class accounts for 33 per cent of the population in the region, compared with 56 per cent in developing Asia and 77 per cent of Latin America. Hence, foreign investors – and local groups –

are betting that the middle class will continue to grow, tracking the development of countries such as India, Brazil and Indonesia. However, food executives – and the AfDB – caution that most of the new middle-class members are living barely above the poverty line. *(Financial Times)*

AGRIBUSINESS

Climate smart, not climate change

Over the millennia, African farmers and herders have faced constant climatic challenges and usually found ways to adapt to them. However, this ancient knowledge, specific to the environment, has been ignored and neglected. Now, however, a new movement aims to place local knowledge at the centre of agricultural practice.

In Africa, climatic events have always been so significant that the older generations' and rural communities' recollections of stories place historical periods in climatic context. 'So-and-so was born in the year of heavy rains after three years of no rains'. Even nicknames and family names have paid homage to prevailing climate conditions and climate induced outcomes. Garraw, for example, meaning 'sorghum' in the Somali language, was born in a year of great sorghum yield and harvest.

Climate and the impact it has on agriculture have undeniably been an important and ever-present certainty across time in the continent.

In the past, climate conditions dictated a reactive human behaviour. Nomads moved around to follow climate conditions that were favourable for their livestock. Pastoralists adjusted what they put into the earth to suit prevailing conditions and enhance the soil for desired future seeding.

The use of indigenous knowledge and adaption to local environment is gaining a political and civil society-led revival under the label of climate-smart agriculture. This philosophy of 'nature prescribing and human behaviour conforming' is now also coming under the attention of biotechnology advancement crusaders.

Though not a new science, it is rapidly picking up pace and its adoption or rejection is increasingly becoming a political and economic issue as the continent races towards poverty reduction and hunger eradication goals.

At the US-Africa Leaders Summit in Washington in August this year, US Secretary of State John Kerry encouraged African countries to participate in the Global Alliance for Climate-Smart Agriculture (GACSA).

He said that due to the "hotter temperature, longer droughts, and unpredictable rainfall patterns", there was a "need for climate-smart agriculture" and "creative solutions that increase food production".

Five African countries and the US announced their intention to join the GACSA, slated for launch at the UN Secretary General's Climate Summit on 23rd September 2014. The five African countries are Liberia, Malawi, Niger, Nigeria and Tanzania.

However, the launch is expected to draw protests, as evidenced by the ongoing objections and criticism readily available on the internet and in print academic literature. At a panel discussion at the same summit, Ethiopian Prime Minister Hailemariam Desalegn also called on African leaders to promote climate-smart agricultural initiatives to combat the effects of climate change that affect agricultural productivity. ONE, an international campaigning and advocacy organisation involved in, among other causes, the fight to increase investment in agriculture and nutrition, reports that 70% of Africans make a living from agriculture and that growth in this sector is 11 times more effective at reducing poverty in sub-Saharan Africa than growth in other sectors. -

The World Bank also reports that 75% of the world's poor are rural, most involved in agriculture. Consequently, agricultural performance is fundamental in poverty reduction, food security and economic growth contributors such as employment.

The dependence of this important sector on specific climate conditions, e.g. soil moisture, nutrient levels, water availability, etc., renders this a climate vulnerable sector. The changes in temperature as well as the frequency and severity of droughts and floods poses challenges for not only farmers but also the continent's and world's populations and governments and economies reliant on the output of this sector. Climate-smart agriculture is seen as the solution to transforming agriculture by adopting farming practices and techniques that address the threats of climate change and make agriculture more resilient to climate change. Part of this approach is the encouragement of healthy soil by using natural sources of plant nutrition and reducing the use of inorganic fertiliser and other chemicals. For example, a lack of soil nitrogen (N) and phosphorous (P) and of micronutrients such as zinc hampers crop production in the savanna regions of Africa. In 2011, FAO reported that "the combination of mineral fertiliser application and dual-purpose grain legume, such as soybean, intercropped or relay-cropped with maize, increased maize yields in Kenya by 140 to 300% and resulted in a positive N-balance in the cropping system". The simple practice of utilising the African acacia, Faidherbia albida, as a natural component of farming systems in the Sahel is also praised by the FAO. The tree does not compete with food crops for light or water and sheds its nitrogen-rich leaves during the rainy season to provide a natural fertiliser for the crops. Zambian farmers also grow food crops with Faidherbia as this has shown increased maize yields without the use of fertilisers.

GM to the rescue?

In the fight to increase agricultural productivity and adapt it to climate change, the use of biotechnology in crop production is another solution put forward. A Chatham House research paper entitled On Trial: Agricultural Biotechnology in Africa, published in July this year, states that "there are important opportunities to enhance yields and increase resilience through the adoption of improved crop varieties. In some cases, biotechnology, and in particular genetic modification (GM), offers advantages over conventional plant-breeding approaches." Despite a significant scientific and agribusiness backing, however, GM food has faced vehement opposition from African farmers and governments. Zambia's former President, Levy Mwanawasa, known for his inclination towards direct rhetoric over diplomatic patter, called GM foods "poison", blocking GM food aid to his people. He only allowed GM foods into the country following popular outcry and a study of GM foods safety by his own scientists sent to visit various European and American cities. Related to the GM issue is also the double-edged sword of the perceived impact the adoption of GM crops on Africa economically as well as for the safety of its consumer population. More than 50% of the continent's agriculture is exported to the European Union (EU), where GM foods must be labelled as such due the consumer opposition to it. On the one hand, farmers fear they will lose the European market with the introduction of GM foods over safety perceptions by European consumers. On the other hand, GM crops have the potential to vastly increase African crop yields. South Africa was the only African country that accepted GM crop offers by US biotech corporations during a 1998 FAO meeting. All other African countries outrightly rejected them, saying "we strongly object that the image of the poor and hungry from countries is being used by giant multinational corporations to push a technology that is neither safe, environmentally friendly, nor economically beneficial to us". The appeal of climate-smart agriculture is boosted in part by such objections to GM foods, a difficulty that undermines a balanced debate and creates a blind spot about enquiry into what climate-smart agriculture entails. Climate-smart agriculture, while garnering strong support from the African governments themselves and the US has also drawn some disapproval from authoritative and influential quarters. Paul Driessen, author of Eco-Imperialism: Green Power – Black Death, and senior policy advisor for the Committee For A Constructive Tomorrow (CFACT) wrote an article entitled Climate-Smart Policies for Africa are Stupid. Similarly, the Third World Network (TWN), in a briefing about GACSA, questioned the authenticity of the system, calling it climate-dumb. Despite this however, climate-smart agriculture is attracting support, including from the smallholder African farmers appreciative of an initiative promoting indigenous ways and knowledge.
(African Business)

Restoring Lands, Lives and Livelihoods in Africa

- Sustainable ecosystems are vital to the livelihoods and food security of the world's poorest
- Natural resources and ecosystems are threatened by climate change
- African countries are using innovative ways to revitalize and boost the resilience of ecosystems

Natural resources and ecosystems that are critical for the livelihoods and wellbeing of the world's poorest are threatened by degradation and over-use. But forward thinking and innovative approaches can help revitalize and boost the resilience of these resources and ecosystems, and the people who rely on them. Paula Caballero, Senior Director for the World Bank's Environment and Natural Resources Global Practice witnessed this first-hand in Mali, Burkina Faso, Tanzania, and Ethiopia.

"Africa's story is often one of extraordinary endeavour and human perseverance in the face of severe challenges," said Ms. Caballero, Senior Director, after her visit to Sub-Saharan Africa. "In all the countries I visited, the link was clear between natural resources management and growth—not only today, but also for tomorrow."

Changing Lives along the Great Green Wall

Caballero visited sections of the $1.1 Billion Bank-funded program supporting African countries' Great Green Wall Initiative, which has had a positive impact on local communities and farmers in Burkina, Ethiopia, Mali and 9 other countries. Developed under TerrAfrica, the program aims to improve the resilience of lands and its people.

In Mali, where drought is a fact of life, 8% of the GDP is lost every year due to land degradation. Over the past few years, the Bank has supported programs to roll back the desertification processes and enhance the resilience of communities to climate change. Recently, the Government of Mali asked for Bank assistance to rehabilitate and protect the inner Niger River Delta—a vast wetland that is fragile and especially vulnerable to climate change and degradation. The Delta is vital to the livelihoods of millions of people in Mali, and 8 other countries that surround it. 40% of Mali's livestock—over 2 million cows and 4 million goats and sheep—migrate to the Delta region during the scorching dry months.

In Burkina Faso, an inspiring visit with Yacouba Sawadogo—known as The Man Who Stopped the Desert—showed that drylands are not inevitable. Sawadogo, a farmer from one of the poorest countries on earth, achieved what many experts dream of: Halting the desert. In just 20 years, he converted a completely barren area into a thriving 64-acre forest with 87 species of trees. "I started replanting this forest because I wanted to cure the land and cure the people," said Sawadogo. "Now, I produce more than I can eat. I will sell the surplus and use the medicinal plants to cure people. What I have done and continue doing is for the next generation and for the entire humanity."

In Ethiopia, large-scale restoration of land has transformed the lives of smallholder farmers. The government program, which is partly supported by the World Bank, has boosted the livelihoods of 30 million people and helped put 15

million hectares of communal and individual lands to more productive use. "The land here used to be barren and full of rocks rolling down to our villages. The land was so dry and there were no trees on it so our soil used to be washed away," said farmer Meri geta Hulgize Nurelgne. "With the program, trees have been planted and this new grass you see is either sold or used as cattle feed." Unemployed youth and landless women have also been able to transition away from subsistence to become entrepreneurs in honey production and other small businesses.

Better Resource Management in Tanzania

Caballero also visited Tanzania, where the Bank has been boosting efforts to reverse the degradation of Lake Victoria. The Bank has helped introduce pollution management and improved environmental management of the lake to benefit 46 million inhabitants who depend on the lake's resources, including the world's largest freshwater fishery, to make a living.

Tanzania's unique resources—its magnificent wildlife and unique ecosystems—represent tremendous economic value. The government of Tanzania is increasingly exploring nature-based tourism as a way to drive economic growth and create jobs, and benefit local communities. Caballero's meetings with government officials highlighted the need to protect the natural capital to attract tourists. "People come to Tanzania for nature but if nature is not preserved, why would they come?," said a local entrepreneur. "We need help to sustain the resources we have so that we can have better lives."

With help from the Bank, governments in Africa are working to make ecosystems more resilient, so that they can sustain future generations. "There is hope in the region that dedication, innovation and sheer human spirit will empower the farmers who are restoring the land and keeping the social fabric together," said Caballero. "The Bank is committed to promoting better landscape approaches and more sustainable resource management, because healthy ecosystems are crucial to the livelihoods of so many of the world's poorest people, especially in Africa." *(World Bank)*

COMMODITIES MARKET DATA

Energy & Oil Prices					
Crude Oil & Natural Gas					
Commodity	**Units**	**Price**	**Change**	**% Change**	**Contract**
Crude Oil (WTI)	USD/bbl.	79.51	+0.86	+1.09%	Dec 14
Crude Oil (Brent)	USD/bbl.	84.54	+1.15	+1.38%	Dec 14
TOCOM Crude Oil	JPY/kl	60,850.00	+290.00	+0.48%	Apr 15
NYMEX Natural Gas	USD/MMBtu	4.51	+0.10	+2.20%	Dec 14
Refined Products					
Commodity	**Units**	**Price**	**Change**	**% Change**	**Contract**
RBOB Gasoline	USd/gal.	216.58	+3.06	+1.43%	Dec 14
NYMEX Heating Oil	USd/gal.	253.76	+3.81	+1.52%	Dec 14
ICE Gasoil	USD/MT	751.75	+12.75	+1.73%	Dec 14
TOCOM Kerosene	JPY/kl	72,500.00	+230.00	+0.32%	May 15
Emissions					
Commodity	**Units**	**Price**	**Change**	**% Change**	**Contract**
ICE ECX Emissions	EUR/MT	6.78	+0.02	+0.30%	Dec 14
Gold, Silver, and Industrial Metals Prices					
Gold					
Commodity	**Units**	**Price**	**Change**	**% Change**	**Contract**
COMEX Gold	USD/t oz.	1,171.70	+1.90	+0.16%	Dec 14
TOCOM Gold	JPY/g	4,290.00	-3.00	-0.07%	Oct 15
Gold Spot	USD/t oz.	1,171.71	-6.26	-0.53%	N/A
Euro Spot	EUR/t oz.	938.38	-7.21	-0.76%	N/A
British Pound Spot	GBP/t oz.	736.52	-5.62	-0.76%	N/A
Japanese Yen Spot	JPY/t oz.	133,600.44	-1,401.63	-1.04%	N/A
Indian Rupee Spot	INR/t oz.	72,066.88	-240.98	-0.33%	N/A
Silver					
Commodity	**Units**	**Price**	**Change**	**% Change**	**Contract**
COMEX Silver	USD/t oz.	15.69	-0.03	-0.18%	Dec 14
TOCOM Silver	JPY/g	57.60	-0.50	-0.86%	Oct 15
US Dollar Spot	USD/t oz.	15.70	-0.09	-0.57%	N/A
Euro Spot	EUR/t oz.	12.57	-0.12	-0.95%	N/A
British Pound Spot	GBP/t oz.	9.87	-0.08	-0.82%	N/A
Japanese Yen Spot	JPY/t oz.	1,790.20	-19.84	-1.10%	N/A
Indian Rupee Spot	INR/t oz.	965.90	-3.87	-0.40%	N/A
Other Precious Metals					
Commodity	**Units**	**Price**	**Change**	**% Change**	**Contract**
Platinum Spot	USD/t oz.	1,211.38	-5.81	-0.48%	N/A
Palladium Spot	USD/t oz.	769.70	-3.63	-0.47%	N/A
Industrial Metals					
Commodity	**Units**	**Price**	**Change**	**% Change**	**Contract**
COMEX Copper	USd/lb.	304.75	+0.90	+0.30%	Dec 14
LME 3 Month Copper	USD/MT	6,715.00	+55.00	+0.83%	2015 02 10
LME 3 Month Aluminum	USD/MT	2,055.00	-21.00	-1.01%	2015 02 10
LME 3 Month Zinc	USD/MT	2,245.00	+18.00	+0.81%	2015 02 10
LME 3 Month Tin	USD/MT	20,230.00	+260.00	+1.30%	2015 02 10
Source: Bloomberg					

Agricultural Commodity Prices					
Grains					
Commodity	**Units**	**Price**	**Change**	**% Change**	**Contract**
CBOT Corn	USd/bu.	366.00	-1.50	-0.41%	Dec 14
CBOT Wheat	USd/bu.	512.25	-2.25	-0.44%	Dec 14
CBOT Oats	USd/bu.	336.50	-2.25	-0.66%	Dec 14
CBOT Rough Rice	USD/cwt	12.09	-0.03	-0.21%	jan-15
CBOT Soybeans	USd/bu.	1,041.75	+5.00	+0.48%	jan-15
CBOT Soybean Meal	USD/st	393.80	+3.40	+0.87%	Dec 14
CBOT Soybean Oil	USd/lb.	32.70	+0.30	+0.93%	Dec 14
ICE Canola	CAD/mt	434.80	-0.30	-0.07%	jan-15
Softs					
Commodity	**Units**	**Price**	**Change**	**% Change**	**Contract**
ICE Cocoa	USD/mt	2,878.00	-5.00	-0.17%	mar-15
ICE Coffee "C"	USd/lb.	189.10	+2.35	+1.26%	mar-15
ICE Sugar #11	USd/lb.	15.67	-0.02	-0.13%	mar-15
ICE Orange Juice Conc	USd/lb.	127.50	-3.35	-2.56%	jan-15
ICE Cotton #2	USd/lb.	62.58	-0.03	-0.05%	mar-15
SFE Greasy Wool	cents/kg	-	-	-%	Dec 14
CME Lumber	USD/tbf	322.90	-3.00	-0.92%	jan-15
TOCOM Rubber	JPY/kg	199.50	-0.10	-0.05%	Apr 15
CME Ethanol	USD/gal.	1.90	+0.02	+0.90%	Dec 14
Source: Bloomberg					

UPCOMING EVENTS

Angola International Sea, Aquaculture and Fishing Fair - 27 to 30 November at Luanda International Fair (FIL)
Organised in partnership with FIL, companies from more than 16 countries, including the United States, Germany, Brazil and Norway, with “confirmed experience in the fishing and aquaculture sectors,” have confirmed their presence.
Over four days the fair will exhibit fishing equipment and materials such as motors, probes and safety devices, as well as sea resources with a view to ensuring access to biological resources and to introduce new techniques and technologies that can be adapted to the fishing process. Angola’s coastline is 1,650 kilometres long and until 1972 the country was one of the world’s main producers of fish meal. The sector’s current activity is based on industrial, semi-industrial and artisanal fishing.

African Economic Conference 2014: “Knowledge and Innovation for Africa’s Transformation”, Addis-Ababa, Ethiopia
The 9th edition of the African Economic Conference will take place in Addis-Ababa, Ethiopia, on November 1-3, 2014 on the theme “Knowledge and Innovation for Africa’s Transformation”.
The Conference, which is co-organized each year by the African Development Bank (AfDB), United Nations Economic Commission for Africa (ECA) and United Nations Development Programme (UNDP), will provide a unique opportunity for researchers, policy-makers and development practitioners from Africa and elsewhere, to explore Africa’s existing knowledge generation approaches and frameworks, the efficacy of its knowledge and innovation institutions in developing needed skills, technology and innovation capacities. It will look at the policies required in the areas of knowledge generation and innovation to achieve Africa’s transformation agenda.
http://www.afdb.org/en/news-and-events/article/african-economic-conference-2014-knowledge-and-innovation-for-africas-transformation-13380/

A**NGOLA will host the 2nd AFRICAN URBAN INFRASTRUCTURE FORUM in Luanda from 19th -20th January 2015**

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

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

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Disclosures

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

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

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

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

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