INSIDE AFRICA

12 February 2015

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In-depth:

2015 Africa Loses $60 Billion a Year Illegally, Report Says
Losses Represent Lost Development Opportunities Says Thabo Mbeki

Companies and government officials are illegally moving as much as $60 billion out of Africa each year, according to a report, depriving the world's poorest continent of capital and tax revenue that could spur faster economic growth.

A joint panel run by the United Nations and the African Union and led by former South African President Thabo Mbeki released a report describing the methods some companies use to send money out of the continent illicitly. The losses are staggering not only in terms of dollars but development opportunities lost, Mr. Mbeki said.

"We are talking about large volumes of capital that could play a great role in addressing Africa's development challenges," he said in an interview.

The scams range from loggers in Mozambique understating the value of the timber to Nigerian officials who send abroad suitcases of illegally earned cash.

The panel estimated illicit outflows in part by adding up discrepancies between the reported value of African exports and the higher value those same goods sometimes receive when they arrive as imports to Africa's trading partners. That investigation showed that most African governments were victims of companies or officials secreting profits and cash out of countries. Mr. Mbeki said he couldn't name particular companies that may be at fault because their dealings with tax authorities are confidential. But he did say "large commercial corporations are by far the biggest culprits of illicit outflows, followed by organized crime."

The problem isn't unique to Africa. Taken together, developing nations lost nearly $1 trillion through illicit channels in 2012, according to the Washington-based research and advocacy group Global Financial Integrity.

But economists say Africa suffers most because its governments lack the institutions and expertise to spot and stop capital flight. In some countries, regulation is too decentralized—Nigeria alone has 12 agencies with some responsibility for stemming illicit flows—offering wide regulatory and enforcement cracks for those who want to exploit them. And Africa's 54 countries have little capacity to exchange information or help each other pursue potential tax dodgers. "There should be an automatic exchange of tax information among African countries," the report concludes. The loss of capital is particularly painful because Africa's development needs are so acute. Even as 300 million Africans entered what the African Development Bank calls a nascent middle class in the past 25 years, rapid population growth pushed the number of people living on less than $1.25 a day to 414 million from 290 million.

While Africa's economic growth of around 5% annually in the past decade has outpaced most other regions, Mr. Mbeki's group said it won't be enough to guarantee a better life for those hundreds of millions of poor Africans. "The benefits of this growth have mostly been confined to those at the top of the income distribution and it has not been accompanied by an increase in jobs," wrote the group, officially called the High Level Panel on Illicit Financial Flows from Africa.

In Mozambique, the panel found, total declared exports of 260,000 cubic meters of logs were only about half of the amount China reported to have imported from the southern African country. That suggests that logging and shipping companies are intentionally underreporting the amount of wood they handle to pay lower taxes, the report argues.

In Nigeria, some companies and officials were colluding to secretly sell about 100,000 barrels of oil a day, a cottage industry the report described as "looting on an industrial scale." And Ghana, Kenya and a half-dozen other African countries are believed to be losing tens of millions of dollars each year to a scheme mobile service providers use to make international calls appear to regulators as local calls, which are taxed at lower rates. Taken together, the panel said, illicit flows "are negating the expected positive impact of increased growth on the continent." Even as African countries work to stem the illicit flows, Mr. Mbeki said rich donors and trading partners must make their corporations pay the appropriate taxes for pursuing new customers and rich mineral deposits in Africa's fast-growing markets. "This is a common problem," Mr. Mbeki said. "All of us need to act in concert." *(Wall Street Journal)*

What If You Could IPO An African Country? These Are The Three To Bet On

Record number of firms in Africa are lining up for a potential initial public offering (IPO) in 2015. Baker & McKenzie, a leading law firm, said 30 firms were preparing to list this year. Last year, the 24 IPOS by African domiciled companies were a 33 % rise in volume and, at just over $2 billion, nearly 225 % increase in value from 2013.

In sub-Saharan Africa, South Africa, Nigeria and Kenya offer the highest projected IPO values and the best markets for accessing local and foreign investors, particularly spurred by the exit strategy and investment activity of private equity investors focused on the continent. With the boom in private equity fundraising for Africa, the outlook is very bright.

But risks remain with specific African markets disproportionately exposed to the global volatility. Some economists and investors fret that the low oil price, low gas price, and strong US dollar could burden specific African markets in the near term and possibly long term depending on how prices shift by mid-2015 and through 2016.

What if a Country went for an IPO?

All things considered, what would it be like to IPO a country in the current market? Walk with me for moment…

The factors used for evaluating an IPO are very transferable to evaluating a target country for an IPO or investment:

- Why go public? (Translated: Why open the market at this moment?)
- What will the company do with the money from the IPO? (Translated: What will the country do with the new foreign direct investment (FDI)?)
- What is the competitive landscape for the company and its relative position? (Translated: How does Country A in sub-Saharan Africa match up against Country B-Z?)
- What are the growth prospects? (Translated: What is the upside growth potential of the country?)
- What is the current profitability? (Translated: Is the country actually turning foreign direct investment into greater returns (i.e., GDP per capita, income growth, etc)?
- What is management like? Does the management team have prior experience running a publicly-traded company and/or a history of success in business ventures? (Translated: Do the leaders of the country have sufficient experience and qualifications to run the country?)
- What are the past operating results? (Translated: What has been the country’s past performance?)

With all the IPO factors translated to be applied to a country, we can formulate a list of the best countries to IPO (or translated: the countries that would garner the greatest value in the public market based on a cross section of factors).

This article highlights the top 3 countries on that list:

Rwanda

Rwanda – often called the “Singapore of Africa” – is an investor favorite for all the reasons that would make it an ideal IPO candidate. The country still requires significant investment, particularly in infrastructure. Fully (as lot has been done to date) bridging the infrastructure gap in the county is an instance gateway to unlocking further value in the country’s manufacturing and financial sectors among others.

Rwanda is definitely the little giant in the competitive landscape…its population of more than 11 million is bigger than NYC (~8.4 million) but not by much. Yet it is booming from an economic productivity perspective, best indicated by 7-plus projected growth in 2014 and 2015. On a per capita (PPP) basis, the GDP has grown north of 165 % in the last 20 years from $575 in 1995 to approximately $1530 in 2015. The smart investor will ask what the distribution on that investment dividend is and statistics show that a significant portion, hovering around 40 %, still goes to the top 10 % of the country.

But management, aka Paul Kagama and crew, are making great strides to change that number and lift more people out of poverty. Economic management may be the country’s strongest IPO characteristic. Kagame & Co. have built Rwanda’s brand as a tourism location, an emerging financial and technology hub, and an up and coming bilingual (French and English) services hub. The country is one of Africa’s most technologically advanced countries with a consistently easing environment for doing business. All these factors considered point to an amazing upside for potential investors. Leadership is dedicated to and capable of driving the country towards achieving significant growth in target sectors and has a demonstrated track record, as the numbers indicate.The caution is to not overpay for the small giant. But this article did not promise a pricing range for the IPO.

Nigeria

Nigeria is an IPO candidate taken from a different view than Rwanda. The country requires significant amount of investment, particularly in infrastructure, similar to Rwanda.

Nigeria may have one of the highest return upsides for capital. The country, due to its size, has facebook potential:

(1) it has a population north of 175 million,

(2) it is Africa’s biggest oil exporter and (usually forgotten) has the biggest gas reserve in Africa; and

(3) it has one of the most technologically advanced and entrepreneurial populaces in Africa. And from a financial standpoint, the naira is significantly undervalued with low oil and gas price environment hanging above its head…in other words, any investor is buying in at a cheap foreign exchange rate with all expectations of a higher naira value in the future.

On a per capita (PPP) basis, GDP has grown north of 330 but has a long way to go on a dollar value, especially considering the wealth of resources in the country. As an oil and gas behemoth, the country has not captured the full value in the resource exploration and production value chain. Why is that? That question leads us to the underlying risks (or more so challenges) in Nigeria.

The country has strong leaders. But a consensus has yet to be found among leadership on addressing terrorism in the country, managing oil production in a low price environment, and realizing value in the gas sector. Local entrepreneurs have strived in the euphemistically described “burgeoning wild west” of Nigeria but greater internal financial structure and security from management could push this country’s stock to the front of the pack as an investment opportunity. Its financial, energy and industrial sectors combined could and should be unrivaled by the competition.

Nigeria is a major buy in any market, but especially with a low naira valuation. Expect a low valuation in the current environment with great stock appreciation over time.

Ethiopia

Ethiopia is the equivalent of an early stage IPO – probably before it could get an ideal offer price but still with an immense upside. The country requires significant investment, specifically in its numerous business sectors…although infrastructure is a big need for the country, the country's leadership is already making great strides in investing in that space.

If Nigeria has facebook potential, then Ethiopia has whatsapp potential: (1) it has a population approaching a 100 million and (2) it is one of the world's fastest growth countries but it lacks (1) the natural resources of other booming African countries (ala Nigeria) and (2) the technological infrastructure of other emerging economies (ala Rwanda). It is euphemistically the emerging app with great upside but many investors are still wondering how success (monetizing in technical terms) will look like in the long run. The country is generally unaffected by changes in oil and gas prices, except for the pseudo tax break it receives on its oil import bill in a low price environment.

Ethiopia banks its growth on a multitude of consumer-driven industries, including manufacturing, financial services and consumer products. The growth is steady but may not have the consistent opportunity to have a 15 % boom year (i.e., oil rising above a $100 in next six months will not add 33 % to 66 % to the revenue line like it could in a Nigeria and Angola). Still, on a per capita (PPP) basis, the country has grown north of 125 % in the last twenty years.

The country's management consistently provides strong (not always favored) leadership with the economic management of the country. Criticism is expected on the iron-fist nature of the ruling party. But a lot of credit should be equally handed out for the leadership's ability to combat terrorism, manage security, and drive growth. There is ample room for improvement with currency management, financial (including debt) management, and guiding the development of the technology and (overall telecom) sector. All things considered, Ethiopia may not get the 'Nigeria' price at this stage…but you may be very surprised how close it will get. It has an upside that is immense albeit not fully spelled out.

Ghana and Angola

Ghana and Angola are tricky countries. One (Ghana) has a significant mining sector with some oil and gas potential. One (Angola) is an oil behemoth that could use growth in non-oil sectors. Both countries are gradually boosting their financial services sectors and have great upside in that sector. Yet one (Ghana) has a currency suffering in the current environment (largely due to some economic miscues) and one (Angola) could soon feel pain if the oil price does not recover. In a dream world, investors probably like to merge the two countries and IPO them together.

But, unable to M&A two countries (or just because it sounds ridiculous to discuss countries in this sense), Ghana and Angola stand as the tricky two countries tied for fourth place on this list (or the honourable mention countries as the first three countries were not ranked). Per capita and GDP growth numbers remain strong and the upside is simply massive because of a growing financial sector supplemented by a strong mining (including oil & gas) sector, major infrastructure improvements, quickly improving energy sectors, and committed leadership. Leadership, for reasons not to be overly indulged, can also be the catch-22 as the International Monetary Fund (IMF) has been critical at differing stage of both countries' leadership from a financial and economic management perspective and an openness in the market perspective. *(Ventures Africa)*

Africa's Bond Bonanza Finds Fewer Takers

Once-Hot Borrowers Confront Fed Tightening, Soft Oil Prices

For the past two years, debt investors have been flocking to Africa, lured by the promise of high returns and the continent's enormous economic potential. But the benign climate that enabled nations that were once financial pariahs to raise billions of dollars is rapidly clouding over.

The Federal Reserve's widely expected move to raise U.S. rates, a plunge in oil prices and a stronger dollar are starting to scare fund managers away from riskier markets at the frontiers of global capitalism.

Overall, African governments raised a record $11 billion in foreign-currency bonds in 2013 and another $8 billion in 2014. In 2000, they raised only $1 billion.

In 2013 and 2014, countries ranging from tiny Rwanda to the continent's largest economy Nigeria have borrowed billions to build infrastructure and fuel economic growth. Foreign investors went along for the ride, eager to pocket the higher returns promised by African bonds at a time interest rates in the West wallowed at historic lows.

Country	Issue date	Maturity	Outstanding,in millions	Yield/Coupon	Current Yield	Growth rate	Debt/GDP	Debt interest cost
Kenya	17-06-2014	24-06-2019	$750	5.88%	5265%	6.2%	44.2%	10.3%
Kenya	17-06-2014	24-06-2024	$2,000	6.88%	6027%	6.2%	44.2%	10.3%
Ethiopia	12-04-2014	11-12-2024	$1,000	6.63%	6654%	8.5%	23.4%	3%
Ivory Coast	16-07-2014	15-11-2014	$750	5.63%	5709%	7.9%	21.7%	5%
Ghana*	07-01-2013	08-07-2023	$1,000	7.88%	91.265	4.7%	71.5%	32.8%
Ghana	09-11-2014	18-01-2026	$1,000	8.00%	No data	4.7%	71.5%	32.8%
Nigeria	07-02-2013	07-12-2018	$500	5.38%	5522%	7.3%	16%	9.4%
Zambia	04-07-2014	14-04-2024	$1000	8.63%	7148%	7.2%	31.5%	12.5%

**Indicates coupon percentage rather than yield | Updated Feb. 6, 3:30 p.m. GMT*

Sources:Tradeweb (issue dates, amounts outstanding, current yields, coupons); WSJ reports (other bond-auction details); International Monetary Fund (growth rate); Moody's (debt/GDP, debt interest cost/government revenue)

Rwanda, which depends on foreign aid for almost half of its state budget, raised $400 million in its first dollar-denominated bond in April 2013. Demand from investors was almost 10 times that.

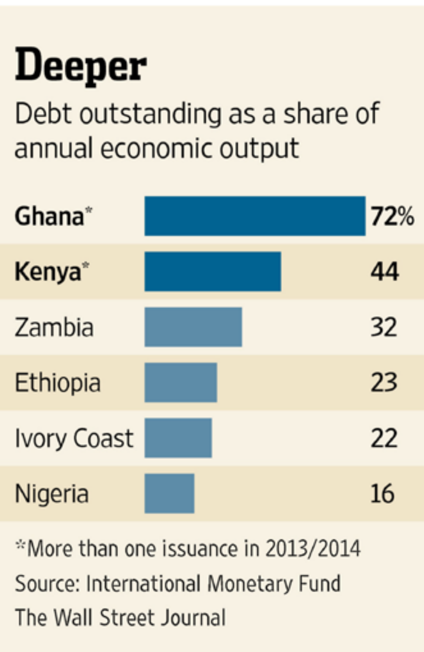
But the path is getting rockier. The Fed has signaled interest rates will rise sometime this year and analysts predict this will drive a repatriation of funds from so-called emerging and frontier markets, leading investors to sit out new debt issues.

Meanwhile, low oil prices are hitting some of Africa's biggest economies, such as oil-dependent Angola, Ghana and Nigeria. And a stronger dollar means that those nations that have borrowed in dollars will find it harder to repay their loans. "The global environment is not supportive of frontier markets at this stage," said Kristin Lindow, senior vice president of the sovereign-risk group of credit-rating firm Moody's Investors Service.

But with the timing of the first U.S. rate rise still uncertain, some investors are willing to stick with Africa for a bit longer. Kevin Daly, emerging-market portfolio manager at Aberdeen Asset Management , which has $550 billion under management with $1 billion in Africa, sees a window in the first half of 2015 for African bond issuance before U.S. rate increases kick in. He said the U.S. Federal Reserve rate increase will be "very measured and slow-paced, pushing it back toward the end of the year."

There will "certainly be lower issuance" by African sovereigns in 2015, Mr. Daly said, and "investors will be a little more discerning on what they want to buy."

Mahan Namin, manager of the Africa fixed-income fund at London-based frontier-market investment firm Insparo Asset Management, with $155 million under management, said "good issuers" like Ivory Coast, with an annual growth rate of over 8% and prudent fiscal housekeeping, shouldn't have any trouble raising money in the debt market. Mr. Namin's fund is invested in Kenyan, Ethiopian and Senegalese sovereign bonds. Still, he said he recently closed positions in oil-dependent African economies such as Angola.



As long as African countries keep up high growth rates and control public finances, they will remain more attractive than their frontier-market peers such as Romania, Bolivia or Guatemala, said Mark Baker , investment director of emerging-markets fixed income at Standard Life Investments, which has $368 billion under management.

Ivory Coast has said it would seek to raise about $1 billion in the next few months. Tanzania has signaled it plans to issue its first dollar-denominated bond, but is waiting to get its debt graded by a credit-ratings firm, a requirement to issue in international markets.

Others, however, are turning to more familiar sources to finance growth and build a buffer against future problems. Last week, Kenya was granted a roughly $700 million loan from the International Monetary Fund, having graduated from a full IMF bailout program just in 2013. And Angola is discussing with the World Bank a roughly $500 million loan. The country has radically revised its 2015 budget, cutting oil-price assumptions underpinning its revenue plans to $40 a barrel from $81 previously.

Kenyan officials and the IMF say Kenya's $700 million loan is only an insurance policy against shocks. One such shock could be a deterioration of the security situation in the country: A major attack by al Qaeda linked Somali militant group al-Shabaab on a Nairobi mall left more than 60 dead in September 2013 and triggered a spiral of terrorist violence in the country that has hit its tourism industry, once accounting for 14% of its economy. The country doesn't expect to spend the IMF facility, these officials say.

Shocks aside, though, the Kenyan government may need to tap this loan to finance its megainfrastructure projects including a standard-gauge railway project, as well as its growing public wage bill. *(Wall Street Journal)*

MARKETS OVERVIEW

Energy Commodity Futures

Commodity	Units	Price	Change	% Change	Contract
Crude Oil (WTI)	USD/bbl.	50.12	+1.28	+2.62%	mar-15
Crude Oil (Brent)	USD/bbl.	55.76	+1.10	+2.01%	mar-15
RBOB Gasoline	USd/gal.	155.35	+1.03	+0.67%	mar-15
NYMEX Natural Gas	USD/MMBtu	2.85	+0.06	+1.97%	mar-15
NYMEX Heating Oil	USd/gal.	184.40	+2.99	+1.65%	mar-15

Precious and Industrial Metals

Commodity	Units	Price	Change	% Change	Contract
COMEX Gold	USD/t oz.	1,223.60	+4.00	+0.33%	Apr 15
Gold Spot	USD/t oz.	1,222.47	+3.64	+0.30%	N/A
COMEX Silver	USD/t oz.	16.89	+0.12	+0.74%	mar-15
COMEX Copper	USd/lb.	258.70	+4.60	+1.81%	mar-15
Platinum Spot	USD/t oz.	1,203.50	+9.62	+0.81%	N/A

Agricultural Commodity Futures

Commodity	Units	Price	Change	% Change	Contract
CBOT Corn	USd/bu.	386.75	+1.00	+0.26%	mar-15
CBOT Wheat	USd/bu.	527.50	+1.75	+0.33%	mar-15
ICE Cocoa	USD/mt	2,898.00	+14.00	+0.49%	May 15
ICE Cotton #2	USd/lb.	62.25	+0.23	+0.37%	May 15
CME Live Cattle	USd/lb.	151.10	0.00	0.00%	Apr 15

Major World Currencies

Currency Pair	Value
EUR-USD	11.340
GBP-USD	15.346
USD-JPY	1.197.800
AUD-USD	0.7683
USD-CAD	12.550
USD-CHF	0.9315
EUR-GBP	0.7389
EUR-JPY	1.358.300
AUD-JPY	920.190
USD-ZAR	117.660
USD-AOA	104.55
EUR-AOA	1.189.152
EUR-MZN	383.921
USD-MZN	337.513

Source: Bloomberg

IMF, WORLD BANK & AFRICAN DEVELOPMENT BANK

Pan-African Banks Expansion Could Boost Systemic Risks

- Rapid growth of cross-border banks in Africa benefiting financial development
- But bank supervision constrained, underresourced in most of Africa
- Urgent priority to strengthen oversight of some bank holding companies

Rapid expansion of cross-border banking in Africa in recent years poses oversight challenges that, if unaddressed, may increase systemic risks, IMF staff said.A recent report noted that pan-African banks have a systemic presence in around 36 countries and are now more important than the continent’s long-established European and American banks. Pan-

African banks are improving competition, especially in host countries with small markets, driving innovation, and bringing new opportunities for diversification for the home countries. But the report highlighted that supervisory capacity is constrained and under-resourced in most of Africa. Progress is being made in several areas, but efforts to strengthen oversight in some cases need to be intensified. “The emergence of pan-African banks is a welcome development given the need for financial deepening and inclusion in Africa. At the same time, the rapid cross-border expansion of these banks also raises new regulatory and supervisory challenges that, if left unaddressed, could pose systemic and spillover risks” said Mauro Mecagni, Assistant Director of the IMF’s African Department.

Drivers of the expansion

The rise of pan-African banks reflects a convergence of factors.

• The end of apartheid in the mid-1990s opened the door for South African banks to extend their expertise abroad.

• In Nigeria, the large increase in minimum capital requirements, following a banking crisis in the mid-2000s, pushed banks to consider expanding abroad to make use of their new capital bases.

• Moroccan banks also saw opportunity to extend their networks south in the face of more limited opportunities at home.

• A renewed impetus for regional integration, coupled with the success of mobile payments in Kenya was propitious to the expansion of Kenyan banks in east Africa.

More generally, increasing trade linkages between African countries induced banks to follow their clients abroad. The easing of civil conflicts, the significant improvements in macroeconomic performance, and the opportunities arising from large unbanked populations across the continent was fertile ground for the expansion

New business

The presence of pan-African banks offers opportunities and benefits for the economies involved. In particular, cross-border activity brings new business opportunities and diversification for the home countries, while host countries benefit from

• Increased competition, access to higher skills and expertise, and access to capital;

• Diversification of sources of financing; and

• Possible upgrades in the quality of supervision and regulation induced by foreign banks that bring higher home country standards, such as those of Morocco and South Africa.

Anecdotal evidence suggests that cross-border banks are improving competition, especially in host countries with small markets. These banks are driving innovation, enhancing financial inclusion, and in some cases have contributed to lower costs. African banks have also become lead arrangers for syndicated loans, filling the gap left by European banks. The global financial crisis and associated regulatory stiffening, along with high costs of small-scale operations, has accelerated the retrenchment of European banks from the continent.

Channels for risk

The rise of pan-African banks also opens new channels for transmission of macro-financial risks and other spillovers across home and host countries. As these groups develop in reach and complexity, significant supervision gaps, governance issues, and questions about cross-border resolution have emerged. This expansion has created a network of systemically important banks, whose financial health in some cases is not fully known due to gaps in consolidated supervision. Supervisory capacity is already constrained and under-resourced in most of Africa, and the cross-border banks put additional pressure on home supervisors to ensure these groups are adequately supervised. Progress is being made in most areas but efforts to strengthen oversight in some cases needs to be intensified. In one important case a large cross-border bank is not subject to regulation or supervision on a consolidated basis. Charles Enoch, of the IMF’s Monetary and Capital Markets Department when the report was compiled, noted: “This project is an application of the institutional priorities of sharpening the focus of surveillance by strengthening the assessment on the financial sector, interconnectedness and spillovers and represents an example of excellent collaboration among IMF’s departments and with the authorities in the region”.

Policy recommendations

The paper included a set of policy recommendations, among which high priority is given to implementing consolidated supervision, enhancing cooperation on crisis management and resolution, ensuring effective supervisory colleges are in place for all the pan-African banks, and creating an oversight committee of main cross-border bank regulators to drive the reform agenda. The lack of regulatory oversight of bank holding companies and their supervision on a consolidated basis in some home jurisdictions needs to be addressed urgently, the report added. And without a clear cooperation plan for resolution mechanisms, the report said, supervision alone may have limited effectiveness. Most African countries need also to enhance their bank resolution frameworks at the national level. The recent global financial crisis has demonstrated the costs of not having a workable cross-border resolution framework in place, and the difficulty of constructing one, underscoring the need for sustained efforts in this area, the report noted.

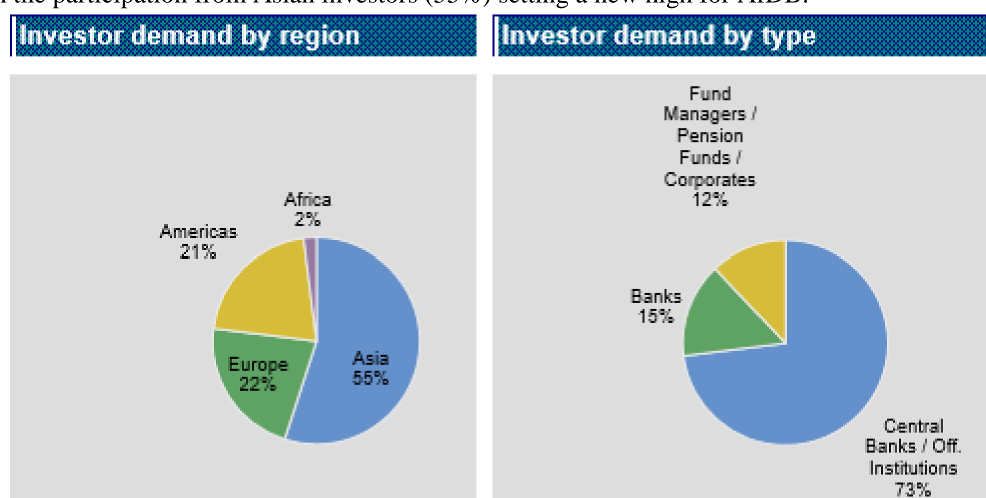
Next steps

On January 12, IMF staff briefed the IMF’s Executive Board on the report and key findings were discussed with the governors of the central banks involved during the 2014 IMF-World Bank Annual Meetings in Washington, D.C. Both the authorities and the Board welcomed the initiative as timely, important, and contributing significantly to addressing the issues, and strongly supported the recommendations. The innovative regional approach is already informing the

new thrust on macrofinancial aspects of the Fund's surveillance work. Paul Mathieu, regional advisor for Africa in the IMF's Monetary and Capital Markets Department noted that "this work was just the first step of a project to better understand growing cross-border financial linkages and systemic risks in Africa and reinforce financial oversight." The first step is to ensure that the findings and recommendations inform bilateral and regional surveillance. This has already begun with the IMF's Article IV economic check-up consultations currently under way with Morocco and the West African Economic and Monetary Union. The IMF staff is also exploring ways to deepen the analytical work through stress tests of major pan-African banks; and to better understand the interconnectedness of cross-border linkages, vulnerabilities and avenues of contagion. In addition, a dedicated technical assistance effort will be elaborated with IMF partners in Africa to support needed reforms across the continent.

AfDB issues 1.375% USD 1 billion global benchmark due 12 February 2020

On Thursday, February 5, 2015, the African Development Bank (AfDB) successfully launched and priced a new 1 billion 5-year US dollar global benchmark due February 12, 2020. This is the AfDB's first US dollar global benchmark of the year. The transaction was announced on Wednesday, February 4 at 2:15 p.m. London time with initial price thoughts of midswaps +2 basis points area. Indications of interest exceeded USD 1.6 billion overnight, which enabled the Bank to tighten price guidance to midswaps plus 1 basis points area when opening books at 8:15 a.m. the following day. The orderbook grew extremely quickly, reaching USD 2 billion after only 1 hour of book-building, with investors showing little spread sensitivity. Given AfDB's strong liquidity position, the deal size was capped at a maximum of USD 1 billion from the outset. Consequently, the decision was taken to close the orderbook at 9:20 a.m. London time, well ahead of the originally anticipated schedule. The deal recorded the largest ever level of oversubscription for an AfDB debt offering. The strength of the orderbook allowed the lead managers to price AfDB's new benchmark at midswaps flat (equivalent to US Treasuries plus 17.6 basis points), at the tight end of the original price guidance. Over 30 investors participated in the transaction, with high quality orders from Central Banks and Official Institutions (73%) taking the bulk of the transaction. Final distribution figures highlight AfDB's strong penetration across different regions, with the participation from Asian investors (55%) setting a new high for AfDB.



Joint Lead Managers on the transaction were Daiwa, Deutsche Bank, Morgan Stanley and TD Securities. The AfDB is rated triple-A by all major credit rating agencies including Fitch, Japan Credit Rating Agency, Moody's, and Standard & Poor's. The new 5-year USD 1 billion global benchmark transaction demonstrates the loyal following the Bank benefits from in the international capital markets

Uganda - Markets and agricultural trade improvement programme - Project 2 (MATIP-2)

The Ugandan Government has received a Loan from the African Development Bank, in the amount of USD 84.21million to finance the Markets and Agricultural Trade Improvement Programme Project 2 (MATIP-2), and it intends to apply the proceeds of this Loan to payments for goods, works, related services and consulting services to be procured under this Project. The overall sector goal is to contribute to poverty reduction and economic growth in Uganda through enhanced commercialization of agricultural produce and other merchandise. The specific objective is to improve marketplace economic and social infrastructure thus inducing incremental production and marketing of agricultural commodities, enhancing the incomes of vendors, reducing post-harvest losses, increasing employment and customer satisfaction and it will include the following components:

1. Market Infrastructure Development

Construction of 11 markets in Arua, Mbarara, Busia, Tororo, Soroti, Entebbe-Kitoro, Kasese, Moroto, Masaka, Kitgum and Lugazi towns.

2. Value Addition and Trade Facilitation
3. Capacity Building and Project Management

Kenya Gets $700 Million from IMF as 'Insurance' Financing

- Financing instruments provide access to IMF resources in event of shocks
- Arrangements support program that builds on Kenya's reform agenda
- Helps Kenya's ascent to middle-income country status

The IMF Executive Board approved February 2 a financing package for Kenya of about $700 million that the East African country's authorities plan to use as insurance against external shocks.

This financing is precautionary, as Kenya plans not to draw on it unless the balance of payments comes under pressure.

The financing package approved by the Board involves "blended access"—combined general and concessional resources comprising a $504.3 million Stand-By Arrangement and a $194 million arrangement under the Stand-By Credit Facility. The move makes available a total of $543 million up front, with the remainder available in two equal tranches upon completion of semi-annual program reviews.

Kenya's rising income and a track record of access to international markets justifies the country's eligibility for blended access financing. The frontloaded access is consistent with risks to the outlook tilted to the downside in the near term, in case the economy is affected by a sudden shift in global investors' risk sentiment, a deterioration of security conditions, or large weather-related shocks.

The new financing package thus represents an effort to tailor existing Fund facilities to the specific insurance needs of the country. This is the first financing package of this type approved by the Fund for a "frontier" market—second-generation emerging market country—in sub-Saharan Africa.

Strong record

Kenya has consolidated macroeconomic stability in recent years: growth has been robust, inflation contained, debt has remained sustainable, and reserve buffers have increased. Kenya has implemented reforms in a market-friendly environment, attracting strong interest from foreign investors operating across East Africa.

As a result, Kenya has consolidated its status as a successful frontier market. A Eurobond debut issue of $2 billion in June 2014 was the largest in sub-Saharan Africa so far, followed by a $750 million re-tap in December at yields 100 basis points lower than at original issuance.

Annual capital inflows have reached about 10 % of GDP in recent years, lifting international reserve cover to 4 ½ months of prospective imports. Banks are more intensively using medium-term credit lines for small and medium-sized enterprises' project financing.

The economy expanded by 5.3 % in 2014 boosted by construction, manufacturing, and retail trade, despite poor rains constraining agriculture growth and security concerns affecting tourism significantly. GDP growth is projected to rise to 6.9 %, lifted by implementation of the first stage of a regional railway project.

Inflation declined to 5.5 % in January from 6 % in December, well within the central bank inflation target range, reflecting lower electricity costs and helped by Kenya's investment in geothermal power generation coming on stream. Geothermal generation capacity doubled in the second half of 2014, an overall increase of 18 % in Kenya's generation capacity, bringing the unit electricity cost down by 25 % in recent months.

Policy anchor

The new precautionary financing arrangements would provide a policy anchor for continued macroeconomic and institutional reforms, and help to mitigate the impact of potential exogenous shocks while these reforms are being pursued, thereby supporting continued strong growth and durable poverty reduction.

The main features of the government's program are

- Maintaining a sustainable medium-term debt path consistent with regional convergence commitments, while preserving fiscal space to implement an ambitious public investment program that includes reducing infrastructure bottlenecks;
- Strengthening public financial management by improving cash and debt management, embarking on parastatals reform, and adopting a strong legal framework for natural resource management;
- Transitioning to a fully-fledged inflation-targeting framework by further improving the monetary policy framework and enhancing the central bank's liquidity management;
- Addressing financial sector vulnerabilities stemming from rapid credit growth and rising cross-border operations by Kenyan banks; and
- Upgrading data quality to emerging market standards, by adopting a five-year action plan to adhere to the IMF's Special Data Dissemination Standard.

The new arrangement therefore supports the authorities' efforts to further strengthen their macroeconomic management and pursue more inclusive growth, carefully balancing a scaling up of infrastructure investments towards critical transport and energy infrastructure with maintaining debt sustainability and financial stability.

The program recognizes that the room for fiscal policy to adjust for demand management purposes is limited in the near term by the ongoing devolution process and the authorities' commitment to infrastructure projects. However, a significant improvement in security conditions as response of the authorities' ongoing efforts would boost growth over the medium term.

Low oil prices could also induce higher-than-envisaged domestic demand. The new precautionary financing arrangements aim at helping to secure the gains made so far, insure against underlying risks, and continue the momentum to implement the reform agenda.

Rail project

On the path to economic integration, Kenya has started implementation of the first phase of the Standard Gauge Railway linking Mombasa and Nairobi. The project is expected to result in both shorter freight delivery time and lower transportation costs, boosting regional trade.

The authorities expect a significant increase in freight rail traffic following a large share of road traffic shifting to railways use as cost differential materializes. The government of Kenya will finance 10 % of the $4 billion rail project, with the remainder financed by Exim Bank China through two separate loans, to be repaid from future rail revenues.

INVESTMENTS

Angolan Diamond Miner Launches Hospitality Business With $40m Hotel

State-owned Angolan diamond mining company, Endiama, has unveiled its new glittering US$40 million four star hotel in the capital Luanda. The hotel is called"The Diamond". The Diamond hotel, located in central Luanda near Avenida Marginal, has 179 rooms, eight meeting rooms of different capacities and an auditorium to accommodate 300 people. It also accommodates several restaurants, a gym, a beauty salon and a pool. Endiama chairman, Antonio Carlos Sumbula, said "the company's plans to invest outside its primary activity is based on the fact that diamonds are a non-renewable resource, and the company is therefore keen to invest in areas other than mining." Endiama is the national diamond company of Angola and it is exclusive concessionary of mining rights in the domain of diamonds. It produced 8.55 million carats of diamonds in 2010. Angola is the third largest producer of diamonds in Africa and has only explored 40 % of the diamond-rich territory within the country. But it has had difficulties attracting foreign investment because of corruption, human rights violations, and diamond smuggling. *(Ventures Africa)*

Google predicts massive growth in African e-commerce

Google South Africa is seeing considerable growth in Africa's e-commerce space and expects 2015 to be another growth year. Luke Mckend, country director for Google SA, spoke at the eCommerce Africa Confex in Cape Town this week, where he shared stats on how Africans are increasingly Googling with the intent to buy. "We see a story of growth," says Mckend. "Search is growing much faster than in mature internet economies." Despite 2014 being a "tough year" for online businesses, Google has seen a 37% increase in query volume for South Africa, 49% in Nigeria and 33% in Kenya.

"What are particularly interesting is commercial intent queries, searches for purchasing information". These are Google searches to find prices for certain goods or shops where a service or product could be purchased. The more people are online the higher the propensity is for them to spend money, says Mckend.

With South Africa's total query growth between 2013 and 2014 standing at 37%, the commercial intent query base has grown by 55%. That, Mckend says, indicates there's a certain amount of maturity with buying online that was missing a few years ago. In Nigeria the searches for purchases grew 39%. Two trends that Mckend finds particularly interesting in South Africa's e-commerce space are the recent sock wars (two strong competitors selling socks online) and Netflorist's attempt to sell fresh cupcakes. "Who imagines there's enough volume in the local online environment that there can be such a niche service? All of this change and experimentation is important to see how big the market is."

The enormous spike in queries seen globally is now something Google is seeing South Africans, in particular, participate in. According to Mckend, "This speaks to the trend that there's very little difference between online and offline purchases. People just think: 'I'm shopping'. Africa is doing what their international partners are doing." That said, Mckend believes businesses still do not focus enough on their online presence and that payments are still somewhat neglected.

Mckend and Google are excited about the opportunities that lie ahead and predict a massive ecommerce market will indeed emerge by 2017. "We will be seeing countries in Africa getting connected to the internet that we have not seen before in the next year or two. The next wave of innovation will come from tech we haven't even seen yet," says McKend. . *(BDLive)*

China Machinery Engineering Corporation receives 1st installment for project in Angola

The government of Angola has approved the payment of the first installment of the contract for construction of the Soyo combined cycle power plant, in Zaire province, in the amount of US$147.7 million, according to a presidential decree.

The contractor is China Machinery Engineering Corporation (CMEC), which agreed with the Ministry of Energy and Water to build the combined-cycle plant for 102.5 billion kwanza (US$976 million). The contract was approved last August, and at the time the government justified the expense based on "growth forecasts of demand for electricity in the country" in the medium and long term.

In addition to approving the Soyo power plant project, in northern Angola, the decree also approves the draft of the construction contract and installation of this facility, based on a "turn-key" agreement with the CMEC group.

The commissioning of the first phase of the plant, under construction in the Kintambi and Mongo-Soyo, on the outskirts of the town, scheduled for 2016, is designed to generate 230 megawatts of power, of 750 megawatts planned for 2018.
The project, whose financial advisors are Millennium BCP and Banco Privado Atlântico (BPA), is the result of a partnership between Energias de Portugal (EdP) and Sonangol, signed in July 2009 by founding holding company EIH, which is owned 30 % each by EDP, Sonangol and Banco Privado Atlântico and the remaining 10 % by Finicapital. The contract between the two banks, Millennium, majority Portuguese capital, and BPA, majority Angolan capital, covers advisory and financing of the plant and transmission network between Soyo and Luanda and also includes a rural electrification programme using renewable energy. *(Macauhub)*

Commission invites public input on private healthcare sector

South Africa's Competition Commission invited the public to give their input on the submissions made to the commission by the private healthcare sector, as part of a market inquiry into the sector.
In January last year, the commission launched the market inquiry into the sector, as it was concerned about the ongoing high private healthcare costs. Its investigation was aimed at determining the general state of competition in this sector to determine what could be done to make accessible, affordable, high-quality and advanced private healthcare more widely available. It further wanted to determine how the market set its prices, as well as ensure that the market allowed for citizens' constitutional right to access healthcare. The commission had set a deadline for November 2014 for the submission of input from those operating in the healthcare sector. It revealed that submissions had been received from healthcare practitioners and their associations; healthcare funders and administrators; nongovernmental organisations; trade unions; government; and private individuals.
Competition Commission inquiry chairperson and former Chief Justice Sandile Ngcobo said the submissions were of "very high" quality, but noted that two of the 68 submissions had been retracted, owing to one being irrelevant and another having been withdrawn by the subcommittee. He pointed out that many of the submissions, which totalled 15 000 pages, highlighted the same issues, including that private health expenditure was high and that private healthcare inflation was higher than general inflation. "Some submissions have sought to explain the expenditure and price inflation by reference to market power in three areas in the private healthcare sector, namely hospital groups, medical schemes and specialists. We should add, however, that there are conflicting views on the issue of market power, in particular, whether it exists and, if so, where it resides," Ngcobo noted.
Many submissions had touched on the subjects of inadequate enforcement of the applicable regulations, as well as ineffective oversight by the regulatory bodies, while others argued that the market was being overregulated, "resulting in barriers to entry and expansion in the private healthcare sector". He highlighted that there was an overall concensus that there was a regulatory gap that needed to be dealt with, as it had many adverse effects on the market, "on the vulnerable people [sick and injured] who depend on the private healthcare sector".
Another issue was that the sector felt that there was a lack of information on and from patients, which translated into a lack of transparency in accessing private healthcare information, in particular, on pricing, costs and quality of services. "They have submitted that this lack of information places patients at a disadvantage when making decisions on services," Ngcobo said. "I need not remind you that the success of this inquiry lies not so much in the panel, but in [the public's] willingness to cooperate with the panel by providing it with information that will enable it to accurately determine whether or not the private healthcare sector functions in a competitive manner, and whether there are barriers preventing access to healthcare services which can and should be removed," he added. The public would have until 17:00 on March 5 to comment. The commission's technical team would also shortly embark on a process of seeking additional information on the submissions, which was expected to be completed by March 30. *(Engineering News)*

Saudi Arabian Coca-Cola Bottler To Invest $500m In North Africa, Middle East

Despite the economic and political troubles in the Middle East and North African (MENA) Region, its beverage market has continued to grow beyond expectations. According to Gulf Business, a MENA regional business news site, Aujan Coca-Cola Beverages Company (ACCBC), has announced that as part of its expansion into the region it will invest about $500 million over the next three years. "Major investments in capacity, geographical coverage, and brand development will allow us to capitalise on the growth potential for the beverage industry in the MENA region," said Nicolaas Nusmeier, CEO, ACCBC. Established in December of 2011, ACCBC, is a $1 billion joint-venture company between Coca-Cola Company and Saudi Arabian-based Aujan Industries. As part of the agreement, ACCBC will handle the manufacturing and distribution of brands such as Rani and Barbican. The Aujan Vimto brand, which wasn't part of the agreement, is also been distributed by ACCBC. In July last year, ACCBC completed the acquisition of majority stake in Lebanon's National Beverage Company (NBC). Lebanon NBC distributes and manufactures brands such as Pampa and Coca-Cola locally. The beverage manufacturer, which currently owns three manufacturing facilities in Beirut, Dammam and Dubai, also achieved a double-digit growth last year. This growth was attributed to the significant acquisitions and ambitious expansion plans. The bottling company also plans to invest in a factory in Egypt. This factory is expected to help supply the company's brands to the Egyptian market and across other African markets.

Food sector growth

Due to the fast growing population within the region, Food and Beverage (F&B) retailers have been thriving. Many of which have expanded their regional manufacturing capacity. In December last year, one of the world's largest food and beverage company, PepsiCo, unveiled a manufacturing facility that will create over 300 jobs in Dammam Saudi Arabia. In addition to this, PepsiCo plans to invest $345 million in Egypt over the next three to five years in partnership with a Saudi Arabian dairy firm Almarai.

According to The National, Abu Dhabi Media's first English-language publication, an advisory service firm EY said that despite the fall in oil price and weaker growth forecast in the MENA region's oil exporters, Mergers and Acquisitions (M&A) in the region will continue to grow at a healthy rate. "The majority of Mena M&A transactions tend to occur in consumption-led sectors such as food and beverage, retail, health care and education, which have little correlation to economic activity and changes in oil price, so the positive trend is expected to continue," said Phil Gandier, the Mena head of transaction advisory services at EY.

He further stated that in line with last year's trend, the MENA region deals this year will be led by outbound transactions from Arabian Gulf. This will mostly come from Qatar, UAE and Saudi Arabia. Among the deals last year was the acquisition of Egypt's sweet snack maker, Bisco Misr by Kellogg. In the UAE, Blackstone Group and Dubai-based Fajr Capital bought a stake in the schools operator Gems Group. "The growth of Mena M&A is expected to continue in 2015 at a normalised year on year growth rate of up to 10 %," said Phil Gandier, the Mena head of transaction advisory services at EY. *(Ventures Africa)*

M&A

Mozambican company buys Portuguese construction company Opway

Nadhari Lda, a Mozambican company with three partners, has acquired Portuguese construction company Opway for 5 million euros, after the company was put up for sale as a matter of urgency by beleaguered Espírito Santo Comercial, according to the Portuguese press. The press added that if Nadhari, whose partners are Daniel Salatiel Sales Lucas, Keyane Rodrigo Macuiane Lucas and Akine Macuiane Igor Lucas, are not able to prove financial capacity, the second highest proposal, "management buy-out, which offered 1.25 million euros," would be allowed to purchase the company. Mota-Engil, Texeira Duarte and Soares da Costa, major Portuguese construction companies with interests in Mozambique, received invitations to tender for the purchase of Opway, but turned the invitation down. Opway, which was founded in 2008, following the acquisition of Sociedade Geral de Construções e Obras Públicas (Sopol) by Obras Públicas e Cimento Armado (OPCA), has debt of 160 million euros, and Portuguese state bank Caixa Geral de Depósitos (CGD) is the main creditor. *(Macauhub)*

Angola sells public construction company Bricomil

The government of Angola will sell all shares in construction company Brigada de Construção Militar (Bricomil), according to an order from the Economy Minister, Abraão Gourgel. Through the order, the minister is creating a "negotiating commission" to ensure the "sale of all shares" of Bricomil, within 15 days of the approval of the sale.

Information released in 2014 showed that the workers of the construction company, incorporated in 1994, should get 13 % of the shares, 75 % will be sold to a private business entity and the remaining portion (12 %) sold to other subscribers. Along with the Angolan State, which owns 50 % of the share capital, Bricomil's shareholders are the Angolan state oil company Sonangol, Banco de Poupança e Crédito, Banco de Comércio e Indústria and insurance company Empresa Nacional de Seguros de Angola, each with 12.5 %. The company operates in the civil construction sector and in 2012 posted turnover of around US$1.1 million, and its assets are real estate and land. Bricomil is one of a list of 27 companies due to be privatised by 2018 according to a list released in 2014 by the Ministry for the Economy. *(Macauhub)*

Nedbank Capital Acquires 33% Of GloCell

Nedbank Capital, an investment bank wholly-owned by South Africa's fourth biggest bank, Nedbank, had bought a 32.9 % shareholding in cellular service provider, GloCell, for undisclosed amount, it merged on Wednesday.

Nedbank Capital found this stake attractive because GloCell had the capacity to grow impressively in the Southern African pre-paid market, according to Clive Howell, the head of Private Equity at Nedbank Capital.

"Nedbank Capital believes that GloCell is well positioned as a leading player in an industry that has real growth potential, and we anticipate that our investment in the business will serve as a catalyst for its future growth," TechCentral quoted Howell as having said. GloCell is among South Africa's biggest distributors of prepaid cellular airtime, connecting approximately 4 million mobile users on behalf of the network operators each year. According to TechCentral, GloCell has 8 000 channel partners, including retailers, dealers and wholesalers. It also sells airtime through its subsidiary Jabba Mobile, which distributes products through field agents.

Alessandro Mariola, the CEO of GloCell, told TechCentral that the transaction would enable it to meet its long-term business strategy. "It will also maximise opportunities to expand the reach, value proposition and competitive advantage of the business," TechCentral quoted Mariola as saying.

GloCell was launched almost 14 years ago and its annual turnover is now R5 billion. Investec Bank is the major shareholder in the company. *(Ventures Africa)*

BANKING

Banks

German Commerzbank Grows African Presence With New Ivorian Office

Global banking and financial services company, Commerzbank AG, has announced the opening of a representative office in Abidjan, the commercial hub of Ivory Coast. The company seeks to expand its presence on the continent while maintaining business relations with all other locations.

The target being global growth markets, this new office will serve as a connection point for local banks, German and international companies in Francophone West Africa. This development is set to increase an established customer base of more than 100,000 small and medium-sized enterprises (revenue of more than €2.5 million) and banking relations with nearly all major German companies

Konrad Engber, 41, will be the Head of the 5 member office in Abidjan. Previously the banks representative in Ethiopia, Addis Ababa, Tripoli and Libya, Engber has acquired years of experience and the knowledge of special economic and cultural characteristics in Africa.

Commerzbank is currently the number 1 German-speaking bank in Africa. It has customer relations with 550 private and state-owned financial institutions, 29 central banks and sovereign wealth funds, ministries and private companies on the continent. Further expansion will see to the improvement of economic relations between Africa and Europe.

"To take this development into account, we are also going to set up an African research hub in the new representative office," explained Christof Gabriel Maetze, Global Head Financial Institutions at Commerzbank AG. "The intensive exchange with our colleagues in other African Locations and the bundling of information allow us to come even closer to market activity on the African continent."

The bank has other representative offices in Johannesburg, Addis Ababa, Cairo, Lagos, Tripoli, and Luanda. It is represented at more than 70 locations in over 50 countries worldwide. Commerzbank considers itself a strategic partner for corporate customers in the district, nationally in Germany, and internationally on the global markets of Germany's strongly export-focused economy. *(Ventures Africa)*

The 10 Nigerian Banks With The Greatest Exposure To The Oil Crisis

Nigerian banks are currently reviewing loan contracts with some of the most prominent indigenous oil companies as oil price drop takes its toll. From a of $115 per barrel in June 2014 to about $48 in January 2015, banks have now been forced to revisit loans handed out to key local players like Oando, Seplat, Seven Energy, Nest Oil and Sapetro. Local banks are believed to have placed their benchmarks around $70 per barrel, but will now be facing significant losses, owing to a difference of almost $30 with the current oil price.

According to a report by Punch, the following banks have the greatest exposure to oil sector.

1.Nigeria's oldest bank, First Bank by 40 %.
2.Nigeria's largest lender by market value, Guaranty Trust Bank Plc by 28 %.
3.Top tier lender, Fidelity Bank by 28 %.
4.Nigerian lender, Skye Bank by 27 %.
5.Nigeria's fourth largest bank, Access Bank Plc by 25 %.
6.Top tier lender, Diamond Bank by 25 %.
7.Nigeria's biggest bank by asset, Zenith bank Plc by 18 %.
8.EcoBank Nigeria by 18 %.
9.United Bank for Africa (UBA) by 16 %.
10.First City Monument Bank (FCMB) by 14 %. *(Ventures Africa)*

Goldman Sachs leads sovereign debt issues in Angola

The government of Angola selected investment bank Goldman Sachs to lead a group of international banks to be agents "representing the Republic of Angola" in the issue of sovereign debt, according to a presidential order.

In the order cited by Portugal's Lusa news agency the President gave financial institutions Goldman Sachs International, BNP Paribas and Industrial and Commercial Bank of China (ICBC) authorization to act as agents on behalf of Angola for the country's future sovereign debt issues.

The order justifies the decision based on the "government's strategy with regard to the diversification of funding sources" intended to "pursue economic and social objectives of public interest that are essential to national development." "In particular the public investment programmes and other national programmes and projects included in the Angola Development National Plan," the order said.

This measure is required, according to the presidential order, because of the "current global macroeconomic environment," in view of the sharp fall in international prices of oil and the need to make use of "international capital

sovereign debt markets." The "stock" of Angolan public debt in 2015, according to the latest forecast from the Ministry of Finance, will reach US$48.3 billion, or 35.5 % of GDP. *(Macauhub)*

Markets

Africa Eurobond Outlook Dims as Dollar Risk Rises on Fed

As Ivory Coast prepares to sell sub-Saharan Africa's first Eurobond of 2015, the strengthening dollar risks curbing issuance across the continent as debt payments for governments grow more expensive.

Sales will probably decline from last year's record $16 billion as issuers fret about exchange rates amid the drag placed on local economies by slumping oil, according to Rand Merchant Bank. Last year, Ghana, Zambia, Ethiopia and Kenya were among countries that took advantage of all-time low borrowing costs in dollars to fund infrastructure from roads to power projects.

The dollar's advance versus African currencies over the past nine months, sparked partly by speculation the Federal Reserve was preparing to raise interest rates, makes it costlier for nations to pay interest and principal with local currency. That's being exacerbated for oil-producing countries, which have seen dollar revenues tumble amid the 52 % drop in crude prices since last year's peak in June. "The mindset has changed," Nema Ramkhelawan-Bhana, an Africa analyst at RMB, which is owned by FirstRand Ltd., the continent's biggest banking group by value, said by phone from Johannesburg on Thursday. "We're worried about individual countries' capacities to pay the interest, not only the nominal amount. Investors are going to become far more punishing of the sovereign for any type of fundamental weaknesses they have."

Worst Performer

The exchange-rate risk of sovereign bonds sold by sub-Saharan African governments between 2013 and 2014 threatens losses of $10.8 billion, equivalent to 1.1 % of their gross domestic product, the Overseas Development Institute, a U.K. research center, said in a report on Jan. 28. Only four of 24 African currencies tracked by Bloomberg appreciated against the dollar since the beginning of May, shortly before the Fed said it would start reducing monetary stimulus. Nigeria's naira is the worst performer, falling 17 %, while Ghana's cedi dropped 16 % and the Kenyan shilling 5 %. Yields on Nigeria's $500 million of Eurobonds due July 2023 have soared 199 basis points since the end of May, more than similar-maturity Russian dollar debt. That contrasts with yields for 29 out of 31 sovereign markets in Eastern Europe, the Middle East and Africa, which fell in the period, according to data compiled by Bloomberg.

Lower Risks

Ivory Coast, the world's biggest cocoa producer, will begin marketing a Eurobond to investors in London next week, Prime Minister Daniel Kablan Duncan said Thursday. The nation returned to international debt markets in July, raising $750 million of 10-year notes with demand exceeding supply by more than six times. The sale came less than four years after the country defaulted on more than $2 billion of notes during a disputed presidential election. Risks for Ivory Coast are lower than for some other African sovereigns, as the nation's currency, the CFA franc, is pegged to the euro and the country is a net importer of oil, said John Ashbourne, an economist at Capital Economics Ltd. "An investment in improving infrastructure would more than pay for itself by improving the country's growth prospects," Ashbourne said via e-mail from London on Feb. 2. Yields on Ivorian debt due July 2024 fell 18 basis points to 6.03 %. With developed-nation interest rates at or near record lows, investors clamored for higher-yielding African debt last year, Ramkhelawan-Bhana said. That is set to change as higher rates in the U.S. give investors more options, she said. "I don't think we're going to get that flurry of issuance that we saw last year," she said. "This year is going to be far more measured. We might have two or three big issuers, but we definitely won't see the volumes we saw in 2014." *(Bloomberg)*

Angola negotiates loan of US$500 million from World Bank

Angola is negotiating with the World Bank for a loan of US$500 million to balance its budget, in addition to another US$500 million already taken on from Goldman Sachs and Gemcorp Capital, the Financial Time reported Thursday.

The newspaper added that the information was released by the head of the World Bank for monitoring of Angola, Souleymane Coulibaly, who said "the main thing is to give some short-term relief because of the abrupt drop in revenue."

The government of Angola "is analysing priorities, where to cut back on spending, to ensure that the social aspect is somehow protected, but the reform programme will be based on budget support will strengthen budget management in the medium term," said the World Bank economist accompanying Angola from Cameroon.

The report from the British newspaper comes the day before the adoption of the amending state budget, expected to be approved on Friday, in Luanda, which includes a drop of over 50 % in the price of oil – from US$81 to US$40 per barrel – representing a cut of US$14 billion in revenues and strong cuts and delays in spending, including on public works. Oil accounts for 98 % of Angola's exports and in 2013 for 76 % of tax revenues and is therefore an essential factor in drawing up the country's spending plan and revenues. *(Macauhub)*

How Africa's Capital Markets Are Shaping A New Kind Of Venture Capital

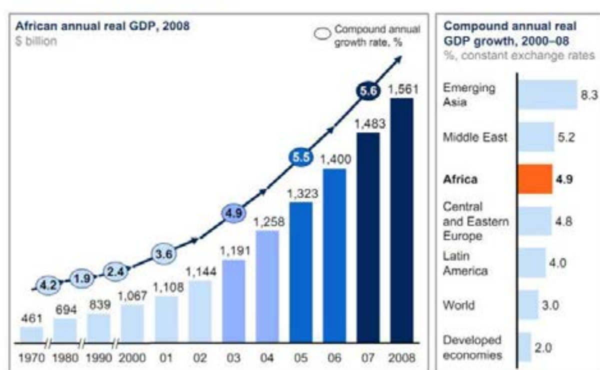
Investing in any emerging market is complex, but perhaps none are quite as challenging as sub-Saharan Africa (SSA). Unlike the vast nations of China and India, whose respective economies are governed by a single fiscal policy and regulatory framework, sub-Saharan Africa is a patchwork quilt of vastly different economies and cultures. It is a continent dotted with a myriad of colonial histories, religions, languages, currencies and political systems. But Africa is, of course, evolving.

In countries such as Angola, the banking sector is liberalised and operates in a free market and there is a much greater impetus from government to promote lending to SMEs. There are other challenges however. Unlike economic blocks such as the GCC or the EU, Sub-Saharan Africa has no singular regulatory body. So, companies looking for a pan-African approach need to work differently in each country. In Africa, one size never fits all, which makes it difficult for foreign companies or entrepreneurs to connect with the right kind of Venture Capital Company. All of these challenges raise fair questions – can we find a reliable local source of capital? Who can we partner with in the local market – and how? Who can introduce us to the right people in the supply chain? Are their venture capitalists we can rely on to help us succeed? Such questions might make investors think twice – but they shouldn't.

Country	Stock Market Cap (US$ billions)	Nominal GDP 2013 (US$ billions)	Market Cap / GDP
South Africa	$ 842.0	$ 397.7	211.7%
Nigeria	$ 62.5	$ 300.0	20.8%
Egypt	$ 52.0	$ 254.0	20.5%
Ghana	$ 43.0	$ 39.0	110.3%
Kenya	$ 18.0	$ 43.0	41.9%
(Angola)	$ 11.0	$ 145.0	7.6%
Zambia	$ 9.8	$ 21.3	46.0%
Uganda	$ 5.8	$ 22.8	25.5%
Libya	$ 3.3	$ 91.3	3.6%

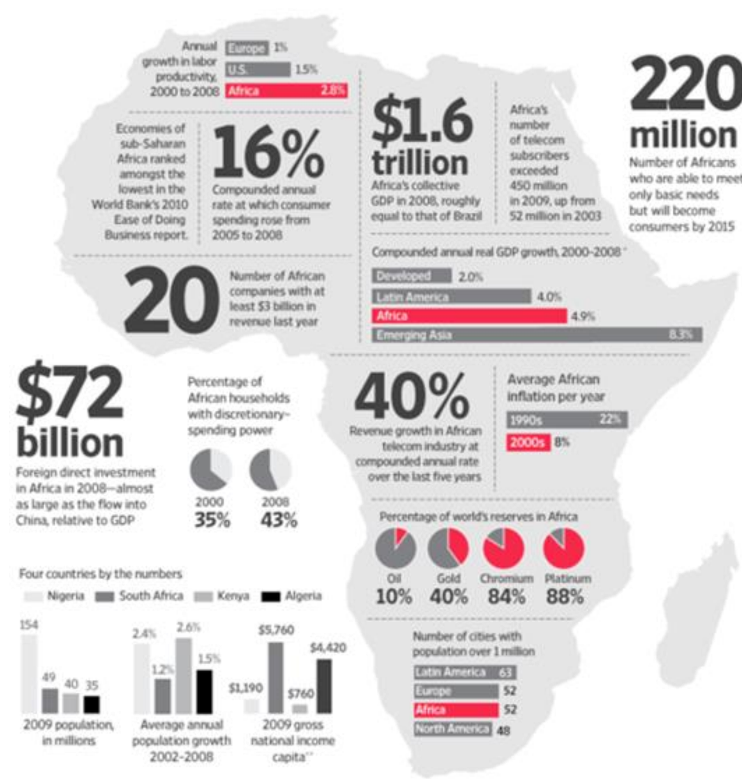
One of the first steps towards entering SSA and building a sustainable business is to understand the socio-economic needs of the region's constituent countries. The key here is sustainability. African policymakers are acutely aware of the dangers they face from global companies that simply wish to swoop in, take advantage of their natural resources and then disappear. Investors should understand that any foreign company looking to invest in Africa will be scrutinized for the long-term social and economic impact that they have on the country. This doesn't mean that businesses need to operate as charities in Africa, but they do need to bring something useful and long-lasting to the table. Foreign companies need to demonstrate that they are bringing innovation, skills and/or experience. Some countries regulate which type of companies can invest. Angola stipulates a minimum investment of $1 million and all companies entering the market are obliged to hire a quota of local workers. There are many tax incentives to make investing in Angola attractive, including preferable corporation tax rates and tax holidays for companies that invest in rural industries such as manufacturing. The government is happy to make it fiscally attractive to do business but on the grounds that the business respects African needs – investors in Africa need to serve the African people.

Venture capitalists also need to understand this – and so too do firms looking to partner with VCs. A quick Google-search of venture capital companies in sub-Saharan Africa shows how dominated the VC scene is by companies from the other side of the world – global firms headquartered in Silicon Valley, Mauritius, Luxembourg and the Netherlands. Or, alternatively, VCs based in South Africa. These companies are often happy to invest in sub-Saharan Africa with low-risk ventures such as copycat companies, which introduce proven business models. However, while copycat investments and VC initiatives from outside of the region provide a quick return, they are often unsustainable because they are not driven by local innovation – they are implemented from the outside by managers. Copycat investments, specifically, often have limited scalability and are vulnerable to being displaced once the globally recognised brand then moves in to the market. For these reasons, such ventures are typically small-scale and geographically restricted. VCs that are currently operating in sub-Saharan Africa tend to service the entire region. They offer breadth, international expertise and deep pockets – but as foreign firms spending cash on setting up shop themselves, they are largely driven by profit. This is not what Africa or global investors need. So how can international companies work with a VC that is driven by more than profit and that can help them to build a business that is relevant and sustainable?



The solution may be to bypass foreign VCs and go directly to government. Angola benefits from a VC created by the government in order to support the diversification of the Angolan economy. The Fundo Activo de Capital de Risco Angolana (FACRA) is one of the largest equity funds in Africa, with the equivalent in the local currency Kwanzas to $250 million in financial assets under management. The advantage of a state-backed VC is that it has a greater interest at heart – to stimulate innovation and enterprise in the entire country. Whilst it can obviously do this by investing directly in Angolan businesses, it also partners international best-in-class companies with growing local businesses and

entrepreneurs. Unlike profit-centric foreign VCs, FACRA proactively searches for opportunities to bring new technologies and skills in to the country – for the country's sake. This is great news for companies that are looking for a way to enter the market and even better news for aspiring Angolans.



Companies that choose to work with government-backed VCs like FACRA gain an immediate advantage because they are working directly with a government-backed organization, meaning that they receive first-hand guidance on laws and government regulations, and all of the other practical aspects of entering a new market. In this respect, FACRA acts as a one-stop-shop for foreign entrepreneurs and co-investors.

FACRA held its first annual FACRA Day symposium on 22nd January 2015, an event that saw international investors come to Angola to learn about ways and incentives to do good business in Angola. This initiative enables FACRA to kill two birds with one stone: to identify great businesses opportunities that it can directly support – but also to bring FDI in to the frame by providing co-investment opportunities for non-African firms. Holding an event such as this enables promising Angolan companies to showcase their business and meet with potential investors. In addition, it helps the government stimulate growth of the SME sector and provide significant added value for foreign investors.

For foreign companies, this guidance is priceless. It provides an immediate in-road to the marketplace and the supply chain, it means working with a VC that actually understands the local market and it means entering the market in the right way. African countries such as Angola have a great need for international expertise in areas as diverse as technology, agriculture, manufacturing, chemical/pharma industry, health services, fish farming, poultry farming and the services sector – as long as they have an high component of innovation. These needs present foreign companies with huge opportunities to break new ground in the Angolan market and to create a positive impact on the Angolan economy. *(Ventures Africa)*

Uganda's Second Bourse Opts for Bonds, Derivatives Over Stocks

ALT-Xchange Ltd. will initially favor the development of Ugandan government debt and derivatives trading over equity offerings as it establishes a second bourse in the East African nation that may start operations by May.

"We intend to offer our platform for trading in Treasury securities," Chief Executive Officer Joseph Kitamirike said Thursday in an interview in Kampala, the capital. "We want to expose those Treasuries to investors abroad."

Africa's biggest coffee exporter has seen yields on six-month government debt rise 111 basis points in 2015 as the shilling depreciated 3.1 % against the dollar. ALT-Xchange, owned by Port Louis, Mauritius-based ALTX Africa Group, plans to start talks with Uganda's central bank in the next two weeks about debt trading, Kitamirike said.

The bourse, also known as ALTX Uganda, was approved by the country's market regulator in March. Attracting initial public offerings for stock listings won't be a priority in the early stages because the business is limited, Kitamirike said. "We see opportunities in derivatives because of the volatility in interest and exchange rates in the market," he said. Equity trading will "gradually pick up," he said. The 16-member Uganda Securities Exchange All Share Index is up 4.3 % this year. Half of the companies are cross-listed on the bourse in neighboring Kenya. Government bonds are listed on the USE, with no trades recorded, according to the exchange's website. Trading on the ALTX will be automated, compared with the USE system where representatives of brokers give orders to a person who writes them on a board, according to the USE's website. *(Bloomberg)*

Tanzania: Short-Term Govt Papers Attract Many Investors

The cost of borrowing through the short term government papers has continued to fall, thanks to the decision to liberalise current account. Tanzania liberalised its current account last year, the move that opened the door for other players, particularly from across the East African region to participate in the money markets. The participation has increased competitions thus making the government to borrow at the minimal price but also the superb performances of all tenors which have registered overly subscriptions.

According to the Bank of Tanzania (BoT) auction summary, yield rates across all tenors declined significantly but did not discourage investors to scramble for the investment opportunity in the treasury bills. Yields for the 364 days offer fell to 14.17 % compared to 15.04 % of the previous market but investors appetite remained strong after attracting bids worth 306.65bn/- against 55bn/- offered to the market for bidding. For the 182 days tenor, yields declined 14.05 % compared to 14.64 %, but the amount tendered overshoot to 201.61bn/- compared to 45bn/- that was put in the market for bidding. The 91-day offer that failed to capture investors appetite in the past auctions, was received on a high note after attracting bids worth 84.18bn/-. Interest rates for the 91 days offer slipped to 13.6 % compared to 14.28 %. Also, the 35 days tenor that was less attractive in the previous auction managed to capture investors attention although it ended up under subscribed. The BoT auction summary shows further that the session held last week shows that the paper became over subscribed to 593.45bn/-, which is over 4 times the 135bn/- offered to the market for bidding. Also, the amount tendered increased by an average of 30 % to 593.45bn/- compared to 458.2bn/- of the session held mid-January this year. Similarly, the outstanding performance of the debt securities is attributed to the improved liquidity in the circulation that finds insufficient investment opportunities in the money markets. The short term borrowing saw 311 number of bids being received but only 185 succeeding with a total of 450.68bn/- being retained as the successful bids out of 593.45bn/- bids. *(All Africa)*

Angola issues US$20 billion in debt in 2015

Angola plans this year to issue public debt of US$20 billion to private investors and pay interest of up to 7 %, the director of the Public Debt Management Unit of the Ministry of Finance said Tuesday in Luanda. Angélica Paquete, who presented the 2015 Annual Debt Plan, said this amount was needed to ensure the financing of the 2015 State Budget, distributed equally between domestic and international markets. “In the 2015 fiscal year we have introduced the possibility of private or collective investors gaining access to the primary market,” said Paquete.

Private investors can take on Treasury Bills, with shorter maturities and interest rates ranging from 4.5 % (91 days) and 6 % (364 days) for a total amount to be allotted by the State equivalent to 402 billion kwanza (US$3.8 billion).

Private investors will also have access via the National Bank of Angola to Treasury Bonds with maturities of 2-5 years and a 7 % interest rate, described by the Angolan government as one of the highest returns in the world on this type of financial product .

In this way the Angolan state expects to collect over 480 billion kwanza (US$4.6 billion) this year, despite the unfavourable economic and financial situation in the country, due to a fall in oil revenues. Paquete also announced that this year the first debt issue will be carried out in the international market, with the support of financial partners in the sector. Angola’s “stock” of public debt this year, according to the latest forecast from the Ministry of Finance, will reach US$48.3 billion, which corresponds to 35.5 % of GDP between foreign debt (24.5 %) and domestic debt (11%).*(Macauhub)*

Tech

Jovago Inks Mobile Payment Deal With Tigo Pesa

Africa’s leading hotel booking platform Jovago.com has announced the incorporation of Tigo Pesa, one of the region’s major mobile money transfer services. This partnership gives the customer yet another option for efficiency on top of the available card payments and pay-on-arrival model. “ Africa is definitely moving on to the digital world, as part of this move we want to take in consideration the local market demands and habits, thus structure our strategies in response to the needs, said the Managing Director- Estelle Verdier, “

Tigo Pesa is East Africa’s first cross-border money transfer with currency conversion and an app for the same. It’s evident that most interesting developments are taking place in mobile technology. Commenting on the integration of Tigo Pesa with Jovago, Tigo Head of Mobile Financial Services Ruan Swanepoel said: “We are delighted to join hands with Jovago to give the customers of our two companies the convenience of paying for their hotel accommodation from the convenience of their mobile phones. This partnership is in line with our strategy to promote digital lifestyle among our customers.”

Verdier also explained that, in addition to the convenient payment methods Jovago currently offers the largest inventory of hotels in Africa and negotiates hotel rates on behalf of the customer to ensure customers find their ideal accommodation at the Best Price. It’s important to note that during the last Quarter of 2014, Tanzania registered a 2.6 % growth in mobile penetration, a notable rise from the previously recorded growth of 2.0 %. Tanzania now has a total of around 28 million mobile phone subscribers, representing a mobile penetration of 63 %.

According to a World Tourism Report, East Africa is the most successful and prominent location for mobile payments, with Kenya taking the lead at 80 % – of its adult population adopting mobile payment. In conclusion, Verdier underlined that currently over 30 % of visits to jovago.com are channeled via a mobile device. In such context mobile payment integration is a key driver in the growth of this industry. *(Ventures Africa)*

ENERGY

Gigawatt Global plans 1,000 MW solar power in Africa by 2020

Dutch company Gigawatt Global said it will spend $2 billion to generate 1,000 megawatts of solar power in Africa by 2020 after launching the largest photovoltaic field in East Africa at a village in Rwanda.
African nations are racing to mobilise funds to invest in new power plants and utilities after decades of under investment left huge swathes of their populations without electricity.
Located 60 km (37 miles) outside the capital of Kigali, the solar field built at a cost of $23.7 million will produce 8.5 megawatts and increase Rwanda's power generation capacity by about 6 %, said Yosef Abramowitz, Gigawatt's president. The money was raised from equity investors and lenders, he said, and the government offered strong incentives to build. Abramowitz said other countries such as Burundi could benefit from the planned power generation expansion. Power from Rwanda's photovoltaic field will connect more people to the grid in the country of about 11 million people where only 22 % of the population have access to electricity. *(Reuters)*

A fuel for Africa's growth

Renewable energy sources such as hydroelectric and wind power are due to become an increasingly important part of the energy mix as the world wakes up to the facts about climate change and one of its major causes — the emission of greenhouse gases such as carbon dioxide. In fact, according to a recent report released by the International Energy Agency, renewable energy will make up almost half of sub-Saharan Africa's power generation growth by 2040.
Africans currently consume only one quarter of the global average energy per capita, using a mix of hydropower, fossil fuels and biomass. However, with the growth of African economies and the subsequent socioeconomic development, the demand for reliable and sustainable energy has reached unprecedented levels.
The potential for renewable energy in Africa — notably hydropower, solar and wind power — is substantial. What is more, the African Union has endorsed the aims of the UN's Programme of Sustainable Energy Access for All, which includes doubling the global share of renewable energy by 2030.
Further afield, US president Barack Obama took a major step forward in this regard in June 2014 when, at his direction, the Environmental Protection Agency (EPA) released its Clean Power Plan. This, for the first time, cuts carbon pollution from existing power plants, the single largest source of carbon pollution in the US.
Though the final standards will only be set in June 2015, after public hearings and feedback on its proposals, the EPA says, as it stands, the rule would achieve a nationwide reduction of about 30% in carbon dioxide emission from the power sector by 2030 compared with 2005 levels.
The EPA says the proposal will "protect public health, move the US toward a cleaner environment and fight climate change while supplying Americans with reliable and affordable power". It foresees climate and public health benefits of up to US$93bn by 2030, as a result of the significant reductions in the harmful carbon and other air pollution to which the rule would lead.
Closer to home, the shortages of coal-fired electricity in SA have highlighted the need for renewable energy and the environmental benefits of renewable energy are obvious. Anyone who has travelled in Mpumalanga will attest to the poor air quality in certain areas due to the presence of several large power stations and industrial complexes.
In his last State of the Nation address, President Jacob Zuma voiced strong support for the development of sustainable energy sources. He said the country's energy constraints call for a "radical transformation of the energy sector to develop a sustainable energy mix that comprises coal, solar, wind, hydro, gas and nuclear energy".
He confirmed that SA will continue with the fourth window of the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) in order to take advantage of wind, solar, biomass and other technologies that increase the opportunity for rural development.
The president also emphasised the potentially important role that nuclear energy as well as shale gas could play in the energy mix. "Nuclear has the possibility of generating well over 9000MW, while shale gas is recognised as a game changer for our economy," he said. With regard to the latter, however, he sounded a note of caution, saying it would be pursued "within the framework of our good environmental laws".
He said SA would also look to the region as a whole for its energy security, referring to the signing last year of the Grand Inga Hydro Power Project Treaty with the government of the Democratic Republic of Congo. This massive and strategic project has the potential to generate 40000MW of hydro-electricity.
The National Development Plan (NPA) clearly spells out the potential for renewable energy. According to it, SA will need an additional 29000MW of electricity by 2030. About 10900MW of existing capacity is to be retired, implying new build of more than 40000MW. The document states that at least 20000MW of this capacity should come from renewable sources.
Clearly, to meet this target would require substantial imports of hydroelectricity, but there would also be considerable scope for other forms of renewable energy.
The success that is being achieved with the government-backed REIPPPP illustrates what can be achieved. The programme is widely regarded as the most successful public-private sector partnership in the country's history.
According to a report published by the Public-Private Infrastructure Advisory Facility, the programme has successfully channelled substantial private-sector expertise and investment into grid-connected renewable energy in SA at

competitive prices. “In less than three years, SA has signed up more investment for more independent power generation than has been achieved across the entire African continent over the past 20 years,” the report notes.
According to the report, the SA government started exploring feed-in tariffs (FITs) in 2009, but these were later rejected in favour of competitive bids. FITs have been the most widely used government support mechanism for accelerating private investment in renewable energy generation. They are meant to reflect the costs of producing particular kinds of energy, as predetermined by government analysis (rather than set as a result of competitive bidding). They are used in offers of long-term supply contracts to renewable energy producers. However, competitive tenders or auctions have also emerged in many jurisdictions as acceptable techniques, especially in emerging economies. Tenders have the potential to offer lower prices, while still providing adequate incentives for market entry by renewable energy suppliers.
The first bidding round of the REIPPPP was held in 2011 and, to date, two more bidding rounds have been held with a fourth round due to commence soon. To date the initiative has resulted in 64 renewable energy projects of different sizes at different sites. A total of $14bn in investment has been committed for the construction of 3922MW of capacity in technologies such as grid-connected wind, photovoltaic (PV) and concentrated solar power (CSP), as well as smaller amounts of hydro, landfill gas and biomass energy. The first of these projects are already in operation.
According to the department of energy, 2808MW of renewable generating capacity still remains to be allocated in terms of the short to medium-term target of about 7000MW of renewable energy. This comprises 1041MW of solar PV capacity; 1336MW of wind; 200MW of CSP; 121MW of small hydro; and 110MW of biomass, biogas and landfill gas. This is to be addressed in the fourth round of bidding, which will create significant further opportunities for equipment suppliers. The REIPPPP also has significant economic benefits due to its job creation potential and the promotion of local content.
Altron subsidiary Powertech has been successful in phases one and two of the REIPPPP, securing more than R350m worth of orders. It currently supplies products such as cables, transformers and turnkey substations to the renewable energy project owners.
Powertech QuadPro, a turnkey substation provider and a recent acquisition by Altron, has been particularly successful in winning contracts in the renewable energy field. Among these are contracts for two wind farm projects — Eskom’s Sere wind farm project near Vredendal in the Western Cape and Acciona’s/Aveng Labonne project near Gouda, also in the Western Cape. The combined value of these two contracts is almost R80m.
Powertech QuadPro has benefited from its strategy of offering a packaged solution to customers and, as such, it exemplifies a newly adopted approach where the emphasis has shifted from producing and selling single products to offering an integrated solution to customers. This consists of the manufactured products, advice, project management, implementation, maintenance and integration of the solution.
Also in the renewables field, Aberdare Cables has developed its Solardac cable, used for interconnecting solar PV panels. It is a cheap and durable alternative to imported products, and was designed following the development of new specifications to cater for local environmental conditions.
An ability to provide not only world-class, home-grown products to support the development of renewables, but also offer the insights and expertise to ensure project implementations are successful, puts Powertech and its subsidiaries in a strong position. The company’s market and sector experience is unparalleled and it is upbeat about its role in partnering government and the private sector in Africa’s journey to sustainable infrastructure development.
• *Kayton is CEO of Powertech (BDLive)*

Rwanda Welcomes East Africa’s First Commercial Solar Energy Field

Rwanda’s energy production got a boost on Sunday as an 8.5MW solar field valued at $23.7 million, East Africa’s first utility-scale solar energy project, was inaugurated in Rwamagana, 60km from capital city, Kigali. The new field is the largest on the continent, outside of South Africa and Mauritius.
“What we can see up here today for Rwanda, Africa and the world is hope,” said Yosef Abramowitz, the American-Israeli co-founder and president of the Gigawatt Global Company, developer of the solar field.
The project was officially brought online at a ceremony earlier in February. It is made up of 28,360 photovoltaic panels on a 20-hectare plot of land, and supplies 6 % of Rwanda’s power needs. It will do so by harnessing the sunlight for 25 years, according to the power purchase agreement.
“It’s a very good feeling to know that we put something on the ground,” Chaim Motzen, managing director and co-founder of Gigawatt Global, told The Jerusalem Post before the launch ceremony.
He noted that the new project was proof of the viability of financing and building large-scale solar fields in sub-Saharan Africa. He expressed hope that the field serves as a catalyst for many more sustainable energy projects in the region.
Motzen, who has been the driving force behind the project since it began, also described the project as very tangible and practical, with a significant impact on a country. “The speed with which this project was completed is a tribute to the strength of the Rwandan government’s institutions and their laser-focus on increasing Rwanda’s generation capacity as well as to the nimbleness of our team and partners which spanned eight countries.”
Rwanda has suffered from acute electricity supply shortage, leading to severe load shedding. Its installed generation capacity (mostly hydropower), has been constrained by regional drought. Solar irradiation in the East African country

is high – between 4-6 kWh/m2/day. The latest development may therefore be a sign of better things to come for Rwanda, whose impressive growth has been partly stifled by its energy poverty. The country aims to connect half its population to electricity by 2017.
The plant was financed by a consortium of equity investors and debt providers, such as Norwegian development body, Norfund, and Dutch development bank, FMO. It also received grants from bodies funded by the United States and the United Kingdom governments, among others. *(Ventures Africa)*

INFRASTRUCTURE

Ivory Coast to cancel Aeria's concession to build "airport city"

Ivory Coast will reassign the concession to build and operate a 3,700-hectare commercial district adjacent to the country's main airport, the government said on Wednesday, after cancelling an agreement with Aeria, the airport's operator. Aeria has operated Félix Houphouet-Boigny International Airport in the commercial capital of Abidjan since 1996 and will continue to do so. But it has missed a deadline to build Aerocite, a multi-business complex around the airport, government spokesman Bruno Kone said. "Aeria did not meet its engagements. So the state has withdrawn the concession and will reattribute it in competition open to other candidates," he told reporters following a cabinet meeting. Aeria had been partnered with French engineering group Egis on Aerocite, with the concession due to run until 2029. Aeria's board chairman, Abdoulaye Coulibaly, declined to comment on why the company had failed to deliver the project. Ivory Coast, French-speaking West Africa's largest economy, is in the midst of a revival following a decade-long political crisis that ended in a brief 2011 civil war. With economic growth averaging around 9 %, investor interest is growing, and Abidjan's international airport is expecting to welcome 1.5 million passengers this year.
Bruno said the development of Aerocite was a priority and the government would move quickly to open bidding for the concession. "It's more a question of days or weeks than months, because the Ivorian government would like to see the start of this project this year," he said. Billed as an "airport city", plans for the Aerocite project include economic, logistical and commercial spaces as well as two hotels, residential housing and an exposition centre. *(Reuters)*

Gabon Awards $2.71m Road Maintenance Contract To Louis Berger

Gabon has awarded a €2.36 million ($2.71 million) EU-funded technical assistance contract for road maintenance to an international consortium, which includes Louis Berger. As part of the contract, Louis Berger will train approximately 20 Gabon-based small- and medium-sized businesses by providing the knowledge and capabilities needed to maintain and monitor the country’s roads in the long term.
The contract, part of Gabon’s Sector Governance Support Program, is the second that Louis Berger has won in the last eight years. Between 2007 and 2012, the company also was involved in the program’s previous phase, providing institutional capacity building for public and private sector organizations working to improve the maintenance of Gabon’s road network. “It is critical that long-term sustainability and viability considerations be taken into account for these types of projects,” said Jean-Pierre Dupacq, head of Louis Berger’s operations in Africa. “Through training, knowledge sharing and coaching with the Gabonese public and private sectors, Louis Berger is promoting lower total cost of ownership and equipping local actors to be vendors of choice for future road construction and maintenance in the country.”
The Sector Governance Support Program is a near €1 billion ($1.15 billion) partnership between the European Union and the International Monetary Fund to improve the management of strategic sectors in Gabon, such as public finance, mining, biodiversity and road maintenance. Gabon’s General Directorate of Road and Airfield Maintenance is leading the program’s implementation. The international joint venture is tasked with helping the General Directorate improve overall policy formulation and implementation as well as project and finance management. In addition, the consortium will prepare a series of technical audits to enhance the governance and performance of the second generation Road Fund. *(Ventures Africa)*

Qaala Sinks $70m Into East Africa Rail Project To Fend Off Chinese Competitors

In a bid to accelerate the movement of cargoes from one of East Africa’s busiest ports, Qalaa Holdings, an Egyptian private-equity company, plans to invest $70 million to bolster its systems. This comes as it faces stiffer competition from the Chinese. Qaala, which operates regional railway operator, RVR (Rift Valley Railways), currently running from Kenya’s Mombasa to neighbouring Uganda, is now set to cover a portion of that same route as 90 % of cargoes are transported by road from Mombasa. The reason a new rail line is now under construction from Mombasa. Karim Sadek, managing director of Qalaa’s transport division said that “Qalaa is investing heavily in a new subsidiary, which will compliment RVR by handling cargo at the port of Mombasa in Kenya”. This is reflected in the company raising its shareholding to 85 % after acquiring Kenyan-based Transcentury’s Safari Rail’s 34 % stake in RVR.
Back in September 2014, RVR said it had an agreement with Standard Bank and other lenders to finance the buying of 20 locomotives which would cost the firm about $20 million. “Kenya remains the pivot state in East Africa and the route to the sea and the world markets for a lot of countries in East Africa,” said Aly-Khan Satchu, chief executive of Nairobi-based Rich Management. Last year, an estimated 23.5 million tonnes of freight was expected to pass through Mombasa port alone, according to the Kenya Ports Authority.

Construction is already under way on a $3.8 billion railway which will link Mombasa and Nairobi, the capital of Kenya, with 90 % of the finance coming from the Export-Import Bank of China.
The project is expected to take 42 months from October to reach completion, and will eventually expand to Uganda, Rwanda, Burundi and South Sudan. *(Ventures Africa)*

Government of Huila, Angola rebuilds Chicomba mini-hydro dam

The provincial government of Huila will spend US$1.9 million in the recovery of a mini-hydro dam in the Chicomba municipality designed to produce electricity and to stimulate agriculture, the governor announced recently.
João Marcelino Tyipinge said that the project to recover the mini-hydro dam had been decided by the provincial government to improve the quality of life of the people and provide electricity to economic projects.
The dam is located in the municipal capital, on the Cuvundji river, and will produce about 300 kilowatts of electricity and pump water in sufficient quantity to farms. The municipality of Chicomba is 220 kilometres from Lubango and has an estimated population of 127,000 inhabitants, according to 2014 Census data. *(Macauhub)*

MINING

Mining Companies Can Help Turn On the Lights across Sub-Saharan Africa, Says World Bank

Mining companies can play a key role in harnessing Africa’s abundant clean sources of energy to overcome the lack of electricity which affects at least one in three Africans, says a new World Bank report released here today at Mining Indaba.
In its report, entitled “Power of the Mine: A Transformative Opportunity for Sub-Saharan Africa”, the Bank calls on the mining industry to work more closely with electricity utilities in the region to meet their growing energy demands. Rather than supplying their own energy on site, mines can become major and reliable customers for electricity utilities or independent power producers (IPPs) which can then grow and develop better infrastructure to bring low-cost power to communities.
Power is critical to mining companies’ operations and, by becoming “anchor customers” for electricity utilities, mines can save hundreds of millions of dollars in supplying their own power.
Sub-Saharan Africa, as a region, only generates 80 gigawatts of power each year for 48 countries and a population of 1.1 billion people. Two-thirds of people in the region live entirely without electricity and those with a power connection, suffer constant disruptions in supply. Without new investment and with current rates of population growth, there will be more Africans without power by 2030 than there are now.
The report finds that mining’s demand for power in Sub-Saharan Africa will likely triple between 2000 and 2020 to reach over 23,000 MW. This could be higher than non-mining demand for power in some countries. Yet, many mining companies are still opting to supply their own electricity with diesel generators rather than buy power from the grid – often because of shortcomings in national power systems in the region.
According to the report, another 10 gigawatts of electricity will be added to meet mining power demand by 2020 from 2012 levels – and a part of this is projected to come from “self-supply” arrangements costing mining companies up to $3.3 billion.
But new models of power supply for mines are emerging across Sub-Saharan Africa – including mines self-supplying and selling to the grid or serving as anchor consumers for IPPs. The report estimates around $6 billion in potential public-private partnership opportunities for new power generation from clean energy sources (including natural gas and hydropower) in Guinea, Mauritania, Tanzania and Mozambique – countries with strong expected growth in power demand from the mining sector.
“Power-mining integration can bring substantial cost savings to mines, electrification to communities and investment opportunities to the private sector. But to be successful, we need governments, power utilities and mining companies to work together,” said the World Bank’s Vice President for Africa Makhtar Diop. “Lack of energy stunts the economic growth that’s needed to reduce poverty and boost prosperity for all Africans. Integrating mining demand into national and regional power systems – especially in mineral rich and energy-poor countries – can bring enormous benefits to countries and communities.”
The report cites the example of Guinea, where mining contributes more than half of the country’s total exports and provides more than 20 % of all fiscal revenues – but where national electrification rates are among the lowest in Africa. For instance, by joining a number of mines together and contracting an independent power producer to generate and transmit electricity to the mines through a high voltage mini-grid, the mining companies would save an estimated $640 million in self-supply costs while bringing affordable and reliable energy to at least 5 % of Guinea’s people.
“By choosing grid-based and cleaner power sourcing options, which are typically priced lower than self-supplied electricity from diesel or heavy fuel oil, mining companies will be able to meet their electricity needs while also helping to light up the community,” said Anita George, Senior Director of the World Bank’s Energy and Extractives Global Practice. “In turn, countries will benefit from improved competitiveness of the mining companies, greater tax revenues from mines and more job opportunities for local people.”

The report states that though there are risks associated with power-mining integration – for example from falling commodity prices or a shortage of transmission links – regulatory and financial solutions can help mitigate these risks. A key element is for countries across Sub-Saharan Africa to continue with their power sector reforms and create an attractive operating environment for IPPs, including renewable energy developers.
The report: "The Power of the Mine: A Transformative Opportunity for Sub-Saharan Africa" was funded by the Energy Sector Management Assistance Program (ESMAP) and the South African Fund for Energy, Transport and Extractives (SAFETE). *(World Bank)*

Metals of Africa announces mining concession purchase in northern Mozambique

Mining company Metals of Africa has completed the process of buying a grant of 9,000 hectares owned by Dombeya Mineração Lda. in northern Mozambique, the Australian company said. The negotiation process for buying the license (No. 4118), for the Central Balama project was announced in the middle of last year, with Metals of Africa deciding to go ahead with the purchase after assessing the results of several studies, including a geological survey ("Versatile Time Domain Electromagnetic Surveying" or VTEM). This analysis confirmed expectations that the concession, next to Syrah Resources' graphite and vanadium exploration, has a large concentration of these minerals, over an area of 3 kilometres by 1 kilometre wide. In a statement posted on its website, Metals of Africa said the purchase agreement involved payment of US$250,000 to Dombeya Mineração Lda. which will be paid in two instalments, the first of which, of US$50,000, has already been paid.
In addition, the Australian mining company will issue shares worth US$200,000 to be owned by the Mozambican company, the statement said, adding that the deal was not subject to capital gains tax.
In Cabo Delgado, several mineral projects have shown positive results for graphite and vanadium, including the three concessions operated by Australian mining company Triton Minerals, one of them (Balama Norte) "with world-class potential," according to the company.
In this province of northern Mozambique, Metals of Africa holds the concession on the Montepuez Central block, which also has evidence of large concentrations of graphite.
In Mozambique, the Australian company also has a concession in the Rovué River, in Tete province, in the centre of the country, with potential for mining a variety of minerals such as zinc, lead and silver. Among the company's 20 largest shareholders, Transore International, with a focus on the transport and logistics sector, has the largest stake (5.94 %) *(Macauhub)*

Angola mines 10 million carats of diamonds in 2014

The 10 million carats of diamonds mined in Angola in 2014 generated revenue of US$1.6 billion, according to provisional figures from the Ministry of Geology and Mines. The numbers figure includes the industrial mining, exports and artisanal mining, in which small-scale miners are provided with a mining license from the state. The ministry's figures showed that 8.75 million carats of industrial production were exported, providing revenue of US$1.308 billion.
Each carat (equivalent to 0.2 grams) of these diamonds was sold, on average, for around US$150. Artisanal mining, according to the same figures, in 2014 accounted for production of 934,500 carats, which earned US$332.2 million, with a price per carat of US$355. Angola is the Africa's third largest diamond producer by quantity and value, only surpassed by Botswana, the world's largest producer with about 38 million carats, and the Democratic Republic of Congo, with 30 million carats. *(Macauhub)*

Diamonds mined in Angola will be used to produce jewellery

Jewellery made from diamonds mined in Angola will be progressively manufactured in the country itself, the chairman of Angola's national diamond company Endiama, Antonio Carlos Sumbula said recently.
"Initially, jewellery will be manufactured abroad but then, little by little, it will be done in Angola," he said during the reopening of the Angola Polishing Diamonds factory.
Sumbula reported that the factory will produce jewellery with international partners, although he did not specify who, and added that, given that making jewellery is different from polishing, a centre will be set up at the factory to train Angolan technicians.
The chairman of Endiama also said the process of building more polishing factories would begin, in addition to establishing international and national partnerships to manufacture an increasing amount of jewellery.
Sumbula said there was already interest from some French companies to sell the jewellery produced in Angola, particularly in Monaco and Cannes, and added that government guidelines had already been drawn up for this purpose.
The Angola Polishing Diamonds factory, owned by Sociedade de Comercialização de Diamantes de Angola (Sodiam), a subsidiary of state company Endiama, represented an initial investment of US$10 million, and when it was established in 2005 involved a partnership with foreign investors.
Angola is the third largest producer of diamonds in Africa by volume and value, with a production of eight million carats, only surpassed by Botswana, the world's largest producer with about 38 million carats, and the Democratic Republic of Congo, with 30 million carats. Figures point to production of around 8.3 million carats, with gross revenues of around US$1.1 billion per year. *(Macauhub)*

Baroka Platinum offers $263 mln for Amplats' Bokoni mine stake

South Africa's Baroka Platinum has offered 3 billion rand ($263 million) to buy Anglo American Platinum's (Amplats) stake in the Bokoni mine in Limpopo province, a document seen by Reuters.

Baroka Platinum, part of the Baroka Tribal Mining business founded to help the impoverished Ga-Nkwana community, aims to take advantage of a sector shake-up as companies sell off underperforming and labour-intensive shafts to improve profitability after last year's five-month miners' strike.

Amplats owns 49 % stake of the Bokoni mine, with the rest owned by its joint venture partner Atlatsa Resources.

The offer from Baroka also includes Amplats' 22.5 % indirect stake in Atlatsa, the document said.

The size of last month's offer to Amplats, a unit of global mining group Anglo American, is significantly lower than the 4.5 billion rand a source had said was submitted in December.

Amplats declined to comment on Wednesday and a Baroka spokesman was not immediately available to comment.

The proposed deal would give Baroka Platinum, which currently relies on royalty payments, its first production asset and allow it to funnel more money from the Bokoni mine to build schools, clinics and roads for the Ga-Nkwana community's 90,000 people.

The four-shaft mine produces 170,000 ounces of platinum group metals a year.

Baroka Platinum also plans to buy out Atlatsa's stake in Bokoni as soon as the deal with Amplats is sealed, a source with direct knowledge of the matter told Reuters.

The document seen by Reuters said that South Africa's state-owned pension fund, Public Investment Corporation, would fund part of the Bokoni deal in exchange for a stake in the mine, with further funding coming from local and international lenders. *(Reuters)*

Building Negotiating Capacity in Africa to Make the Most from Mining Deals

- Capacity building opportunities for government representatives on mineral contract negotiations lay the foundation for agreements that foster sustainable development
- Week-long training program brought delegates from throughout the continent to workshops in both Tanzania and Burkina Faso
- International experts on mineral law lead capacity building sessions

When it comes to negotiating complex mining contracts, governments can often feel that the playing field is tilted in one direction, favoring the private sector.

This is a major challenge for Africa. In the 2013 “Africa Progress Report,” Kofi Annan, the former UN Secretary-General, says poorly negotiated contracts are partly responsible for countries not benefiting from their mineral wealth. The study compared the selling price for five mining assets in the Democratic Republic of Congo with an independent assessment of their value, and found the difference to be over $1 billion.

Global leaders at the G7 Summit also recognized the issue last June by launching an initiative to provide developing country partners with capacity building opportunities for negotiating complex commercial contracts, focusing initially on the extractives sector.

Negotiating mining contracts is an extremely complex endeavor that requires a clear set of objectives articulated by leadership; a variety of technical skills in law, engineering, economics, finance, and other areas; a high level of coordination across relevant government entities and the ability to pursue a consistent course over time.

To reach an agreement that is stable over time, the investor-state relationship must be perceived to be fair by the foreign investor and the host government, as well as local communities, broader civil society and the business community. A key to achieving the perception of fair negotiations is incorporating transparency into the process from the outset. When negotiations leave one party at a disadvantage, stakeholders notice and this can lead to long-term grievances and possibly even instability that can negatively impact the country and investors.

“Mining contracts that are negotiated in a fair and transparent fashion are more sustainable in the long-term for all the stakeholders involved and they better reflect the country’s best interests,” said Paulo de Sa, Practice Manager of the Energy and Extractives Global Practice of the World Bank Group.

To build global capacity on the negotiation of mineral development agreements, the World Bank Group hosted two international training workshops that brought together government representatives from 18 countries. In May 2014 the first workshop was held in Arusha, Tanzania with 35 representatives from Anglophone Africa including from Sierra Leone, Tanzania, Ethiopia, Zimbabwe, Mozambique, Liberia, Uganda, Malawi and Rwanda. The second training workshop for Francophone Africa was held in Ougadougou, Burkina Faso in October 2014 and included 35 representatives from countries spanning Senegal, Congo, Burkina Faso, Guinea, Mali, Niger, Togo, Madagascar and Mauritania.

One of the workshop attendees, Venance Bahati, Tax Audit and Analysis Manager at the Tanzanian Minerals Audit Agency said that “the course was very relevant to the Tanzania situation, especially on the issues of negotiation preparation skills and issues such as community aspects and fiscal items.”

Technical training at the workshops focused on the contract negotiations process (including intergovernmental coordination, negotiations techniques) and the general terms and conditions related to mineral development agreements (including fiscal instruments, community development, and local content).

Daye Kaba, Partner at Fasken Martineau law firm and an international expert in mining law and contract negotiations, presented at the workshop and emphasized that "building of capacity within governments not only enables countries to negotiate better agreements and have a better grasp of the implications of the agreements they enter into, but is also welcomed by mining companies as it facilitates the negotiation process."

These capacity building workshops were made possible by support from the World Bank Group through the Extractive Industries-Technical Advisory Facility (EI-TAF) trust fund, as well as the African Legal Support Facility (ALSF), the International Institute for Sustainable Development (IISD), and the Sustainable Development Strategies Group (SDSG). *(World Bank)*

OIL & GAS

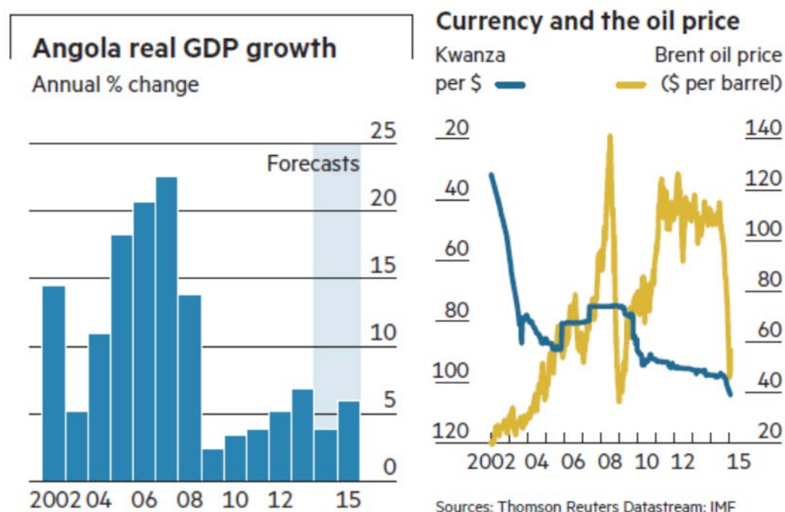
Angola's Namibe basin divided into blocks for oil exploration

The government of Angola has approved the division of the Namibe Basin Maritime Zone in the south of the country, into 12 blocks for future oil concessions, according to an executive order from the country's Oil Minister. The document, signed by Minister Botelho de Vasconcelos that went into force on 6 February, noted that the decision was intended to "define and establish the division into blocks" of that sea area, thereby allowing for "future oil concessions." The Namibe Basin Maritime Zone covers an area of 68,000 square kilometres (km2) off the coast of Namibe province. Angolan oil company Sonangol announced last June it planned this year to put up 12 offshore oil blocks for auction, adding to ten others on land currently in a bidding process. According to the state-owned company, of the new blocks open to bids in 2015, seven are located precisely in the Namibe Basin (southern Angola) and five in the Lower Congo (north). The national concessionaire, Sonangol is currently auctioning off ten other new blocks in the onshore basins of the rivers Kwanza and Congo, which may represent more than half of Angola's known reserves. *(Macauhub)*

Angola seeks $1bn in loans as oil price falls

Angola has dramatically slashed its budget for the year and is reaching out to the World Bank and international lenders for at least $1bn in loans as Africa's second-biggest oil producer and one of the continent's star economic performers grapples with the fallout from the collapse in crude prices.

Luanda has already approached Goldman Sachs and Gemcorp Capital LLP, a small London-based investment firm set up last year, for loans of $250m from each institution. Both groups declined to comment. But people familiar with the matter said the approaches by the government were made after José Eduardo dos Santos, the veteran president, issued decrees authorising his administration to seek the loans.



The government is also in discussions with the World Bank over a possible $500m soft loan for budgetary support to help narrow its financing gap. It would be the first such loan provided by the bank to Angola.

"The main thing is to provide some short-term support for the sharp reduction in revenue," Souleymane Coulibaly, the World Bank's lead economist for Angola, told the Financial Times. "They are considering their priorities, where to cut (spending), to try to make sure the social element is still protected somehow. But the reform programme that will be supported by the budget support is to strengthen fiscal management in the medium term."

Angola, still rebuilding after a 27-year civil war, has seen strong growth as its oil industry has rapidly expanded and the state has invested heavily in infrastructure. But last month the government effectively wiped $14bn off this year's budget after it reduced its assumed oil price from $81 a barrel to $40 a barrel.

Oil accounts for about 98 % of Angola's export earnings, more than two-thirds of government revenues and 44 % of gross domestic product. The industry surged after the civil war ended in 2002 and Angola's target is to hit production

of 2m barrels per day this year. It is already the second-biggest supplier of oil to China after Saudi Arabia since 2005, while Beijing has been a key source of finance and investment in Angola.
But while the oil boom helped drive double digit economic growth in the decade after the war ended, the fall in crude prices has graphically illustrated the government's failure to reduce Angola's vulnerability to crude price shocks.
"Obviously when you are an economy with exports and fiscal receipts dependent on oil, the impact will be very negative for the budget, balance of payments and the exchange rate," said Victor Lopes, economist at Standard Chartered. "The negative impact is already being felt by many corporates which can't get enough FX because of the liquidity shortage that is a consequence of collapsing exports."
Standard Chartered estimates that Angola's fiscal break-even oil price is around $110 a barrel, and is forecasting that the budget deficit will widen to at least 7 % of GDP this year. It is basing its calculations on oil averaging $85 a barrel this year, up from its current price of about £54.
The currency, the kwanza, has also been trading at record lows to the US dollar. Mr Lopes says he expects the government to cut "massively" on its planned infrastructure projects, adding that some have already been delayed.
Mr Coulibaly said in the short term the key was to make sure "the poor and vulnerable" were protected from the spending cuts. In spite of its oil wealth, more than a third of the 24m population lives on less than a $1 a day, illustrating the huge disparities that exist between the elite and the masses.
Critics accuse the regime of Mr dos Santos — who has been in power for 36 years — of wastage, cronyism and corruption, and using the petrodollars to enrich a politically connected cabal. But Mr Coulibaly said the World Bank had "mitigation measures" to counter any potential concerns around graft. "Angola is not the first country to have the rumour or reality of corruption," he said. "Our most important objective is to engage with them because they are a valuable partner — it's the third-largest economy in Africa." *(Financial Times)*

Kenya's State-run firm to raise $2bn to buy into oil blocks

Kenya's state-run National Oil Corporation will raise $2-billion to take stakes in oil blocks on behalf of the government once they near commercial production.
Kenya estimates its crude oil reserves to be about one-billion barrels and the government can legally take a stake in oil blocks under commercial production through National Oil. The oil firm would raise the money through internal sources, external debt and other equity partners, Joram Temesi, the firm's spokesman told Reuters. It was not immediately clear how much of the oil block National Oil would be buying, and whether the amount it plans to raise would be sufficient for the stakes that it requires. National Oil would buy stakes in blocks 10 BB and 13 T, owned by Tullow Oil and its partner Africa Oil. The oil firms are expected to submit plans to the government for the commercial development of their discoveries on the oil blocks located in northwest Kenya by late 2015. Africa Oil, which has a 50% stake in both Block 13T and Block 10 BB, said late last year it wanted to reduce its holding to about 25% by 2016 by selling to a new partner and raise cash to pay for oil production. *(Engineering News)*

Total's major African projects safe from oil collapse cuts

Total's major oil and gas projects in Africa will not be stopped by the sudden fall in crude oil prices and will help the French company meet its long-term production targets, a top executive said on Tuesday.
Total has bet on a string of African projects such as Egina in Nigeria, Kaombo in Angola and Moho in the Republic of Congo to help it boost production to a target of 2.8-million barrels of oil equivalent per day in 2017.
These are west African projects in deep and ultra-deep water -- an area where Total is a self-proclaimed specialist but that require costly technologies.
"These projects have been engaged and we certainly won't stop them, which means thousands of jobs will be preserved for projects up to a 2017/18 horizon," Guy Maurice, the head of Total's exploration and production branch in Africa told reporters on the sidelines of a conference. "All the big projects are in the pipeline today. This will allow us to meet our production targets for 2017/18 as planned," he said. He said the recent drop in oil prices -- which has seen Brent crude oil plunging by more than half since June -- will prompt the group to review certain projects in Africa, country by country, but that no major project was at a stage that required a final investment decision. "What could come up tomorrow, in 2025 or something, is not at a pre-sanction stage, it's still very early in the study phase, we're not in a phase when we have to arbitrate between doing it or not," he said. He said Total would work with partners -- subcontractors and producing countries -- to help bring the cost of projects down, on the model of what was achieved with the Kaombo project in Angola, which was launched after a $4-billion reduction in costs last year. "Half of the reduction came from us, we changed our requirements, a quarter from our suppliers, and a quarter from the Angolan government, which has accepted a lower level of local content," he said, referring to producing countries' increasing demands for the use of often more costly local suppliers and untrained staff for oil projects.*(Engineering News)*

Nigeria's National Oil Company Ordered To Pay Up $1.48bn Debt

Following the result of a forensic investigation conducted by audit firm PriceWaterHouseCoopers (PWC), the Nigerian National Petroleum Corporation (NNPC) has been ordered to settle its $1.48 billion remittance due to the Federation Account by its upstream subsidiary, Nigerian Petroleum Development Company (NPDC).

The Group General Manager, Group Public Affairs Division of the NNPC, Ohi Alegbe, stated in Abuja yesterday that the audit report cleared the Corporation of accountability over the alleged non-remittance of $20 billion insinuated by former Central Bank governor, Mallam Lamido Sanusi Lamido. The Corporation has maintained that it has not been involved in any wrongdoing as the ordered repayment isn't part of the alleged un-remitted funds.
According to a report by Reuters, the $1.48 billion was never in dispute as it comprised of statutory payments such as taxes and royalties and signature bonuses, and these are dues that come with assets acquisition.
The state oil company went further to explain that the reason for the delayed payments is the lengthy resolution processes between NNPC and the Department of Petroleum Resources (DPR). *(Ventures Africa)*

TELECOM

Orange Said to Explore Purchase of Some Bharti Africa Assets

Orange SA has explored various acquisitions in Africa including assets owned by Bharti Airtel Ltd., as the French company seeks to bolster its business in the region, according to people familiar with the matter.
France's largest phone company has held on-and-off again discussions with potential partners as it moves ahead with a plan to group its emerging-market operations into a single unit, the people said. No deal is imminent and there are no formal negotiations underway, the people said, asking not to be identified because the deliberations are private.
Orange is considering a variety of options including takeovers, partnerships and an initial public offering of its African unit, the people said. It has also looked at certain African assets owned by Millicom International Cellular SA, one of the people said. The Paris-based company plans to complete the creation of "Orange Africa", a new entity that will combine those operations, in the first half of the year. This could pave the way for deals, the people said.
Under Chief Executive Officer Stephane Richard, the company has sold assets in countries such as Switzerland and sought to grow in emerging markets. Africa and the Middle East, which include some 100 million subscribers in countries from Egypt to Mali, are core to Orange's strategy, Richard has said.
As European markets saturate, phone-service revenue in Africa and the Middle East is rising as consumers increasingly use smartphones for communications, the Internet and day-to-day business like banking.
One idea that's been discussed would be merging Orange and Bharti assets in the region, with the French company retaining control of the combined entity, two of the people said. The price and quality of some of the assets remain contentious and Orange is less interested in Bharti's English-speaking African countries, another person said.
Millicom of Sweden is open to the idea of selling some of its African assets, one of the people said, though they may be less attractive to Orange, another person said. Vodacom Group Ltd., another major player in the region, isn't currently planning to dispose of any businesses, another person said.
Orange has said it's weighing options for its phone assets in Africa and the Middle East -- anything from an initial public offering to potential alliances with other operators. Spokesmen for Orange and Millicom declined to comment. Bharti "strongly deny these rumors which are completely baseless," according to an e-mailed statement.
Africa Revenue
Africa and the Middle-East made up about 750 million euros of sales during the third quarter at Orange, or about 8 % of the group's total. Countries like Egypt and Ivory Coast had more than 5 % growth during the period. Orange is scheduled to announce fourth-quarter earnings Feb. 17. Bharti's revenue from its Africa operations was about $4.5 billion in 2014, according to the New Delhi-based company's financial statements.
Paris-based Orange is among a small group of telecommunications operators that have sought to tap explosive economic growth in sub-Saharan Africa. Vodafone Group Plc operates in Mozambique and Tanzania through Vodacom, while Johannesburg-based MTN Group Ltd. owns carriers in Nigeria and Uganda as well as its home country. "We're interested in building a sustainable, longterm African business with the right opportunities," Millicom's interim CEO Tim Pennington said in an interview this week. "If the right deals came along, provided we could effectively reinvest our capital, then we would look at all opportunities." *(Bloomberg)*

Bharti Profit Beats Estimates as Data Usage Increases

Bharti Airtel Ltd., India's biggest wireless carrier, posted profit that beat analyst estimates as rising smartphone ownership drives growth in data usage.
Net income more than doubled to 14.4 billion rupees ($233 million) in the three months ended December from 6.1 billion rupees a year earlier, New Delhi-based Bharti said today in a statement. That exceeded the 13.5 billion-rupee median of 24 analysts' estimates compiled by Bloomberg.
Billionaire Chairman Sunil Bharti Mittal's company sees low-cost devices and new technologies driving data usage and in November started a Web portal to help introduce customers to the Internet. With India's Internet users estimated to more than double to 480 million by 2017, growing smartphone penetration will boost the number of people accessing the Web on their mobile devices, according to Bharti. "They're getting some good growth in data," said Rishi Tejpal, an analyst at Gartner Inc. in New Delhi. "The data revenue hike will continue for a good time as they roll out their 4G network to bigger markets," Tejpal said, referring to Bharti's fourth-generation services. As of the quarter

ended September, Bharti was offering 4G services in 15 cities in India. The faster 4G network enables quicker downloads of data.
Smartphone shipments in India rose 82 % to 23.3 million units in the third quarter of 2014 from a year earlier, according to market research firm International Data Corp. The devices accounted for 32 % of total mobile phone sales in the period, from 19 % in the corresponding period.

Sales Gain

Bharti's sales climbed 5.8 % to 232.2 billion rupees, according to the company. That compares with the 234.9 billion-rupee median of 25 analysts' estimates. Shares of Bharti fell 0.7 % to 368.95 rupees at the close in Mumbai trading, before the earnings announcement.
Mobile data sales, including at its Africa operations, rose 62 % to 28.7 billion rupees, contributing more than 85 % of the incremental revenue, Bharti said. Revenue from data in India climbed 74 %, boosted by a 32 % increase in the number of users and a 38 % jump in usage per customer, it said.
Revenue from Africa, where the company operates in 17 countries, declined 6 % in rupee terms in the quarter from a year earlier as local currencies including Nigeria's naira depreciated in value against the U.S. dollar. Earnings before interest and taxes fell 33 %, according to Bharti. Idea Cellular Ltd., India's second-biggest mobile phone operator by market value, posted third-quarter profit that missed analyst estimates. The average realization per minute for voice calls for the company, excluding units, declined from a year earlier as competition intensified. *(Bloomberg)*

Undersea cable between Angola and Brazil in operation in 2016

The undersea fibre optic cable between Angola and Brazil will be operational between late 2015 and early 2016, said the chief executive of Angola Cables. António Nunes said the undersea cable, which has an estimated cost of US$160 million, is the first transatlantic fibre optic system in the Southern Hemisphere, connecting Africa to South America, according to state newspaper Jornal de Angola The CEO of Angola Cables recalled that Africa currently has the highest growth rate of Internet users in the world and pointed out that this project positions Angola as a strategic point for the telecommunications sector on the continent.
For Brazil, according to Nunes, the main advantages are the link to Asia, eliminating the passage through North America and Europe, and direct links to one of the "hubs" of Africa that facilitates access to the region and also an alternative link to Europe. "The idea of this project has to do with growing demand for telecommunications, both in Africa and in Brazil, with the strategic intent of Angola to become a regional telecommunications hub, coupled with the strong relationship between the governments of Brazil and Angola," noted Nunes. The 6,000-kilometre cable consists of four pairs of fibre optic cables for a capacity of about 40 Tbps (terabits per second), with bandwidths of 100×100 Gbps (gigabits per second) in each pair, and will connect Luanda to Fortaleza (Ceará state). *(Macauhub)*

Vodacom Revenue Slides on Cuts to South African Mobile Fees

Vodacom Group Ltd., the mobile operator with the most subscribers in South Africa, said third-quarter revenue fell after the country's regulator halved the fees it can charge rivals for using its network. The stock fell the most in more than 10 weeks. Sales decreased 1.1 % to 20 billion rand ($1.8 billion) in the three months through December, the Johannesburg-based company said in a statement on Wednesday. Active subscriber numbers rose 9 % to 61.1 million. "There was a significant impact from the 50 % decline in mobile termination rates in South Africa, increased competition and we're seeing increased pressure on consumer spending," Chief Executive Officer Shameel Joosub said in the statement.
Vodacom is seeking to boost Internet services and expand in Africa through acquisitions as voice revenue drops in its home South African market. The company, which is 65 % owned by Newbury, England-based Vodafone Group Plc, agreed to buy Internet provider Neotel Pty Ltd. for 7 billion rand last year and is said to be in talks to buy Tanzanian phone company Zantel, people with knowledge of the matter said last month.
Vodacom shares declined as much as 3.8 %, the steepest intraday decline since Nov. 24, and were down 3 % to 130.10 rand as of 9:32 a.m. in Johannesburg. Service revenue fell 2.7 % to 15.8 billion rand, according to the statement. Data sales increased 20 % to 4.3 billion rand. *(Bloomberg)*

Telkom Said to Mull Phone-Tower Network Sale in South Africa

Telkom SA SOC Ltd., a South African phone company seeking to cut costs on a struggling mobile service, is considering a sale of a network of telephone towers in the country, according to people with knowledge of the matter. The shares rose to the highest in more than seven years.
A potential sale may fetch $500 million to $1 billion, with bids due as early as next week, said one of the people, who asked not to be identified as the information is private. Telkom is working with consulting firm Accenture Plc on the sale, which may attract tower operators such as IHS Holding Ltd. of Nigeria and Helios Towers Africa, the people said. No final decision has been made and talks may still falter, they said. Carriers in emerging markets including the Middle East and Africa are offloading towers. They cost more to run in such regions than in other parts of the world because of the need for backup generators and batteries to guard against power failures.

Kuwait’s largest wireless carrier, known as Zain, is working with Citigroup Inc. on the possible sale of towers in two Gulf countries, people familiar with the matter said last month. Telkom, Africa’s largest fixed-line operator, started a mobile service in 2010 and remains the fourth-biggest wireless operator in South Africa. The Pretoria-based company is cutting jobs to reduce costs and revive sales growth as consumers switch to data-enabled smartphones and tablets from landlines.

Seven-Year High

The phone company’s shares rose as much as 5.7 % to 77.95 rand, the biggest intraday gain since Nov. 18 and the highest price since November 2007 and closed 1.7 % higher in Johannesburg. Telkom was the second-best performer on South Africa’s bourse last year with a 150 % gain. Telkom is reviewing all its properties, assets and infrastructure and considering a wide range of options, the company said in an e-mailed statement. Representatives for Accenture and Helios declined to comment. A representative for IHS didn’t return calls and e-mails seeking comment. *(Bloomberg)*

Uganda's TTC Mobile Gets U.S. $1 Million Investment From Netherlands-Based Fund

A Uganda-Dutch company that uses mobile technology to rapidly exchange information with specific target audiences, has received an impact investment one million euro ($1.1 million) from the Netherlands - ABN AMRO Social Impact Fund.

TTC Mobile, (formerly Text to Change), management said the money will be used to expand the company's activities, hire more local and international staff and spread its projects all over the world, effectively turning the company into a leading global social enterprise. Eunice Namirembe, the TTC Mobile Uganda Country Director, has said this investment will help more social projects and possible expansion of some of the existing ones.

This funding comes at a time when according to research statistics, Africa is experiencing the highest growth rates in mobile phones uptake and according to TTC Mobile founder Bas Hoefman it is expected that by 2017, some 40% of people in Africa will be carrying a smart phone.

TTC Mobile currently reaches millions of people across Africa, Asia and Latin America through several projects in the areas of healthcare, agriculture and education. The company is now active in 23 countries of which 18 are African, partnering with organizations such as UNICEF, The World Bank and the World Health Organization (WHO) in addition to governments, NGOs and businesses. TTC Mobile was registered in 2007 in Uganda and in the Netherlands originally as Text to Change (TTC) and according to Hoefman, it all began in Uganda when TTC launched an interactive Short Messaging (SMS) large-scale mHealth campaign that reached 15,000 people aimed at creating awareness around HIV/AIDS and to stimulate people to get tested for the deadly disease.

The ABN AMRO Social Impact Fund invests via direct participation in social enterprises that aim to achieve both social/sustainable and financial results. The fund is particularly interested in enterprises whose innovative business model can help revolutionise the market. Development of the fund fits in with the bank's aim to strengthen its position as a leading socially responsible company. With the success of its original mHealth campaign in Uganda, TTC Mobile has now expanded its projects to include a global mobile messaging platform with a private sector focus in emerging markets, market research and social marketing.

According to Eric Buckens, the Manager of ABN AMRO Social Impact Fund, "TTC mobile reaches diverse groups of people at a large scale in developing countries. The goal is to support them in their daily lives and truly bring about improvements in matters that directly concern them, such as healthcare. The enterprise fits the aims of the ABN AMRO Social Impact Fund completely."

Among the most successful projects currently being run by the company is one in Tanzania where TTC Mobile's unique partnerships have enabled them to use their mobile services to reach and aid over 500,000 pregnant women and mothers with valuable tips on healthy pregnancy and safe motherhood, in addition to reminders to regularly seek care at a clinic. Hoefman says that currently, TTC is also actively involved in the fight against Ebola in western Africa. "We have managed to reach people in hard-to-reach places," he notes. TTC Mobile's social marketing business is conducted through the use of SMS, interactive voice response (IVR), a Call Centre, face-to-face surveys using tablets and smart phones and online surveys. *(All Africa)*

IBM launches research lab in Johannesburg. 2nd research lab in Africa after Nairobi

IBM today announced plans to expand IBM Research – Africa with a new laboratory in Johannesburg beginning April 2015. It will focus on advancing Big Data, cloud and mobile technologies to support South Africa’s national priorities, drive skills development and foster innovation-based economic growth.

As part of a 10-year investment program through the Department of Trade and Industry and working closely with the Department of Science and Technology, the new research facility will be based at the University of Witwatersrand (Wits). The new lab will be located in the Tshimologong Precinct in Braamfontein – an inner-city area which is today re-emerging as one of Johannesburg’s most dynamic and vibrant districts. *(African Business Central)*

RETAIL

Foreigner investors still keen on SA retail stock

With the search for yield set to continue, SA's favoured retail shares are likely to remain fashionable for foreign investors. Retail counters have had a stellar run over the past few years driven by the insatiable appetite of offshore buyers lured by the growth story surrounding the rest of Africa and rising spending. But last year was by no means a stellar season. Locally, retailers reported mediocre growth as a slowdown in job creation, rising living costs and debt signalled the end of the retail rush.

Earnings are not expected to shoot the lights out this year either, even with some respite from the cheaper fuel price, but this has done little to deter foreigners who are still pouring money into retail shares, resulting in strong valuations.

SA occupies a well-favoured status among emerging market investors, Investec Asset Management chief emerging markets dealer Ryan Wibberley said. "The foreigners have a love affair with SA Inc — some of the industrial shares, banks, the retailers. "With the EU (European Union) commencing some pretty aggressive quantitative easing there's another slew of money coming into world markets and SA as an emerging market stands to benefit from the pursuit of yield," he said. "The peer group has problems. Russia is suffering from sanctions. They're also an oil producer faced with falling oil revenues."

China reported 7.4% growth for last year with India and Brazil facing a broad-based slowdown. While concern continues to mount over SA's stunted growth, last year saw Woolworths' shares gain 48.2%, Shoprite rose 26.1% and even Pick n Pay, still in a turnaround, saw a 27.7% advancement. "There is no doubt that the sector is still well favoured by foreigners and locals too. A lot of them have recovered from the sharp losses that we saw last year to life-time highs. They're not cheap but some of the dynamics that drive these shares and profits in the sector have changed considerably in the last couple of months," Mr Wibberley said.

Oversupply and reduced demand have seen oil prices halve in the past six months, from $110 a barrel to about $49. The Brent crude oil price was trading at $56.21 on Tuesday afternoon. This is driving down the cost of fuel in SA and is pushing inflation down, ultimately boosting consumers' purchasing power.

Barclays estimates that local consumers will save about R20bn this year due to the lower petrol prices. The plummeting oil price has also changed the interest rate outlook, which moves the consumer into a healthier position.

Absa Investments analyst Chris Gilmour reckons the biggest beneficiaries of extra money in consumers' pockets will be the clothing retailers. With the exception of Truworths, whose reliance on credit sales has made it particularly vulnerable, shares of listed clothing retailers have had a glorious run in the past year. The Foschini Group has gained 78.09%, Truworths a reasonable 17.7% and market darling Mr Price a whopping 89.4%. "Mr Price is a different animal, maybe it's worth a 34 price:earnings ratio," Momentum portfolio manager Wayne McCurrie said. For the past six years, the cheap 'n chic retailer has reported earnings growth of about 24%, each year. "These chaps seem to be really getting their merchandising right. Other companies are driven by how much money the consumer has and how well the consumer is doing. It's not the case at Mr Price, they're doing well consistently," he said.

With the fervent interest in retail shares has come high valuations, which according to some are unsustainable given the moderation of growth in the sector and the cyclical nature of retail groups. "The petrol price certainly helps but the economy is only growing at 2%. Retail shares have run incredibly hard. They are already expensive. I think (investors) are paying far too much for these shares," Mr McCurrie said.

With Nigeria in recession due to the low oil price, and with most African currencies having weakened against the rand, results from retailers' rest-of-Africa operations are likely to be poor over the next year or two as the oil price recovers.

For now, though, the dalliance with local shares continues. JSE data indicate that in the week ending January 23 foreigners were net buyers of R552m worth of South African shares after net sales of R339m in the same period last year. *(BDLive)*

French Retailer Carrefour Plans Kenya Entry

French multinational retailer, Carrefour, is looking for managers to run its local operations in Kenya, a move that signalled its imminent entry into the country. The retail giant had initially secured one of the larger stores in two high-end shopping malls, the Two Rivers and The Hub Karen malls, which will be completed before the end of the year.

The two retail stores will be operated by Dubai-based Majid Al Futtaim Retail (MAF). MAF holds the exclusive franchise for Carrefour in the Middle East and Africa.

The company has appointed Franck Moreau, who was formerly the vice president in charge of development for the United Arab Emirates (UAE), Oman, Qatar, Kuwait and Bahrain, as the new country manager for Kenya. It has also started the search for a finance manager and an account manager, who will both report to the Frenchman.

Moreau has been tasked with setting up Carrefour's retail stores in the East African nation, establishing the brand locally and taking on rival retail chains such as Tuskys, Nakumatt, Uchumi and Naivas. He joined MAF Carrefour as a departmental head in 2000. He has successfully set up pioneer outlets for the company in UAE and Kuwait, as well as serving as country manager in many gulf countries.

The two outlets in Kenya — a 100,000-square feet store at Two Rivers and a 6,000 square feet of retail space at The Hub Karen, are expected to open in September.

Kenya has become a hotspot for retailers in recent times, as the country's middle class continues to expand, making available more disposable income. The country was recently named Africa's best emerging economy to invest in, by Ian Bremmer, president of global political risk research and consulting firm Eurasia Group. In the February issue of Fortune magazine, Bremmer attributed the recognition to the country's enhanced infrastructure development and a steady political and macroeconomic atmosphere.
Carrefour is regarded as the fourth largest retail group in the world in terms of revenue, behind Wal-Mart, Tesco and Costco. As at last December, it had 10,860 stores in 34 countries in Europe, Middle East, Asia, Russia, Latin America and Africa. *(Ventures Africa)*

Woolworths Profit Increases as South African Food Sales Soar

Woolworths Holdings Ltd., the South African food and clothing retailer which last year bought David Jones Ltd. of Australia for $2 billion, said first-half profit climbed 9.3 % as food sales grew faster than the market.
Net income at the seller of organic foods and international clothing brands such as Country Road rose to 1.65 billion rand ($140 million) in the six months through Dec. 28, the Cape Town-based company said in a statement on Thursday. That compared with 1.5 billion rand in the same period a year earlier. Sales gained 46 % to 28.5 billion rand, including the David Jones purchase.
"In South Africa we expect the upper-income consumer to be relatively resilient," Chief Executive Officer Ian Moir said in a presentation in Cape Town. "The first six weeks of sales are strong in both South Africa and Australia."
South African retailers struggled last year as unemployment of about 25 %, prolonged strikes and high levels of personal debt contributed to a downturn in consumer spending. Woolworths was less affected than some competitors due to its focus on high-end customers, while the David Jones acquisition was seen by the company as a step toward the creation of a southern hemisphere retail giant.

Rising Prices

Woolworths shares gained as much as 5.3 %, the biggest intraday jump since December, and traded 4 % higher at 85.66 rand as of 10:22 a.m. in Johannesburg. The 10-member FTSE/JSE Africa General Retailers Index rose 1.7 %. The company increased its half-year dividend to 96.5 cents a share, from 82 cents a year earlier.
Food sales gained 14 % in the six months, while clothing revenue increased by 9.4 %. The latter was held back by childrenswear and footwear, according to Moir, after the company raised prices "way too far". That situation has been rectified, he said.
The integration of David Jones is on track and Woolworths will probably make at least A$160 million in savings from the tie-up within five years, Moir said. Sales at both David Jones and Country Road will outperform the Australian market, the company said. *(Bloomberg)*

Is Africa The New Retail Haven?

The Hermes-Sojitz international investment foundation, an alliance of Japanese and Europeans investors, believes the retail sector is one of the fastest growing economy in Africa. A rising demand for consumer goods, fuelled by an increase in personal income and a beaming middle class, is considered the main driver of this growth.
Several companies around the world have already started competing for the continent's big consumer goods market. Analysts of OC & C-Strategy Consultants estimate that 15 out of 50 major producers currently have their offices in Africa, yet the situation is about to change for good in the coming years. For example, back in 2011, Walmart, a U.S. retail giant, acquired the share of the South African-based Massmart retail chain. Moreover, in 2013, Carrefour, a famous French retail chain, found a business partner in the south of Africa.
According to the German newspaper Handelsblatt, Swiss food company, Nestle, plans to invest $1.4 billion in local enterprises by 2015, and Coca-Cola plans to disburse $12 billion for African-focused investments before 2020.
Despite Europe's and the US's renewed faith in Africa, Asia remains ahead of its peers. For example, China has implemented over 2,000 projects in Africa, spread across the entire food market value chain. Last year, GN FOOD, a Chinese ketchup producer, built a ketchup plant in Tema, Ghana. In an interview with CNTV Chen Xudong, CEO of GN FOOD said: "Africa attracted us with its rich natural and human resources. Secondly, we consider the African market as a priority growth area. Thirdly, the cost of goods produced in Africa will be lower than of those produced in China. On top of that, the Government of Ghana laid down preferential rules to attract Chinese investors. In general, the investment climate in Africa gets better year by year." *(Ventures Africa)*

AGRIBUSINESS

United States supports agricultural sector in Mozambique

The United States will provide funding of US$5 million for small and medium enterprises, associations, cooperatives and individual entrepreneurs operating in Mozambique's agribusiness sectors, according to Mozambican news agency AIM. To this end, the FinAgro programme last week in Maputo launched the Second Public Application Window for grants from this programme, AIM said citing a statement from the US embassy in Mozambique.

Created in 2013 by the United States Agency for International Development (USAID) and the Government of Mozambique, FinAgro is implemented by TechnoServe, a non-governmental organisation active in Mozambique since 1998, with the support of the Zambezi Valley Development Agency .
The statement said that the programme, whose value will be awarded over the next two years, is earmarked for activities in the value chains of vegetables, tropical fruits, oilseeds, cashew nuts and other food crops.
The project covers the regions that make up the Beira Corridor, the Zambezi Development Valley and the Nacala Corridor. *(Macauhub)*

Improving Markets for Seeds and Fertilizers in West Africa

- A new World Bank Group report explores the development of integrated regional markets for farmers in West Africa
- Integrated markets would make trade easier, faster and cheaper, and improve farmer choice and confidence
- The report offers recommendations to build on the progress of West African governments who have worked together for years to develop trade rules and quality control methods

WASHINGTON, February 10, 2014 – For farmers in West Africa, the high price of fertilizer and seeds, their limited availability and their poor quality are major barriers to agricultural growth. To increase farmer choice, improve buyer confidence and otherwise make crop industry trade easier, faster and cheaper, West African governments have been working together through the Economic Community of West African States (ECOWAS) and other regional bodies for several years to develop harmonized trade rules and quality control procedures.
A new World Bank Group (WBG) working paper, Towards an Integrated Market for Seeds and Fertilizers in West Africa, examines the region's efforts to build integrated regional markets for seed and fertilizer. After extensive consultations, new regional regulations based on advanced international standards for seed and fertilizer have mostly been agreed upon and are already helping to guide quality improvements in some countries.
Despite these positive developments, most countries are a long way from having the required capacities and institutional structures needed to implement the new trade rules, and it will likely be many more years before true harmonized trade can begin. Rather than rely so intensively on regional harmonization and efforts to implement advanced international standards, therefore, the analysis points to a need for pragmatic solutions and simple changes that would have direct impact in the near term while longer-term progress towards full harmonization continues.
Other key messages include:
There are many good reasons for regional collaboration on seed and fertilizer. Soil types and rainfall patterns cut across West Africa mainly in east to west bands, meaning that neighboring countries are often the nearest source of supply and/or best market outlet for adapted seeds and appropriate fertilizer types.
New institutional structures and capacities must be developed before the regional regulations can be followed. The new seed and fertilizer rules are based on international best practice. These systems are highly effective as quality control instruments, but are technically demanding and require specialist skills, advanced laboratory equipment, and other resources to implement that are generally lacking in West Africa.
Despite many obstacles, the new regulations are already making a difference to quality. As a result of the harmonization process, some countries have already begun to implement new systems that are benefiting farmers even now. In Burkina Faso, Mali, and Nigeria, seed inspectors are carrying out at least some certification visits using newly developed manuals that follow the regional guidelines. In Mali, in addition, licensed fertilizer inspectors have started to sample at least some subsidized product all the way to the distributor level.
Simple steps could fast-track progress and complement long-term harmonization. Without waiting for the complete ECOWAS system to be in place, any country could already make a unilateral decision to accept proven varieties of seed from neighboring countries. Use of lighter standards for seed certification such as the FAO's rules for Quality Declared Seed and/or other types of 'truthfully labeled seed' (all easier to apply than the ECOWAS standards) would be another good option to explore. Individual countries or groups of countries could also agree to accept fertilizer from reputable manufacturers and transporters without insisting on full inspection at the border.
However, much remains to be done to eliminate longstanding business constraints. West Africa continues to be overwhelmingly dependent on public research for new types of seed with little or no room for private variety development and maintenance. The ECOWAS rules already provide space for private variety ownership and without negotiating complex treaties on intellectual property rights one simple yet very powerful way to improve farm-level choice and quality would be to allow qualified private firms to retain long-term ownership and physical control of their own technology.
Private competition in fertilizer supply is also under threat. On the fertilizer side, regional production and trade is increasing, but is threatened by recent proposals for centrally managed regional procurement. This would undermine the competitive mechanisms the ECOWAS regulations seek to create - that are already starting to emerge in some countries - and that can themselves lead to lower prices.
Creation of a knowledge platform on inputs would be a good way to support short-term improvements and long-term harmonization. To help navigate the complexities of input trade, a knowledge platform or working group that aims to identify information gaps and practical solutions to strategic problems would be a good option to explore. Such a

platform would serve to complement existing stakeholder forums and aim to support the regional seed and fertilizer committees with timely analysis once they are established.
Ultimately, implementation of harmonized trade rules is not the goal itself. The regional trade rules are merely a way to achieve the much more important objective of improving farmer access to quality inputs through sustainable market driven channels. Achieving that aim requires a combination of strategies, together with ongoing dialogue between those with a shared desire to promote inclusive agriculture growth and market integration in West Africa. *(World Bank)*

Cocoa Farms Crave Rain as West African Winds Blast Bean Pods

At his 300-acre cocoa plantation in southwestern Ghana, Johnson Mensah spent January watching his livelihood shrivel on the trees. Dry, dusty winds coming from the Sahara desert lasted twice as long as last year in parts of West Africa, destroying pods on cocoa trees. Ghana, the second-biggest grower, faces the worst harvest in five years and bigger rival Ivory Coast will collect about 20 % less from April to September than a year ago, according to government estimates and Marex Spectron Group. "There are no pods on the trees," 61-year-old Mensah said by phone last week from Enchi, a town that's a six-hour drive from Accra, the capital of Ghana. "We hope to get more rainfall, so that pods can develop on the trees and bear some fruits."
The drop in supply may not boost prices much because demand from chocolate makers is weakening, said Jonathan Parkman, the co-head of agriculture at Marex Spectron in London. Production should match demand this season, the International Cocoa Organization says. The impact locally may be more substantial because more than half of workers in Ivory Coast and Ghana are employed in agriculture, according to the CIA World Factbook.
The Harmattan, as the seasonal winds are called, dried out cocoa pods and stripped trees of leaves and many of the flowers that turn into pods. The winds swept over Abidjan, Ivory Coast's biggest city, for 14 days in January, compared with no more than five last year, according to Antoine Koffi Kouassi, an independent meteorologist in Abidjan.

No Rain

In Daloa, a town in Haut-Sassandra, one of Ivory Coast's biggest-growing regions, it didn't rain from Dec. 21 through Jan. 31, data from the National Meteorological Service show. The dry weather is adding stress to Ivorian trees already weakened from last season's record harvest. Farmers may reap about 400,000 metric tons in the six months beginning in April, 20 % less than last year, Marex's Parkman said by phone on Feb. 3. The total harvest will be at least 1.63 million tons, Parkman said, which would be a 6.3 % drop from last year. The country's season includes an October to March main harvest.
In Ghana, production will drop to 820,000 tons, a person familiar with the government's forecast said last month, asking not to be identified because the information hasn't been made public. That would be a 9 % decline from the previous season. Farmers collect a main harvest from October through May, followed by a smaller one from July through September.

'Not Spectacular'

More rain is coming, according to MDA Weather Services in Gaithersburg, Maryland. The meteorological company predicts Ghana will get rain closer to normal later this month and levels in the Ivory Coast will be slightly below average. "We could be in for a reasonable, not spectacular crop," Edward George, the London-based head of research for Ecobank Group, said by phone Jan. 28. "The trees simply cannot produce a crop as strong as last year."
The biggest driver for cocoa prices right now is weakening demand for beans from chocolate manufacturers, Marex's Parkman said. Cocoa processing fell in Asia, Europe and North America in the fourth quarter, industry reports showed last month. "I'm probably a little bit bearish," Parkman said. "The bull story was predicated on the fact that demand would remain relatively robust."
Futures tumbled 18 % from a three-year high in September, to $2,778 a ton as of 10:02 a.m. in London. Even against a backdrop of lackluster demand and lower prices, rain can't come soon enough for West Africa's farmers. "We're reassured by the end of the Harmattan," said Jean Gervais Kadio, who farms 5 hectares (12 acres) in the southeastern village of Yakasse, Ivory Coast. "It was starting to be long and worrying. The little rain we've had will enable the cocoa trees to get some water, even if it's not enough." *(Bloomberg)*

UPCOMING EVENTS

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

2nd Africa Urban Infrastructure Investment Forum, 5th - 6th March 2015-Luanda, Angola

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

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

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

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

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

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

The Innovative Africa Forum - 27 November 2013 Munyonyo Commonwealth Resort, Kampala, Uganda

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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

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