INSIDE AFRICA

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In-depth:
Africa Faces the Challenge of Sustaining Growth amid Weak Global Conditions

WASHINGTON, October 5, 2015— Sub-Saharan Africa countries are continuing to grow, albeit at a slower pace, due to a more challenging economic environment. Growth will slow in 2015 to 3.7 % from 4.6 % in 2014, reaching the lowest growth rate since 2009, according to new World Bank projections.

These latest figures are outlined in the World Bank's new Africa's Pulse, the twice-yearly analysis of economic trends and the latest data on the continent. The 2015 forecast remains below the robust 6.5 % growth in GDP which the region sustained in 2003-2008, and drags below the 4.5 % growth following the global financial crisis in 2009-2014. Overall, growth in the region is projected to pick up to 4.4 % in 2016, and further strengthen to 4.8 % in 2017.

Sharp drops in the price of oil and other commodities have brought on the recent weakness in growth. Other external factors such as China's economic slowdown and tightening global financial conditions weigh on Africa's economic performance, according to Africa's Pulse. Compounding these factors, bottlenecks in supplying electricity in many African countries hampered economic growth in 2015.

"The end of the commodity super-cycle poses an opportunity for African countries to reinvigorate their reform efforts and thereby transform their economies and diversify sources of growth. Implementing the right policies to boost agricultural productivity, and reduce electricity costs while expanding access, will improve competitiveness and support the growth of light manufacturing," says Makhtar Diop, World Bank Vice President for Africa.

According to Africa's Pulse, several countries are continuing to post robust growth. Cote d'Ivoire, Ethiopia, Mozambique, Rwanda and Tanzania are expected to sustain growth at around 7 % or more per year in 2015-17, spurred by investments in energy and transport, consumer spending and investment in the natural resources sector.

Gains in Poverty Reduction

Africa's Pulse found that progress in reducing income poverty in Sub-Saharan Africa has been occurring faster than previously thought. According to World Bank estimates poverty in Africa declined from 56 % in 1990 to 43 % in 2012. At the same time, Africa's population saw progress in all dimensions of well-being, particularly in health (maternal mortality, under-5 mortality) and primary school enrollment, where the gender gap shrank.

Yet African countries continue to face a stubbornly high birth rate, which has limited the impact of the past two decades of sustained economic growth on reducing the overall number of poor. Countries still lag behind those in other regions in making progress on the Millennium Development Goals (MDG). For example, Africa will not meet the MDG of halving the share of population living in poverty between 1990 and 2015.

Weaker Commodity Prices

Sub-Saharan Africa's rich natural resources have made it a net exporter of fuel, minerals and metals, and agricultural commodities. These commodities account for nearly three-fourths of the region's goods exports. Robust supplies and lower global demand have accounted for the decline of commodity prices across the board. For instance, the drop in the prices of natural gas, iron ore, and coffee exceeded 25 % since June 2014, according to the report.

Africa's Pulse notes that overall decline in growth in the region is nuanced and the factors hampering growth vary among countries. In the region's commodity exporters—especially oil-producers such as Angola, Republic of Congo, Equatorial Guinea, and Nigeria, as well as producers of minerals and metals such as Botswana and Mauritania, the drop in prices is negatively affecting growth. In Ghana, South Africa, and Zambia, domestic factors such as electricity supply constraints are further stemming growth. In Burundi and South Sudan threats from political instability and social tensions are taking an economic and social toll.

Fiscal deficits across the region are now larger than they were at the onset of the global financial crisis, the report finds. Rising wage bills and lower revenues, especially among oil-producers, led to a widening of fiscal deficits. In some countries, the deficit was driven by large infrastructure expenditures. Reflecting the widening fiscal deficits in the region, government debt continued to rise in many countries. While debt-to-GDP ratios appear to be manageable in most countries, a few countries are seeing a worrisome jump in this ratio.

"The dramatic, ongoing drop in commodity prices has put pressure on rising fiscal deficits, adding to the challenge in countries with depleted policy buffers," says Punam Chuhan-Pole, Acting Chief Economist, World Bank Africa and the report's author. "To withstand new shocks, governments in the region should improve the efficiency of public expenditures, such as prioritizing key investments, and strengthen tax administration to create fiscal space in their budgets."

Moving Forward

Growth in Sub-Saharan Africa will be repeatedly tested as new shocks occur in the global economic environment, underscoring the need for Governments to embark on structural reforms to alleviate domestic impediments to growth, the report notes. Investments in new energy capacity, attention to drought and its effects on hydropower, reform of state-owned distribution companies, and renewed focus on encouraging private investment will help build resiliency in the power sector. Governments can boost revenues through taxes and improved tax compliance. Complementing these efforts, governments can improve the efficiency of public expenditures to create fiscal space in their budget.

Angola economy: Quick View - WTO questions tariffs

Members of the World Trade Organisation (WTO) have urged Angola to review its import quotas and protectionist tariffs.

A reduced reliance on imported goods and the boosting of domestic production (and associated job creation) are key policies for the Angolan government. They form part of a wider strategy to boost the country's non-oil economy and reduce its vulnerability to price shocks. In March 2014 a new customs tariff regime was introduced, increasing duties on a wide range of goods produced in Angola with a view to helping local products compete with lower-cost imports. In addition to these "protectionist" tariffs-ranging from 2% to 50%-the government announced earlier this year that it would also be setting import quotas for certain products.

These quotas-most of which have yet to be implemented-are set by subject various criteria including the percentage of a company's registered capital owned by Angolans. Understandably, firms exporting to Angola have not welcomed them-or the surrounding confusion about when and how the quotas will be fully enforced. In late September, during Angola's Trade Policy Review at the WTO, several members questioned the quotas, and raised concerns about the new customs regime. The WTO chairperson's remarks, published online, noted that members urged Angola to "rectify the instances where applied tariff rates and other duties and charges exceed the corresponding bound levels." Members also "invited" Angola to clarify the details of the yet-to-be-implemented import quotas, while the review suggested that instead of import substitution, Angola should reduce production costs through lower import tariffs on inputs and further trade facilitation measures "with a view to enhancing competitiveness and promoting local production".

This goes to the heart of the matter. Angola has applied protectionist tariffs in an effort to make its domestically produced items more competitive, but a lack of access to low-cost inputs, limited electricity and weak supply-chain management remain the country's most significant challenges. High import tariffs and the threatened quotas do not address these challenges, and in many cases only protect a small circle of favoured domestic businessmen, while the higher costs and fewer choices are passed onto the consumers. *(Economist Intelligence Unit)*

Angolan Government revises Customs Tariff and Consumption Tax Regulation rates

On 21 September 2015, Presidential Legislative Decree no. 5/15 was published, revising the current Customs Tariff and Consumption Tax Regulation rates.1 This authority was granted to the President by the Parliament in accordance with Law no. 15/15 and Law no. 16/15, both dated 21 August 2015. The Presidential Legislative Decree no. 5/15, of 21 September, entered into force on its date of publication. In general, the amendments increase the applicable Consumption Tax rate on the import of goods, highlighted as follows:

Juice and water: 40% (previously 10%)
Beer: 60% (previously 20%)
Alcoholic beverages: 70% (previously 30%)
Tobacco: 80% (previously 30%)

Additionally, the rates applicable to the domestic production of juice, water, beer and alcoholic beverages, among other goods, were also increased. However, the rate increases were less than the rates applicable to the imports. In addition, is the Legislative Decree introduces the imposition of Consumption Tax over the domestic production of oil products and their derivatives, highlighted as follows:

Gasoline: 5%
Diesel: 2%
Lubricating oils: 2%
Propane gas (LPG): 2%

SOVEREIGN RATINGS

Eurozone

12-10-2015	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Austria	Aaa	AA+	AA+	P-1	A-1+	F1+
Belgium	Aa3	AAu	AA	NR	A-1+u	F1+
Cyprus	B3	BB-	B-	NP	B	B
Estonia	A1	AA-	A+	NR	A-1+	F1
Finland	Aaa	AA+	AAA	NR	A-1+	F1+
France	Aa2	AAu	AA	NR	A-1+u	F1+
Germany	Aaa	AAAu	AAA	NR	A-1+u	F1+
Greece	Caa3	CCC+	CCC	NP	C	C
Ireland	Baa1	A+	A-	P-2	A-1	F1
Italy	Baa2	BBB- u	BBB+	P-2	A-3u	F2
Latvia	A3	A-	A-	NR	A-2	F1
Lithuania	A3	A-	A-	NR	A-2	F1
Luxembourg	Aaa	AAA	AAA	NR	A-1+	F1+
Malta	A3	BBB+	A	NR	A-2	F1
Neherlands	Aaa	AA+u	AAA	P-1	A-1+u	F1+
Portugal	Ba1	BB+u	BB+	NR	Bu	B
Slovakia	A2	A+	A+	NR	A-1	F1
Slovenia	Baa3	A-	BBB+	NR	A-2	F2
Spain	Baa2	BBB+	BBB +	P-2	A-2	F2
United Kingdom	Aa1	AAAu	AA+	NR	A-1+u	F1+

Sources: Bloomberg, Eaglestone Advisory

North and South America - Asia

12-10-2015	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Argentina	Ca	Sdu	RD	NR	Sdu	RD
Australia	Aaa	AAAu	AAA	NR	A-1+u	F1+
Brazil	Baa3	BB+	BBB	NR	B	F2
Canada	Aaa	AAA	AAA	NR	A-1+	F1+
China	Aa3	AA-	A+	NR	A-1+	F1
Colombia	Baa2	BBB	BBB	NR	A-2	F2
Cuba	Caa2	NR	NR	NR	NR	NR
Hong Kong	Aa1	AAA	AA+	NR	A-1+	F1+
India	Baa3	BBB-u	BBB-	NR	A-3u	F3
Japan	A1	A+u	A	NR	A-1u	F1
Macau	Aa2	NR	AA-	NR	NR	F1+
Mexico	A3	BBB+	BBB+	WR	A-2	F2
Singapore	Aaa	AAAu	AAA	NR	A-1+u	F1+
Uruguay	Baa2	BBB	BBB-	NR	A-2	F3
Venezuela	Caa3	CCC	CCC	NR	C	C
United States	Aaa	AA+u	AAA	NR	A-1+u	F1+

Sources: Bloomberg, Eaglestone Advisory

Region - Africa/Middle East

12-10-2015	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Angola	Ba2	B+	B+	NR	B	B
Bahrain	Baa3	BBB-	BBB-	NR	A-3	F3
Benin	NR	NR	WD	NR	NR	WD
Botswana	A2	A-	NR	NR	A-2	NR
Burkina Faso	NR	B-	NR	NR	B	NR
Cameroon	NR	B	B	NR	B	NR
Cape Verde	NR	B	B	NR	B	B
Egypt	B3	B-	B	NR	B	B
Emirate of Abu Dhabi	Aa2	AA	AA	NR	A-1+	F1+
Ethiopia	B1	B	B	NR	B	B
Gabon	Ba3	B+	B+	NR	B	B
Ghana	B3	B-	B	NR	B	B
Iran	NR	NR	NR	WR	NR	NR
Iraq	Caa1	B-	B-	NR	B	B
Israel	A1	A+	A	NR	A-1	F1
Ivory Coast	B1	NR	B	NP	NR	B
Jordan	B1	BB-	NR	NR	B	NR
Kenya	B1	B+	B+	NR	B	B
Kuwait	Aa2	AA	AA	NR	A-1+	F1+
Lebanon	B2	B-	B	NP	B	B
Lesotho	NR	NR	BB-	NR	NR	B
Libya	NR	NR	WD	NR	NR	WD
Mali	NR	NR	WD	NR	NR	NR
Mauritius	Baa1	NR	NR	NR	NR	NR
Morocco	Ba1	BBB-	BBB-	NR	A-3	F3
Mozambique	B2	B-	B+	NR	B	B
Namibia	Baa3	NR	BBB-	NR	NR	F3
Nigeria	Ba3	B+	BB-	NR	B	B
Oman	A1	A-	NR	NR	A-2	NR
Qatar	Aa2	AA	AA	NR	A-1+	F1+
Republic of Congo	Ba3	B	B+	NR	B	B
Republic of Zambia	B2	B	B	NR	B	B
Rwanda	NR	B+	B+	NR	B	B
Saudi Arabia	Aa3	AA-	AA	NR	A-1+	F1+
Senegal	B1	B+	NR	NR	B	NR
Seychelles	NR	NR	BB-	NR	NR	B
South Africa	Baa2	BBB-	BBB	P-2	A-3	F3
Tunisia	Ba3	NR	BB-	NR	NR	B
Uganda	B1	B	B+	NR	B	B
United Arab Emirates	Aa2	NR	NR	NR	NR	NR

Sources: Bloomberg, Eaglestone Advisory

AAA' and 'AA' (high credit quality) and 'A' and 'BBB' (medium credit quality) are considered investment grade. Credit ratings below these designations ('BB',

IMF, WORLD BANK & AFRICAN DEVELOPMENT BANK

African Development Bank speeds US $16-million relief for water and sanitation in Zimbabwe

The African Development Bank Group (AfDB) fast-tracked a grant of US $16-million on Wednesday, September 30, to help clean up the poorest suburbs of the Zimbabwean capital. The first stage of the project will concentrate on removing the raw sewage currently spilled into residential areas and securing the water supply for the most vulnerable areas of Greater Harare, home to 2 million people.

Decades of neglect have paid their toll on Zimbabwe's water and sanitation facilities. An estimated 20% of the population in the beneficiary areas is exposed to raw sewage and many communities rely on water drawn from contaminated sources. To remediate in the most efficient and cost-effective way, the AfDB project will notably rehabilitate 9 pumping stations and 4 sewage treatment plants, replace 28 kilometres of broken sewer pipes and repair a decrepit water supply distribution network.

The Zimbabwe Government's national plan to restore the economy to its pre-crisis levels recognizes the need for urgent investment in water and sanitation in order to avoid a repetition of the 2008/2009 cholera epidemic which claimed 4,300

lives. Water-borne illnesses, and diarrhea in particular, are currently the leading cause of mortality in children under five and a huge strain on social well-being in Zimbabwe. Women, as caregivers, bear the brunt of the water and sanitation crisis.
Financial resources are to be channeled through “Zim-Fund”, a multi-donor trust fund and collaborative effort between members of the donor community and the Government of Zimbabwe. Zim-Fund is supported by United Kingdom, Germany, Sweden, Norway, Switzerland, Denmark and Australia, and administered by a dedicated AfDB special Management Unit.
In addition to Harare, the towns of Chitungwiza, Ruwa, part of Greater Harare, Redcliff and other towns throughout Zimbabwe will see their water and sanitation facilities rehabilitated as part of the project.
With support from its Zimbabwe field office, the AfDB, alongside Zim-Fund donors, will seek to follow-on from emergency investments in basic water and sanitation services, to development that includes health education and capacity-building.
Speaking at the AfDB Board meeting Wednesday, Mohamed El Azizi, Director of the AfDB Water and Sanitation Department, said, “We take this opportunity to thank the Zim-Fund contributors. The previous Zim-Fund project supported the restoration and stabilization of water supply and sewerage services for an estimated population of 2.5 million. The new funding is an important contribution to meeting urgent water and sanitation needs of the most vulnerable. ”

African Development Bank to triple Annual Climate Financing to nearly $5 billion by 2020

The President of the African Development Bank (AfDB), Akinwumi Adesina, announced on Friday, October 9 that the AfDB would nearly triple its annual climate financing to reach $5 billion a year by 2020. AfDB’s climate spending will increase to 40% of its total new investments by 2020. “Climate change is both an urgent threat and a unique opportunity,” Adesina said. “The Bank is significantly stepping up its support for African countries, not only to meet that threat but also to seize the opportunity to drive low-carbon, climate-resilient growth.”
Half of the $5 billion will be dedicated to reducing Africa’s greenhouse gas emissions by unlocking Africa’s enormous potential for renewable energy, especially solar, hydro, wind and geothermal power. The AfDB will also work with its clients to improve energy efficiency and build sustainable transport systems.
The other half of the $5 billion will help African economies adapt to climate change through measures such as investing in climate-resilient crops, building sustainable infrastructure and improving irrigation and access to water. To this end, the Bank will also be integrating climate resilience into all of the infrastructure projects it finances.
The African Development Bank has committed almost $7 billion to support climate-resilient and low-carbon development in Africa in the past four years. Its energy investments last year will deliver power that is 90% generated from renewable sources. The AfDB also supports the Africa Renewable Energy Initiative and the Africa Adaptation Initiative, both endorsed by the African Union heads of state and government.
As well as increasing its own climate financing, the AfDB will pursue public and private co-financing opportunities. The Bank will be seeking, for instance, to mobilise concessional financing from the Green Climate Fund. It will also issue more green bonds as a way of funding its climate investments. “The current climate financing architecture is not providing the finance Africa needs,” Adesina said. “Much more needs to be done to increase Africa’s access to climate finance”.
The Bank’s announcement reflects the high priority it places on addressing climate change in its Ten Year Strategy 2013-2022, as well as massive new support for the energy sector.
Soon after Adesina became President in September, the Bank unveiled the New Deal on Energy for Africa. The landmark initiative aims to solve Africa’s huge energy deficit by 2025, and to spur economic growth that will enhance Africa’s capacity to adapt to climate change. Developed countries have committed to mobilising $100 billion a year from 2020 in climate finance for developing countries. In Paris in December, the international community is expected to finalise a new global climate agreement and decide how to finance it, at the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP21). “To meet the $100 billion per annum target by 2020, we must improve the predictability and mobilisation of finance,” Adesina said. “I support the efforts by Multilateral Development Banks to enhance our share of climate finance, now and in the future.”
The African Development Bank, based in Abidjan, Côte d’Ivoire, aims to spur sustainable economic development and social progress in its regional member countries, thus helping to reduce poverty. The AfDB mobilises and allocates resources for investment, and provides policy advice and technical assistance. Established in 1964, it is owned by 80 members – 54 African countries and 26 non-African countries.

Integrity in Development Projects: AfDB and SNC-Lavalin settle corruption allegations

The African Development Bank Group (“AfDB” or “Bank”) on October 1st, 2015, announced the conclusion of a settlement with SNC-Lavalin Group Inc. (“SNC-Lavalin”). The settlement follows an inquiry supervised by the Integrity and Anti-Corruption Department (“IACD”) of the Bank and pertains to contracts awarded to SNC-Lavalin International Inc. (“SNCLI”) on two AfDB-financed projects in Uganda and Mozambique. The agreement resolves allegations uncontested by the company of illicit payments ordered by former SNCLI employees to public officials in

order to secure contracts. Under the terms of the settlement agreement the AfDB imposes a conditional non-debarment on SNCLI for a period of two years and ten months. Further, SNC-Lavalin will make a settlement payment of CAD 1.5 million to flow into support of activities and programs combating corruption on the African continent. In addition, SNC-Lavalin commits to maintain an effective group-wide compliance program, subject to review by the AfDB, and to cooperate with IACD. "The sanctions imposed under the settlement agreement reflect the level of cooperation provided by the company in the investigation of the matter," says Anna Bossman, Director of IACD. "SNC-Lavalin has demonstrated that it has undergone significant changes in the past two years, continuously improving ethics and compliance in its operations under a new management. IACD believes in crediting such dedication to ethical business and is at all times willing to resolve amicably instances of sanctionable practices with companies that show a sincere commitment to integrity by collaborating in the resolution of allegations and enhancing their compliance regimes." SNCLI was contracted in October 2008 to supervise the construction of the 66-kilometre road and bridge construction project between Marrupa and Litunde in Niassa Province, Mozambique. In December 2010, the company was awarded another contract by the Uganda National Roads Authority to supervise the upgrading of the 75-km Kazo-Kamwenge road running from Nyakahita to Kamwenge in Uganda.

AfDB approves US $428 million in energy and infrastructure, transport and water projects in eight African countries

The Board of Directors of the African Development Bank Group (AfDB) on Wednesday, September 30, 2015 approved combined loans and grants amounting to US $428.43 million to finance projects in energy, infrastructure, transport and water and sanitation in eight African counties – Ghana, Tanzania, Zimbabwe, Guinea Bissau, Guinea, Senegal and Côte d'Ivoire. Under the approvals, Ghana Airports Company Ltd. will receive a loan of US $120 million to finance its capital investment programme which entails the construction of a new terminal at Kotoka International Airport in Accra and the rehabilitation of other airports at Kumasi, Temale, Ho and Wa, respectively.

In Tanzania, the approved investment comprises a US $97.42-million AfDB loan and US $44.29 million from the Africa Growing Together Fund (AGTF) to finance phase two of the Dar es Salaam's Bus Rapid Transit (BRT) Project. The project involves the construction of 20.3 km of exclusive BRT lanes and Non Motorised Transport (NMT) facilities along Kilwa Road corridor as well as Kilwa road itself.

Zimbabwe will receive a US $16.15-million grant from the resources of the Zimbabwe Fund (ZIM-FUND) to finance the second phase of the country's Urgent Water Supply and Sanitation Rehabilitation (UWSSRP) project to be implemented in Harare, Chitungwiza, Ruwa and Redcliff with an estimated 1.9 million population. The project aims to protect public health through service improvement, preservation of physical assets, and resuscitation of capacity and improvement of financial sustainability of the water and sanitation service providers.

The Board also approved a multinational Gambia River Basin Development Organisation (OMVG) Energy Project which will benefit The Gambia, Guinea-Bissau, Guinea and Senegal with combined loans and grants financing amounting to US $64.93 million.

The project, which falls within the framework of the countries' regional cooperation and integration, seeks to promote the sharing of energy and improve electricity supply by providing renewable, clean and affordable power. It comprises: (i) the development of a 128-MW hydro-electricity dam with an annual output of 402 GWh; and (ii) an interconnection network of 1,677 km, comprising 15 transformer stations and two dispatching centres.

The Gambia and Guinea-Bissau will each receive a soft loan and a grant amounting to US $5.26 million and US $6.32 million, respectively; while Guinean and Senegal will each receive US $64.94 million and US $59.66 million in soft loans.

Finally, the Board approved a US $14.4-million grant to help Côte d'Ivoire rebuild its production capacity destroyed during the conflict which affected the country throughout the 2000s. The Support to Industrial Competitiveness Enhancement Project (PARCSI) will leverage the competitiveness of (1) industrial sector firms; (ii) associations of fruits and vegetables producers; (iii) companies involved in the fruits and vegetables value chain (suppliers of inputs, packaging, transport, etc.); (iv) provide decent job opportunities to youths and women within the modern Ivorian economy; and (v) strengthen State agencies in charge of supporting the enhancement of the industrial sector's competitiveness.

SEFA grants US $1 million to develop a transformative hydropower project in Guinea-Bissau

The Sustainable Energy Fund for Africa (SEFA) approved on September 16 on the sidelines of the African Development Bank's (AfDB) Energy Week a US $965,000 grant to support the preparation of turnkey run-of-river hydropower plant with an estimated electric capacity of 20 MW at Saltinho, Guinea-Bissau. The hydropower plant will be interconnected by a transmission line to Bissau and neighbouring countries within the framework of the regional energy programme by the "Organisation for the Development of the Gambia River" (called OMVG in French), co-financed by AfDB. This SEFA support falls under a wider partnership with United Nations Industrial Development Organization (UNIDO), Global Environment Facility (GEF) and ECOWAS Centre for Renewable Energy and Energy Efficiency (ECREEE), for renewable energy investments promotion in Guinea-Bissau, including the development of the hydropower project at Saltinho.

After the approval, Joao Duarte Cunha, SEFA Coordinator, said "SEFA grant support aims at attracting strong private partners/investors and enable the project to reach bankability and have a high demonstration effect in Guinea-Bissau and beyond as the first Independent Power Producer or Public-Private Partnership Project, the first large renewable energy project, and the first project finance deal in a transition country with Bank participation." When completed, this regional project will boost the total installed capacity in the country, currently capped at 26 MW, lead to energy diversification and significantly decrease the average cost of production. Additionally, it will contribute to reducing the overdependence on expensive, imported diesel and heavy fuel oil, and improve the carbon footprint of the country.
Martin Lugmayr, UNIDO Sustainable Energy Expert, highlighted the excellent cooperation with the African Development Bank and underlined the importance of hydropower for the country as cost-effective alternative to conventional diesel generation.
The SEFA grant will finance the technical assistance that shall structure the project in order to attract private investors and also to contribute to its bankability. In particular, the grant will encompass a technical feasibility study together with an institutional and financial scheme for an Independent Power Producer or Public-Private Partnership arrangement.
The project will also, through the provision of clean and renewable energy, contribute to one of the SE4All objectives of doubling the share of renewable energy in the global energy mix by 2030 About SEFA: SEFA is a US $90-million multi-donor facility funded by the governments of Denmark, the United Kingdom and the United States and hosted by the Energy, Environment and Climate Change Department of the AfDB. It supports the sustainable energy agenda in Africa through: grants to facilitate the preparation of medium-scale renewable energy generation and energy efficiency projects; equity investments to bridge the financing gap for small- and medium-scale renewable energy generation projects; and support to the public sector to improve the enabling environment for private investments in sustainable energy.

ALSF catalysing Uganda's extractive resource sector
The African Legal Support Facility (ALSF) in the collaboration with the Ministry of Energy and Mineral Development and the Uganda Chamber of Mines and Petroleum officially launched a five-day training programme for senior government officials and members of the private sector in Kampala. Participating in the seminar are 30 senior representatives of State Ministries and other institutions involved in the negotiation of mining agreements. The training, which runs from September 28 to October 2, 2015 on the sidelines of the 4thAnnual Mineral Wealth Conference, is focused on strengthening participants' capacity with regards to the institutional, legal, contractual and financial aspects of mining agreements. Topics to be covered include: understanding mineral rights, land access and mine development; environmental & social issues; regulatory impact assessments; the anatomy of mining agreements; and the negotiation of mining agreements. The capacity building programme aligns with the ALSF's mandate to build legal capacity in Africa. The training programme is supporting development programmes outlined in Uganda's Vision 2040 plan that recognises the need to build the human resources necessary for the country to build a strong mining industry. The mutual objective of the ALSF and the Government of Uganda is to ensure government officials are sufficiently trained to effectively undertake the many ongoing and future negotiation of mining agreements envisioned in Uganda's development agenda.
The ALSF is an international public institution, hosted by the African Development Bank Group. Its mandate is to support African states by providing legal advisory services for vulture fund litigation and negotiating complex commercial transactions.

World Bank Cuts Sub-Saharan Africa Growth Estimate to 6-Year Low
The World Bank cut its economic growth estimate for sub-Saharan Africa to the lowest since 2009 as falling commodity prices and tighter global financial conditions stem activity.
The Washington-based lender lowered its growth forecast for this year to 3.7 %, 50 basis points down from its projection in June, and compared with 4.6 % expansion recorded in 2014. "The dramatic, ongoing drop in commodity prices has put pressure on rising fiscal deficits, adding to the challenge in countries with depleted policy buffers," the bank's acting Chief Economist Punam Chuhan-Pole said in an e-mailed statement.
Oil, minerals, metals and agricultural commodities account for nearly three-quarters of the region's exports, the World Bank said in its bi-annual Africa's Pulse report. Prices of natural gas, iron ore and coffee had fallen by more than 25 % since June 2014, it said. In countries such as South Africa, Zambia and Ghana, domestic factors including power shortages, were further hindering output, it said. Growth across the region may accelerate to 4.4 % in 2016 and 4.8 % in the following year, according to the statement. Ethiopia, Ivory Coast, Mozambique, Rwanda and Tanzania may sustain annual growth rates of about 7 % in the short term, supported by investments in energy and transport and consumer spending.
Sub-Saharan African nations had increased their fiscal deficits since the start of the global financial crisis as wages rose and revenues fell, the World Bank said. "To withstand new shocks, governments in the region should improve the efficiency of public expenditures, such as prioritizing key investments, and strengthen tax administration to create fiscal space in their budgets," Chuhan-Pole said.

World Bank grants loan to Mozambique for financial sector

The World Bank granted a loan of US$25 million to Mozambique to support the government's strategy for financial sector development, the World Bank said in a statement released recently.

This loan, the second in a series of financial support packages to the sector, "is channeled through the Programmatic Operation for Financial Sector Policy Development (DPO), to strengthen financial stability, support the improvement of supervision and regulation of banks and network security," said the statement issued by the World Bank.

The operation, the World Bank added, "also supports reforms to promote financial inclusion, branchless banking and mobile banking, consumer protection, payment systems and the framework for insolvency cases," as well as helping to promote "long term financial markets by supporting reforms in capital markets, particularly public debt markets."

The Director of the World Bank for Mozambique, Mark R. Lundell, cited in a statement, said that these loans had three main aims – to increase financial inclusion, improve financial stability and strengthen Mozambique's long-term financial market. *(Macauhub)*

World Bank donates US$13 million to Sao Tome and Principe

The World Bank (WB) will grant Sao Tome and Principe a donation of US$13 million to support the state budget and investments in the energy sector, a World Bank official said in Sao Tome. The announcement was made by Elizabeth Huybens, new director of World Bank operations in five African countries – Angola, Cameroon, Gabon, Equatorial Guinea and Sao Tome and Principe – according to Portuguese news agency Lusa. At the end of an audience granted by the acting president of the National Assembly of Sao Tome and Principe, Levi Nazaré, Huybens said that US$3 million was earmarked for the state budget while the remaining US$10 million would be invested in 2016 on repairing the hydroelectric facility on the Contador River. *(Macauhub)*

AfDB and AMF to strengthen partnership to support financial and economic development in their 10 common African member countries

The President of the African Development Bank Group, Akinwumi A. Adesina, and Abdulrahman A. Al Hamidy, Director General Chairman of the Board of the Arab Monetary Fund, met on the margins of the World Bank-IMF 2015 annual meetings in Lima, Peru, to discuss the economic challenges facing the 10 member countries in common between the two institutions. Both leaders reaffirmed the importance of their partnership and how best to leverage their respective core competencies and comparative advantages against a backdrop of domestic, regional and international economic developments, with ensuing increases in financing needs in a number of these countries.

The long cooperation between the two institutions have been strengthened recently under the Deauville Partnership with joint activities focusing on the development of domestic capital markets. In this regard, joint assessment missions visited Egypt, Tunisia and Morocco in the context of the Arab Debt Market Development Initiative (ADMDI). The outcome of this collaboration consisted of three reports for Tunisia, Morocco (2013) and Egypt (2014) documenting the progress made, and listing the barriers to local capital markets development and recommendations to address them. Discussion focused on opportunities and ways to building up a broad collaboration between AfDB and AMF that paves the way for a promising enhanced partnership, which will build on the existing foundation to develop solutions that drive inclusive and sustainable economic growth in their common member countries by expanding financial and banking sector programs and initiatives, and increasing access to finance and financial services.

AfDB and AMF expressed willingness to sign a Memorandum of Understanding (MOU) to crystallize their future collaboration in Financial Sector Development and a number of activities have been identified, including (i) Joint support for a programmatic approach to Financial Sector Development reforms, (ii) Funding for Technical Assistance programmes and the establishment of exchange programmes for technical experts, (iii) Technical and financial support for joint Financial Sector Development capacity-building programmes, (iv) Development of tailor-made SME programmes, and (v) Support for the development, integration and upgrading of payment systems.

"The AfDB is committed to working with the AMF and our other international and regional partners to support building a vibrant, innovative, robust and competitive financial systems in Africa at both domestic and regional levels," said AfDB President Akinwumi A. Adesina. "This partnership will facilitate relations between the AfDB and the AMF, improve the efficiency of our efforts and provide a concrete basis for further cooperation on financial sector arena that will contribute positively to economic growth and social progress."

AMF Director General Chairman of the Board, Abdulrahman A. Al Hamidy, said, "Providing assistance to the development of the financial sector and supporting capacity development in the region has always been among our top priorities, and we look forward to pursuing and intensifying this effort to better tackle the needs of our African member countries. Our ongoing cooperation with AfDB has always been successful and we are glad that today it's being reinforced and strengthened to better serve the needs of our common member countries."

The meeting concluded with the establishment of a committee comprising Senior Managers at both organisations with the aim of identifying and agreeing upon joint projects and activities with a view to establish and foster partnership between the two organisations and deepen their cooperation.

INVESTMENTS

Angola has new agency to promote investment and exports

The government of Angola has made official the extinction of the National Private Investment Agency (ANIP), which is replaced by the new Agency for Investment Promotion and Exports of Angola (Apiex), according to a presidential decree issued last week. The decision is based on the new Private Investment Law, approved in July, through which ANIP now has the task of promoting private investment abroad, leaving its previous duties of definition, analysis and handling of investments in the hands of sector departments. The presidential decree that brings an end to ANIP determines, according to Portuguese news agency Lusa, the transfer of all assets and liabilities to the new Apiex. ANIP ensured the management and negotiation of private investment in Angola, dealing with processes, validating incentives and signing contracts. The new Private Investment Law in Angola, approved on 22 July by the National Assembly, offers more incentives to private investors based on the size of the Angolan stake in each project. *(Macauhub)*

Private investment in Angola has new regulations

The new regulations for carrying out private investment in Angola stipulates the creation of a "fast lane" to speed up procedures and technical support units in each ministry, according to a presidential order. "The investment process must be urgent and benefit from the practice of a 'fast lane' (via verde), with expedited and automated processing, dedicated, personalised support and computer integration of public services at a 'service desk' within each ministerial department," according to paragraph 5 of Article 12.

Presidential order 182/15, of 30 September, entered into force immediately after its publication and is intended as an incentive for investment in Angola, which has experienced a significant drop in tax revenues due to the fall in oil prices and is now trying to accelerate economic diversification, reducing dependence on oil. Investments of less than US$10 million will be analysed by the "the ministerial department responsible for the main activity of the private investment," and above this amount the responsibility passes to the President, who can still delegate analysis of the investment to the appropriate Ministry. Outside this scheme, and therefore the sole responsibility of the President, are proposed investments in sectors with "special legal regimes, including financial, mining and diamonds, as well as others provided by law, except when these regimes stipulate statutory assignment of responsibility to another body."

The document defining the new rules for private investments also addresses the issue of ministry responsibility according to the dominant activity of the investment area, stipulating that, "when the dominant activity of the investment to be made is the responsibility of more than one ministerial department, the leaders of the ministerial departments concerned are considered responsible."

The law cited by Portuguese news agency Lusa also requires creation of specific units to support investors, both at the ministries and provincial governments, called Technical Units to Support Private Investors (UTAIP), which are "responsible for the investment of procedure outlined in this regulation." In the provinces, these UTAIP should work alongside the provincial governor's office and will be charged with "facilitating, preliminary contacts and guidance of the private investor." *(Macauhub)*

Free trade zone tops regional agenda

While regional integration has long been a goal expounded on by Africa's leaders, concrete action has often been less forthcoming. However this summer, leaders from 26 African countries met in Egypt to sign an agreement for what is to be the largest free trade area in the world in terms of population covered. The Tripartite Free Trade Area (TFTA) will see three of Africa's major regional economic communities - the Southern African Development Community (SADC), the East African Community (EAC), and the Common Market for Eastern and Southern Africa (COMESA) - join together. This vast free trade zone is set to include 58 % of the continent's economic activity and more than $1tn in GDP.

The TFTA is intended to improve intra-Africa trade from its current low levels of 13 % of total trade volume while boosting foreign investment. However the growth increases are not expected to be evenly distributed throughout the member countries. "A good rule of thumb for distinguishing the winners from the losers is to look at each country's competitiveness," says Soamiely Andriamananjara, economics lecturer at George Washington University. "Countries with a proven comparative advantage in food and light manufacturing are probably going to gain, at least in the short run. In the long run, the winners will be those countries that know how to harness the trade preferences provided by the TFTA."

However while the agreement has been signed, the details are still being discussed. Countries in the free trade area can still choose to omit large portions of their tariff schedules from full liberalisation. According to Mr Andriamananjara, in some cases as much as 40 % can be excluded. "We have not yet finished the first phase and important elements are still being negotiated," he says. Those critical of the TFTA, such as Ronak Gopaldas, head of country risk at Rand Merchant Bank, contend that the deal will not meet the lofty aspirations that have been placed on it. "The [TFTA] is not likely to have a marked effect on trade mainly for two reasons: infrastructure limitations and supply-demand mismatches within the continent," he argues.

Sub-optimal transportation infrastructure is widely acknowledged to hamper intra-African trade. The African Development Bank estimates that the region requires $95bn in annual investment in infrastructure to meet current

needs; only about half of that is funded. At the same time, smaller countries that manufacture goods with limited export appeal are not expected to gain in any noticeable way from the new trade deal. The continent's often patchy transportation network is mainly focused on sending natural resources to the coast where they can be shipped to North American and European markets. "Transport infrastructure development [is] probably the low-hanging fruit which the TFTA agreement will be able to make progress on," says Mark Schoeman of the South African Institute of International Affairs. Without a comprehensive transportation plan, intra-African trade is unlikely to reach the levels it might otherwise be capable of. "A number of development finance institutions would be willing to finance these projects," he says. Although there is a great deal of political will behind the TFTA, there are still issues that need to be addressed. "Non-tariff barriers to trade (NTBs) remain a pertinent obstacle to intra-African trade and have not been successfully dealt with in regional economic communities such as SADC," according to Mr Schoeman. When the TFTA was initially devised, each of the three regional economic communities created an NTB monitoring mechanism that allows those in the private sector to raise issues that negatively impact the market they operate within, such as inconvenient paperwork, out-of-date technologies and public monopolies. These barriers are then sent to the state responsible to be rectified.

In theory this mechanism should help to correct the problems that plagued previous free trade zones. However, while many NTBs have been reported, a significant proportion have not been acted on due to disagreements between key actors in the public and private sector. "Major stakeholders have to be involved in these deliberations," says Mr Andriamananjara. It is "troubling to hear that trade officials and negotiators, in a number of countries, are not even talking to the private sector" as the first two phases of the zone's integration are implemented.

Big players

South Africa, Kenya, and Egypt are the largest economies in each of the three regional economic communities that will join to form the TFTA. Smaller countries stand to benefit from this. The export profiles of these regional power players are good matches for the import needs of their smaller counterparts within the trade zone, due to their relatively diversified economies. For example, countries like Uganda will have increased access to expansive markets in Kenya to fulfil their mineral fuels, oils, iron and steel import requirements. As a result "tariff liberalisation should have a trade-creating effect and help these big regional economies [to] increase their trade across regional groupings on the continent," says Mr Schoeman.

However there will also be increased competition between the regional leaders, as they have similar export structures. Overlaps in their leading export segments include aluminium, fruit, electric equipment and precious metals. While it may be too early to predict which country will come out ahead, South Africa is expected to more efficiently meet the import needs of smaller member states due to its highly developed and diversified industries. This variety allows South Africa to meet the import needs of more countries compared to the two other large economies in the TFTA. Kenya does, however, offer easily tradable goods that are in high demand, such as tea, coffee and flowers, which may see it take advantage of opportunities that South Africa is not best suited to.

However for some countries, fundamental structural reforms to their economies will be needed before they can tap into the dividends of the free trade zone. Angola, for example, predominantly produces and exports oil - yet refined petroleum accounts for the single largest share of imports. "Unless that demand can be met locally and the processing gap can be bridged, the TFTA is unlikely to have material influence on intra-African trade," Mr Schoeman points out.

The free trade agreement is on track to come into effect in 2017, but questions still remain as to its overall impact. Ultimately, however, the agreement is only a tool that can enable greater trade within the region - but the extent of its impact will depend on how it is used. "Whether the TFTA will be successful or not will depend on whether African industrialists and entrepreneurs take advantage of the provisions of the agreement to set up regional value chains," he says. *(This is Africa)*

Indian company plans to buy natural gas from Mozambique

Hindustan Petroleum Corp. Ltd (HPCL), the third largest oil refining company in India, is negotiating the purchase of natural gas to be extracted in Mozambique to supply a future terminal in Gujarat, reported online newspaper Live Mint.

HPCL formed a partnership with Shapoorji Pallonji Port Pvt. Ltd to build a natural liquefied gas terminal in the port of Chhara, in Gir, Gujarat, with a capacity of 5 million tons that should be operational in 2019 following an estimated investment of US$850 million. The newspaper cited sources from Indian Oil Corp. Ltd (IOCL) and Bharat Petroleum Corp. Ltd (BPCL) as saying that negotiations are underway with Hindustan Petroleum Corp. Ltd, a company that plans to supply future natural gas terminal with a mixture of long term and spot contracts. Natural gas must be liquefied before it can be exported and, once it arrived at its destination, it has to be regasified in order to be supplied to consumers, which requires construction processing plants both at the starting and arrival points. Negotiations are taking place with the companies involved in Area 1 of the Rovuma basin in northern Mozambique, a block operated by US group Anadarko Petroleum in where natural gas reserves of a global dimension have been discovered. Sources cited by the online newspaper also said the natural gas in that Mozambican block is expected to start being exported in 2021/22, and since 2019 until that date the Gujarat terminal will use gas from other sources, even if it is more expensive than the Mozambican gas. *(Macauhub)*

Why the Dubai Chamber of Commerce is opening an office in Mozambique

The Dubai Chamber of Commerce and Industry is looking to expand its physical presence in Africa. The organisation – which represents the interests of the business community in Dubai – already has offices in Ethiopia and Ghana, and is launching another in Maputo, Mozambique.

According to the chamber's president and CEO, Hamad Buamim, Mozambique holds notable opportunities for United Arab Emirates (UAE) businesses. The Dubai-based global port operator DP World already manages the port in Maputo, while Rani Investment has recently invested in real estate construction in the country. "So we have successful stories there, and one thing we have noticed is that wherever the big players start operating, the medium and small players feel more comfortable to follow," Buamim told journalists in Dubai yesterday. "It is also around the discovery of gas in the country, which we think will open big opportunities to invest in infrastructure over there."

In addition, the chamber is considering setting up offices in Uganda and Kenya due to Dubai trade with these East African countries. "We are even looking at Rwanda. We have visited them and we have companies from Dubai already invested in their hospitality," continued Buamim. "But it is a matter of time, until I believe, we will exist in most other Africa countries."

Islamic opportunities in Africa

The Dubai Chamber has recently commissioned a study into the opportunities within the Islamic economy in Africa. The report's findings – which will be presented at Dubai's third annual Africa Global Business Forum next month – reveal large investment potential for Islamic finance, halal food and tourism.

The chamber has also developed the Africa Gateway Smart Application, a free app that aims to facilitate access to African investment opportunities. "It provides information about these countries in an easy way to allow our businessmen to understand more about this market, and we will continue our efforts to raise more information about opportunities in Africa," said Buamim.

Dubai's geographic location, port infrastructure, and business environment have led it to become a trade centre for the Middle East, Europe and Asia. However, with growing global commercial interest in Africa, Buamim added there is an opportunity for Dubai to position itself as a trade and business hub for international companies looking to access the region. *(How we made it in Africa)*

New resort in Mozambique enhances Quirimbas National Park

The "Diamond Mequfi Beach Resort" in Mecúfi, in Mozambique's northern Cabo Delgado province, will enhance the Quirimbas National Park and make it better known, said the President of Mozambique Filipe Nyusi. The President, cited by Mozambican daily newspaper Notícias, said the new resort would put Mozambique, particularly Cabo Delgado, on the list of must see destinations for many foreign citizens, who for a variety of reasons (business tourism, leisure and others) would stay in Mecúfi in the near future. The Quirimbas National Park, with an area of just over 7,500 square kilometres, is considered one of the world's best conservation areas, although it is little known, despite its variety of land and marine species such as elephants and dugongs, reef coral and mangroves in its ecosystem. Construction of the resort owned by Italy's Renco Group, started in 2013 and was completed this year, specifically in late June. The resort includes 40 rooms and 10 suites, a swimming pool and a restaurant and will eventually have a water sports area, all of which required an investment of 15 million euros. *(Macauhub)*

Ascendis acquires 85 products in generic pharmaceuticals market

With the global generic pharmaceuticals market projected to grow at a yearly rate of 11%, reaching $283-billion by 2018, Ascendis Health has expanded its offering, acquiring 85 products from Sandoz South Africa that were currently not marketed with existing South African marketing authorisations. The acquisition of these products would allow Ascendis future access to registered products in the new and rapidly emerging therapeutic areas, including oncology, women's health and urology, while strengthening its current position within the anti-infectives and neuroscience areas. It estimated that, with governments already implementing measures to significantly reduce healthcare costs and encouraging healthcare providers to substitute generic alternatives for patented drugs, products worth more than $98-billion would also lose exclusivity over the next three years. "This acquisition offers us direct and immediate access to market-leading generic technology while broadening our reach and making affordable medicines available to patients, physicians and healthcare providers worldwide," Ascendis CEO Dr Karsten Wellner said. He added that the procurement of these dossiers and successful development of the products would offer sustained organic and new market growth opportunities for its Pharma-Med division, while also unlocking operational efficiencies and new markets. "This is an exciting and extremely positive development which will create a strong pipeline of new products, which the Ascendis Pharma division will bring to market soon, and [which] will positively contribute towards overall shareholder value," Wellner noted. *(Engineering News)*

Turkish group builds cement plant in Mozambique

The Limak Holding Group of Turkey has started building a cement plant in Maputo, Mozambique, which will have an installed capacity of 2 million tons per year, according to the group's website. This cement plant is expected to start production in the first quarter of 2016 and the group will invest about US$40 million in construction, according to a

newspaper report published on the website. Serdar Bacaksiz, a member of the Limak Holding Board of Directors, is quoted as saying that the group has been closely monitoring the African market and that investment in Mozambique could increase to US$150 million to increase production to meet demand. Besides Mozambique, in November the group will start construction of another cement plant in Côte d'Ivoire (Ivory Coast), in which it plans to invest US$55 million. Limak Holding is a Turkish conglomerate group working in construction, energy, cement and tourism, and its subsidiaries are Limak Cement, Limak Energy and Limak Tourism Group. *(Macauhub)*

Cabo Verde will have direct shipping route to Portugal

German shipping company MTL and Alphasea – Agência de Navegação have set up a partnership to provide a direct and regular shipping service between Cabo Verde (Cape Verde) and Portugal, according to Cape Verdean news agency Inforpress. John Trabulo, director of Alphasea, said Cabo Verde was "a market we know well" and added that this new connection would allow orders from Portugal and Europe bound for the archipelago to arrive more quickly. Trabulo said that this new connection aims to "meet the needs of the Cape Verde market in an exclusive, consistent and regular way," and gave assurances that the deadline for the delivery of orders "will not exceed seven days." The first shipment took place on 18 September, bound for the islands of São Vicente and Santiago, and the next one is due to arrive in São Vicente and Santiago, respectively, after leaving the ports of Leixões and Lisbon in Portugal, on 1 and 2 October. MTL Maritime Transport + Logistik GmbH & Co. is a German shipping company with extensive experience in shipping containers, vehicles, machinery and bulk cargo. *(Macauhub)*

South Africa to retain investment grade, but fate of peers sounds warning

The recent downgrade to junk of South Africa's emerging market peer Brazil is a timely warning that ratings agencies and investors will not hesitate to punish signs of unwieldy budget deficits on a prolonged basis. Closer to home, Zambia, whose currency skidded nearly 20% earlier this week after Moody's cut its rating will give South Africa's Finance Minister Nhlanhla Nene cause for nervousness as he prepares his medium term budget due later this month.

Unlike fellow Brics grouping member Brazil, which now holds an investment rating from only Fitch after downgrades from Moody's and Standard & Poor's, South Africa still has a favourable standing with all three agencies. But any signs that Nene is struggling to rein in a budget deficit hovering around 4% of GDP could raise a red flag. Fitch warned on Sept. 8 that the risk of a downgrade for Africa's most developed economy was increasing, citing a largely negative news flow this year, which has included chronic electricity shortages and a sharply weaker rand currency. "I believe the risk of a downgrade by Fitch in December is quite high," said Macquarie First South Securities economist Elna Moolman, warning that agencies were keeping a sharp eye on Pretoria's commitment to fiscal discipline. "For now, our investment grade ratings are secure. However, in the long term it requires commitment to fiscal consolidation to preserve this status." Fitch rates South Africa at BBB with a negative outlook and could take it down a notch if Nene fails to impress in his Oct. 21 medium term budget policy statement. Nene will be hard pressed to keep a grip on government borrowing while also trying to stimulate growth – seen at a sluggish 2% at most this year – to boost revenue. "The market and rating agencies will be waiting to see how materially Treasury downgrades their growth forecast and the impact on revenue and the deficit by extension," said Mohammed Nalla, head of strategic research at Nedbank Capital. The slippery slope for South Africa lies in its debt-ridden state firms which face billions of rand in funding shortfalls, although Nene has vowed that any government support will be budget neutral, mostly through guarantees on loans. State-owned utility Eskom, for instance, needs to borrow more than R20-billion ($1.4-billion) to refurbish its ageing fleet of power generation plants and is struggling to meet electricity demand. But investors are also skittish over the government's ambitious nuclear programme, which will cost as much as $100-billion but whose funding is still not clear. Nene says the programme will be transparent but both opposition parties and analysts are worried that it could push South Africa's debt-to-GDP ratio, already close to 50%, even higher. "Even if we do go forward with this nuclear programme we still need to be able to deliver on a lower deficit and therefore stabilise debt to GDP," said Peter Worthington, an analyst at Barclays Africa. "The nuclear proposal is potentially a huge credit negative for South Africa." *(Engineering News)*

Why Barclays is investing in African fintech start-ups

Today the multinational financial services company Barclays announced the launch of its three-month start-up accelerator programme in Cape Town. The initiative is powered by global accelerator Techstars, and is particularly looking to house financial technology (fintech) ventures.

The Barclays Accelerator is part of the bank's Rise initiative, a global community aimed at facilitating fintech innovation and collaboration. Rise already has hubs in London, Manchester and New York, with one in Cape Town now set to open.

But why has Barclays decided to invest in tech start-ups? "If you look across the industry many organisations and companies – especially financial institutions – are under threat from disruption, particularly from small financial technology start-ups, or fintechs as we call them," said Ashley Veasey, chief information officer of Barclays Africa. "At Barclays we took an approach to – rather than be fearful – actually embrace that challenge."

Africa-specific solutions required

Barclays has already run accelerator programmes in London and New York, but the decision to launch in Cape Town is based on finding innovations to assist the bank's services across the continent, where there are specific challenges including the vast majority of the population being unbanked. Innovations around distribution, artificial intelligence and payments are just some of the solutions the Barclays Accelerator is looking for, noted Veasey. "When you look at the distribution challenges across Africa, where there isn't a bank branch for hundreds of miles, then clearly mobile solutions linked to payments is something we are quite interested in," he continued.

The Cape Town-based programme is open to both African and global start-ups with innovative ideas for the African market. "We do see a lot of fintech and other technology companies that are very interested in looking at the African opportunity – and so we will be taking applications from across the world."

One success for Barclays that came from its London-based accelerator is Everledger, a start-up that uses blockchain technology – which is behind bitcoin – to tackle fraud around high-value items. The expensive theft and fraud of items such as diamonds poses challenges to insurers and Veasey noted that Everledger's solution will benefit Barclays' insurance business globally, and can assist insurers to potentially lower premiums. "It has the potential to disrupt the insurance industry," he added. Applications are now open for the Cape Town-based accelerator, with the bank expecting to take on between 10 to 20 tech start-ups. During the programme these businesses will have access to data, technology and mentoring from industry experts.

It's all about the idea

According to Veasey, Barclays is looking to invest in strong, innovative ideas, and is less concerned about the experience or track-record of the entrepreneurs behind it. "It is predominately about the idea… and a team who has bright eyes and is really engaged and passionate about their idea. So there is no recipe. But it's usually the combination of the idea itself plus the team behind it; those are the key attributes [we are looking for]." Veasey noted Barclays is also considering expanding the programme into other countries, most notably Kenya, which has a strong start-up ecosystem. "We are creating an innovation opportunity and intervention here which could find ideas that could be applied to the rest of the world. But clearly our challenges are in Africa – and that is our primary target."*(How we made it in Africa)*

Noodling on Kellogg's African deal: Why global investors are turning to Africa and what it means

Kellogg Company recently announced a three-layer deal with Singapore's Tolaram Group, including a $450m deal for a 50% stake in Tolaram's Multipro, a Lagos-based food sales and distribution company.

This joint venture represents a remarkable step for Kellogg; the deal, priced at 15 times Multipro's 2015 earnings before interest, taxes, depreciation, and amortisation (EBITDA), is designed to give Kellogg access to Africa's fast-growing 1 billion person consumer market. Think instant noodles, snacks, and breakfast foods: Kellogg is now one of the powerhouses behind a product whose name "Indomie" is to "noodles" what "Xerox" has become to "copy" the world over.

The Kellogg-Tolaram deal is just one of an increasing number of global acquisitions of African companies. The average African customer is on the rise with a rapidly growing willingness to spend. Naturally, global brand leaders want in. Take, for example, Wal-Mart's 2011 $2.4bn acquisition of South Africa's Massmart, the owner of retail stores such as Game and Makro; Diageo's 2012 $225m acquisition of Ethiopia's Meta Abo Brewery; and Marriott's $200m acquisition of South Africa's Protea hotel chain in 2013, to name a few.

Why Africa?

Global investors from the US to China have been increasingly deploying cash to Africa-focused targets over the past five years at the same time as household incomes in Africa have been rising. While commodity-led growth linked to China has been an important driver of the rise in African incomes, improvements linked to privatisation, technology upgrades, regulatory reform, economic diversification into services, trade reform, financial sector liberalisation, etc. are among key structural catalysts improving consumer affordability across the continent.

Put differently, Africa's economies are more resilient to external shocks such as a Chinese slow down. At the same time, smart companies across Africa such as Ethiopian Airlines, Agrica, Zambeef, Capitec, Konga.com, EthioChicken and Discovery are starting to assemble the right platforms to compete in this more prosperous Africa, integrating talent, technology insight, and execution effectively. For example, Ethiopian Airlines' growing dominance of Africa's skies is an example of the type of nimble, emerging company that will reshape the continent's competitive dynamics in the coming decade; a company that builds on its local market advantages to become an attractive takeover target, as well as an effective competitor to established global brands such as Delta or Emirates.

As a result, doing deals in Africa is likely to accelerate in volume, size, and transaction complexity. The reasoning is clear: both African companies and foreign investors need each other but for different reasons. For example, a deal appealing to foreign buyers will provide access to proven market channels, a clear handle on customer behaviours, field execution experience, and local regulatory relationships. For African sellers or partners, gaining access to lower-cost capital, global operating experience, process leadership, and a skilled middle management bench or the mechanism to rapidly create one, are all good reasons to consider a deal. That would invariably tilt transactions towards joint ventures.

Africa's coming deal flow: What does it mean for those involved?

The Kellogg deal and its peer transactions are signaling to global investors that Africa has well-run companies, with strong brands, attractive cash flow, and significant long-term potential. While the sums involved are still relatively small, they signal a set of important shifts:

- Broader options: Africa's best run companies such as KCB Bank, GT Bank, and Azam will have a broader set of strategic choices, such as structuring partnerships, sales of companies, and potentially, becoming acquirers themselves; as exit options grow, CEOs and boards of often family-dominated companies will start to push for restructuring and professionalisation to ensure survival in a more open market.
- Growing pool of players: A small pool of the best African companies and brands, such as Zambeef, TGI, Absa, Dangote, MTN, and Shoprite will initially dominate deal flow and activity but as the vast pipeline of growth companies become better known, and venture financing ramps up, Africa's transaction landscape will become more robust and complex.
- Shifting mix of buyers: The pool of buyers focused on Africa will broaden from an initial mix of global strategic buyers and private equity firms to include African buyers, resulting in more intra-Africa deals; we are seeing South African and Nigerian buyers starting to do cross-border deals. A subset of transactions will be joint ventures designed to leverage the expertise of global operators alongside the local knowledge, relationships, and networks of Africans; real estate is one such key area. E.g. African real estate developers will seek partnerships with experienced US builders like Lennar and Toll Brothers.
- Management of Africa business: As African assets and cash flows become important parts of Global 1000 portfolios, a subtle shift will occur in how these companies view Africa, organise themselves to serve Africa, and in return are shaped by African market lessons and innovations. Facebook, Heineken, Samsung, and GE are trail blazing in this regard in explicitly preparing for how to win in Africa by employing strategies like partnering with local partners and moving their Africa HQ to Africa rather than London or Dubai.
- Changing role of advisors: As foreign buyers and investors start to parse Africa risks differently, and understand the nuances of specific countries versus the pan-African narrative, the role of investment advisors with deep local networks, insight, transaction expertise, and the balance sheet to finance deals will grow. This will likely lead to closer ties between global investment banks, financing pools, and African advisors.

The coming decade will be one of critical choice-making for Africa's firms, investors, and potential partners. Irrespective of what choice African CEOs and boards make, what is critical is that such choices be made explicitly, and not forced on them.

Choosing to prepare for the global marketplace

Kellogg's market entry is both an affirmation of the future of African investment and a wake-up call. As African brands and markets become more attractive to outside investors, Africa's CEOs, boards, and institutional investors need to understand how ready their companies are for the competition ahead so they can prepare accordingly to either compete head-to-head with global firms or join forces as Tolaram did with Kellogg. It's these choices, their implications, and the strategies implemented that will determine the success of African businesses – no matter who actually owns them – in Africa and around the world in our increasingly global marketplace. *(How we made it in Africa)* *Jude Uzonwanne is an associate partner at Dalberg.*

BANKING

Banks

Banco Millennium Angola merges with Banco Privado Atlântico

Banco Millennium Angola will merge with Angolan bank Banco Privado Atlântico under a memorandum of understanding signed, Portugal's Banco Commercial Português (BCP) said in a statement to the market. In the statement issued through the Portuguese Securities Market Commission (CMVM), BCP also said the MoU was signed with the largest shareholder of Banco Privado Atlântico, Global Pactum – Gestão de Activos. The current shareholder structure of Banco Millennium Angola is composed of BCP África, with 50.1 % of the capital, Angolan oil company Sonangol, with 29.9 %, Banco Privado Atlântico, 15 % and Global Pactum, with the remaining 5 %. In turn, Banco Privado Atlântico's shareholders are the management company of Global Pactum, with 58 %, state oil company Sonangol with 9.5 %, Portugal's Banco Millennium Angola with 10 % and bank staff with the remaining 22.5 %. In a statement BCP said this merger allowed Banco Millennium Angola to meet conditions to grow in adverse conditions and at the same time adapt to the implications of the change on supervisory equivalence.

The Memorandum of Understanding provides for a new Board of Directors with 15 members, of which five are appointed by BCP, as well as an Executive Committee of seven members, including two appointed by BCP, who will be responsible for risk analysis and credit. Following the merger the new bank will be the second largest private bank in Angola in terms of credit to the economy, with a market share of about 10 %. *(Macauhub)*

Angola uses World Bank guarantee to take on new loan

The government of Angola plans to borrow US$1 billion on the domestic and international market using a guarantee granted by the World Bank, said in Lima, Peru, the spokesman for the delegation of the Angolan Ministry of Finance.

The ministerial delegation spokesman participating in the annual meeting of the International Monetary Fund (IMF) and the World Bank was referring to a deal signed last July by the government of Angola and the World Bank, through which the country has already obtained a loan US$450 million. “It was an agreement that included a liquidity support amounting to US$450 million that has already been disbursed and a guarantee for US$200 million, which will be used to raise funds of around US$1 billion,” said João Boa Quipipa. Quipipa, who is also director of the Research and Relations Office of the Ministry of Finance, was speaking after the Angolan delegation’s meetings with the World Bank management and said this funding from the institution will count towards the 2015 budget, at a time when pubic accounts are strongly affected by the slump in oil prices, as well as towards “next year’s budget.” The Angolan Ministry of Finance on 1 July announced an agreement for this loan, noting it was the first financial transaction with the World Bank for management and development of fiscal and public investment policies in Angola. *(Macauhub)*

Société Générale finalises acquisition of 65% share in capital of Mauritius Commercial Bank Mozambique

The French bank group Société Générale announced on 6 October, having finalised the acquisition of 65% of the capital of the bank Mauritius Commercial Bank Mozambique (MCBM), which becomes Société Générale Moçambique. The bank, which did not disclose the financial terms of the operation, had concluded an agreement last March with Mauritius Commercial Bank for this transaction, achieved by a capital increase reserved for Société Générale. The French bank announced the appointment of Laurent Thong Vanh to the position of Managing Director of Société Générale Moçambique at the same time. With the acquisition of MCBM, the group is henceforth present in 18 African countries, where it has more than 3 million customers. Within the framework of its development plan 2014-2016, Société Générale is aiming for annual revenue growth of 7% and a return on equity (ROE) above 15% in Africa. *(African Markets)*

Credit Suisse CEO warns on African debt ‘madness’

Credit Suisse group CE Tidjane Thiam says it is "madness" for African nations to rely on loans in foreign currencies to fund vital infrastructure including roads, power and clean water. Lenders in African nations must instead find domestic savings to invest in local projects, said the Côte d’Ivoire-born banker who took charge of Zurich-based Credit Suisse in June.

Mr Thiam’s warning comes after countries on the continent where he was born sold $11bn of foreign-currency bonds in 2013 and a further $8bn last year, raising concerns among some analysts that a new debt crisis may be developing. The International Monetary Fund and the UK’s Overseas Development Institute, an independent research group, have written about the risks of African governments taking on too much debt. Borrowing costs "could increase unexpectedly during periods of uncertainty," the IMF said earlier this year. "In particular, sub-Saharan African borrowing costs are expected to increase as yields in US bond markets start to climb. "I did a lot of infrastructure development in my life," Mr Thiam said in a dinner speech at Claridge’s hotel in London. "To fund them with foreign currency is madness. Okay? Madness." Mr Thiam worked on infrastructure and privatisation projects for the Côte d’Ivoire government in the 1990s, where his final job was minister of planning and development. His time in government occurred between two stints at consulting company McKinsey & Co. The 53-year-old banker said there are "many reasons for being bullish about Africa," as investment, economic growth, and education rates improve. Africa is "absolutely strategic" and "at the heart of the future of the world economy," he said.

He cited the peaceful presidential election in Nigeria earlier this year as a significant positive step, before stating the importance of funding development in a balanced way. "We are not going to reach the kind of growth trend that we need if we are unable to do this successfully. You can’t just borrow internationally," he said at the dinner organised by the Financial Times newspaper to conclude a conference on African business. "You have to be ready to discriminate between those who have reasonable funding strategies and those who have just borrowed in dollars. "Warren Buffett joked when the tide goes down you see who has been swimming without trunks. Some of those economies will fall on their face because of that, that currency mismatch," he said. "You cannot control your economic destiny if you are not able to mobilise savings and then turn them into productive investment," Mr Thiam said. "If you can’t develop infrastructure, if you can’t develop the energy, if you can’t provide clean water, if you don’t have roads, there is absolutely no future possible." Mr Thiam made his argument as an appeal for well-functioning financial institutions to assist the economic development of African nations. "My usual pitch is life insurance companies are very important — but banks too," the former CEO of London-based insurer Prudential said, prompting laughter from the audience. *(BDLive)*

Kenya's Family Bank starts sale of medium-term bond

Kenya's Family Bank started the sale of its medium-term corporate bond, offering potential investors the choice of a fixed, floating and mixed rate portions. Family initially wants to raise 4 billion shillings ($38.76 million) for 5.5 years, with the option of taking an extra 2 billion shillings, in case of high demand. The fixed-rate component of the bond offers a coupon of 13.75 % and is discounted, said Maurice Opiyo, managing director of NIC Capital, which is leading the issue. He said the floating rate component of the bond will be priced at 250 basis points above the yield of the 182-day Treasury bill, within a set range. "But it comes at a floor price of 12.5 %, and we have capped that rate at 17 %," he said. Yields on Kenyan Treasury bills jumped to around 20 % last week mainly due to the central bank's tightening stance.

The third component of the bond, known as the mixed-rate portion, will offer a coupon of 14 %, with a potential rise based on the appreciation of the bank's shareholder funds. Family is privately held. The lender, which secured approval for a 10 billion shilling multi-currency bond last month, plans to use two thirds of the targeted funds to boost lending, while the rest will fund new branches, new technology and expansion into neighbouring markets in East Africa. The bond will be on sale for two weeks. Family, which started as a building society before developing into a commercial bank, now has assets of 75 billion shillings. ($1 = 103.2000 Kenyan shillings) *(Reuters)*

Shutdown of U.S. Ex-Im Bank Puts Companies in a Financing Bind

Ethiopian Airlines had to scramble at the last minute this summer when it needed to pay for a plane it ordered from Boeing Co. years ago.

The East African carrier got the aircraft last month but, instead of owning it, the airline is leasing the plane from a bank, said Chief Executive Tewolde Gebremariam. It couldn't secure a loan for the purchase because it lacked a financing guarantee from the U.S. Export-Import Bank.

Amid a clash over spending priorities, congressional Republicans effectively shut down the U.S. Ex-Im Bank by failing to reauthorize the agency at the end of June. That means the bank can't make new loans or provide loan guarantees to foreign companies so they can buy American products and services. And American companies can't renew their export-credit insurance policies.

The shutdown was a blow to many companies in the U.S. and abroad that are fighting for revenue in a sluggish global economy. Many foreign companies like Ethiopian Airlines are looking to do business with trusted American suppliers, while U.S. companies are searching abroad for new customers.

A strong dollar and weaker growth hamper those efforts. U.S. exports of goods and services were down 3.5% from a year earlier in the first seven months of 2015. Exports fell 3.2% in August, according to the Commerce Department.

Declining exports, combined with a lack of U.S. Ex-Im Bank funding, is "a double-whammy," said David Ickert, finance chief of Air Tractor Inc., which makes small aircraft for the agriculture industry. Softer prices for crops such as soybeans have growers in places like Brazil and Argentina ordering less equipment, he said. Air Tractor, based in Olney, Texas, typically uses export-credit insurance from the U.S. Ex-Im Bank. Foreign customers typically account for over half of the company's sales, but Mr. Ickert expects that figure to drop to 30% this year. "There are definitely some multiple headwinds we're facing right now," he said.

Many foreign companies say they can't secure financing from commercial banks without some kind of government-backed financing or guarantee, which most developed countries offer through their own Ex-Im banks. Ethiopian Airlines's Mr. Gebremariam said he hopes to buy more than two dozen planes from Boeing in coming years, but will consider going to European rival Airbus Group SE if the U.S. Ex-Im Bank stays out of business. "There's definitely an impact on our expansion and growth," he said. "Some economies in Africa are considered high risk, so banks wouldn't be able to finance us directly without Ex-Im backing."

In a letter sent to Boeing officials last week, Comair Ltd., an aviation company based in South Africa, said a continued lack of U.S. Ex-Im Bank support would force the airline to borrow in foreign currency. But doing so, given the volatility of its local currency, the rand, would "expose Comair to too great an exchange-rate risk on its balance sheet," said CEO Erik Venter.

Boeing said such sentiments reflect private conversations it has been having with customers for months. "They want to keep buying American, but the uncertainty over the future of the Export-Import Bank is forcing them to consider other options," said a company spokesman. Boeing, a strong proponent and major beneficiary of the bank, expects it to reopen. But an extended shutdown would prompt Boeing to consider moving work offshore to compete for contracts that require Ex-Im backing, Chairman Jim McNerney said last month.

General Electric Co. is already doing so, to make it easier for its customers to use Ex-Im funding from other countries, such as Canada, France and Hungary. In Hungary, where GE has manufacturing facilities, the export-import bank is providing a loan to Bresson AS Nigeria Ltd., a power-generation company, to buy GE turbines for new plants in Nigeria, said Barakat Balmelli, a financial adviser to Bresson on the deal.

Hungarian officials are looking to increase their level of new export-import-related lending to €1 billion, or about $1.1 billion, by the end of the year. Last month the government expanded agreements between its Ex-Im Bank and local Hungarian commercial banks. Ms. Balmelli said Bresson chose to work with Hungary's Ex-Im Bank partly because of the U.S. shutdown. "You have other countries changing their policies to accommodate these new business opportunities while the U.S. is just fiddling about," she said. Last week, the U.S. Ex-Im Bank's Republican supporters moved to bring the bill reauthorizing the bank to a vote. The procedure would force a vote on the bill, which is backed by nearly all Democrats and many Republicans, later this month.

Meanwhile, small U.S. companies, which can't relocate or move jobs overseas, are feeling the brunt of the bank's closure. W.S. Darley & Co., a maker of firetrucks and related gear, said the shutdown already has cost it a contract worth about $7 million.

The customer's loan didn't get final Ex-Im Bank approval, and since W.S. Darley's contract was contingent on that financing, "that sale could just be gone," said Chief Operating Officer Peter Darley. With projects falling out of the pipeline, employees at the Itasca, Ill., company are worried about their jobs, he said. "It hurts us. We had a lot of good

momentum," he said, referring to building firetrucks for foreign cities and towns. "We might be losing projects we're not aware of," he said. "If a buyer knows that Americans don't have an open Ex-Im, they might not even knock on the door, or invite us to the bid table." *(Wall Street Journal)*

Talking financing of African companies with Alkebulan

"I would say the biggest challenge companies face is the cost of finance. Funds are very expensive in Africa," said Jonty Levin, a partner at financial advisory and structuring specialist, Alkebulan.

Officially launched at the start of 2014 by ex-Standard Bank employees, the firm is specifically targeting businesses with operations on the continent. It recently brokered a deal between a Nigerian marine logistics company, Starzs, and Helios Investment Partners, which allowed Starzs to expand its fleet by acquiring a large tugboat – which typically costs between US$10m and $20m.

There are two main reasons why the cost of finance generally remains high across the continent, according to Levin. One is the perceived risk associated with investing in African companies, and another is the shallow financial markets, where limited supply is rationed through higher costs. Levin noted there is considerable demand from businesses seeking investment of between $5m and $10m, but limited supply has resulted in a gap in this financing.

Hybrid financing for Africa

According to Leigh Hall, also a partner at Alkebulan, many African firms struggle to source capital because they do not know how to financially structure themselves to potential investors. "Often there are really strong companies in terms of operations, but they're very thinly capitalised from an equity perspective," highlighted Hall.

With both the equity and debt markets typically lacking depth across the continent, Levin argued that hybrid or mezzanine financing – which makes use of combination of debt and equity finance – is often an attractive option for international investors targeting African firms. "A hybrid finance instrument can be quite a nice way of circumventing the difficulties associated with shallow equity markets because if you structure it well it can be self-liquidating. So in other words the company will effectively pay back as if it was a debt but the investor is recognised for the equity-related risk they assume," said Levin. Furthermore, Hall noted that hybrid financing is also often preferred by African business owners. "Whilst it gives the company the ability to raise senior debt, because it acts as an equity cushion, it is not as intrusive to the business as the more traditional private equity model," he highlighted. *(How we made it in Africa)*

Markets

Namibia economy: The government plans to issue a new Eurobond

Owing to a liquidity squeeze reducing its ability to borrow from the domestic market, the government is planning to issue a second Eurobond to finance its budgetary commitments over fiscal year 2015/16 (April-March).

In September the Namibian finance minister, Calle Schlettwein, confirmed the government's plan to issue a second US$900m Eurobond towards the end of the year. In 2011 Namibia issued a debut US$500m Eurobond with a ten-year maturity. Given the Namibian dollar's peg to the volatile South African rand, we expect it to depreciate against its US counterpart by over 20% over the next four years, raising debt-servicing costs. For this reason, we had expected exchange-rate risks to subdue any appetite for further external borrowing. However, the announced Eurobond will more than double external central government debt. Full details on the bond are due in the mid-year budget review at the end of October, but it comes amid unfavourable global economic conditions. Already this year, both Ghana and Angola have delayed issuing Eurobonds as possible investors pushed for uncomfortably high yields amid weak global economic conditions and anticipation of US monetary policy tightening.

Mr Schlettwein claimed that the government had successfully financed about US$550m of the current fiscal year's borrowing requirements- which were initially estimated at US$913m. A significant increase in borrowing is therefore likely to be listed in the mid-year budget review when the planned Eurobond is included. With just over 60% of the deficit already accounted for, externally borrowing an additional US$900m appears risky in the present economic climate if it is not necessary to finance the deficit in the current fiscal year. Yet a high dependence on local borrowing is looking progressively impracticable. Domestic demand for fixed-income securities has waned among financial institutions and investors, with bid-to-cover ratios falling to some of the lowest levels in years. Mr Schlettwein acknowledged that prolonged fiscal expansion-with average budget deficits of 4.5% of GDP over the past five years-had drained domestic liquidity, forcing authorities to look towards international debt markets. *(Economist Intelligence Unit)*

Ethiopia Commodity Exchange Inaugurates E-Trade Platform

The Ethiopia Commodity Exchange (ECX) on Friday (October 9) announced the inauguration of its eTRADE platform located at its headquarters. Ato Ermias Eshetu, the CEO of ECX, said, "The inauguration of this eTRADE platform sets a new course for Ethiopia and brings with it unparalleled economic and social benefits. The platform inevitably breaks the physical and time barrier of the current Open-Out-Cry trading platform and provides the ECX with vital economies-of-scale to trade a number of additional new commodities." The system is a ground-breaking system that has the capacity to trade 5000 times more transactions than its current "Open-Out-Cry" or "Pit-Trading" platform capacity. The new platform, according to the ECX, will enable market players to trade electronically from anywhere. It is also expected to increase efficiency, provide ability to trade other commodities and enhance ECX's overall service offerings.

ECX also announced the implementation of a new consolidated coffee grading system which will be effective in the coming harvest season. This is designed to reflect the distinct character and quality profile of Ethiopia. *(African Markets)*

Mauritius plans derivatives platform in bid for African business: minister

Mauritius plans to launch a trading platform to hedge African currencies against the U.S. dollar, part of a bid to expand its role as a financial hub for the continent, the financial services minister said. The Indian Ocean island is also in talks to boost ties with stock exchanges in Johannesburg and Nairobi to encourage cross-listing of shares and other areas of cooperation, Sudarshan Bhadain told Reuters in an interview.

The international financial services sector in Mauritius has relied heavily on dealings with India, helped by a double taxation avoidance treaty that made the island the biggest route for foreign investment into India.

But that could be hit if talks with India lead to treaty changes, encouraging a shift in focus to Africa where officials see a chance to offer a broader range of financial services and shake off criticism that Mauritius is little more than a "tax haven". "I do believe that Mauritius cannot remain a tax-centric jurisdiction," the minister said at his office in the island's financial district of Ebene. "Mauritius has to move to the next level which is bringing real investments which are creating jobs in Mauritius ... and for us to be the platform for Africa for the right reasons." He said Mauritius had signed a memorandum of understanding with National Stock Exchange of India, aimed at encouraging cross-listing of Indian firms and helping the island become a route for investment to Africa from India and elsewhere. "One of the aspects is for the creation of a new currency derivatives platform, where African currencies can be hedged against the U.S. dollar," he said, adding that the launch was expected in 2016. He did not give further details.

Regional Hub

Mauritius was working with South Africa on encouraging cross-listings and was holding talks on the same issue with Kenya, the minister said. He said he had also signed a memorandum with Dubai financial markets to help develop markets in Mauritius. "In terms of global business, one of the things we are doing is moving more towards front-office activity and regional headquartering," he said, adding that insurance firms were among those interested in using Mauritius as a base. Mauritius had held talks with firms such as Axa and Prudential, he said, adding he wanted companies that would put managers in Mauritius and hire staff there rather than firms simply registering operations and having limited presence. To benefit from the double tax avoidance treaties Mauritius has with African states, companies have to meet a range of requirements, such as having at least two resident directors and using Mauritius accounts for related banking transactions.

But critics say such firms, known as Global Business Company 1s (GBC1s), should face tougher demands to benefit from the treaties, so they can show more clearly that they are not using Mauritius solely to avoid higher taxes elsewhere. GBC1s pay a maximum 3 % corporate tax and no capital gains tax. Bhadain said tax treaties had spurred growth in the global business sector in the past 15 years but it was time for a shift. "That has served Mauritius well, but we don't see that as being the vision for Mauritius for the next 10 to 15 years." Some regulations related to the sector could be changed, possibly by the end of the year, he said, although he added that he was working closely with the 138 or so management firms that handle the roughly 10,000 GBC1s registered on the island. "We see the focus has to change in terms of more tangible, real investments which are taking place in Mauritius," he said. *(Reuters)*

New banknotes come into circulation in Cabo Verde

The new 500 and 5,000 escudo banknotes are already in circulation in Cabo Verde (Cape Verde), with the 200 escudo note honouring poet Jorge Barbosa (1902-1971) and the 5,000 escudo note featuring the country's first president, Aristides Pereira (1923-2011) weekly newspaper A Semana reported. The 500 escudo banknote also highlights the island of Santiago, the birthplace of Jorge Barbosa, a founder of the Claridade literary movement that marks a phase of contemporary aesthetics and language in Cabo Verde and which called for cultural, social and political emancipation of society, bringing attention to the realities of daily life. The newspaper also wrote that the poetry of Jorge Barbosa translates the archipelago's problems and the social drama of the Cape Verdean people, in constant struggle with adversity due to drought, famine, emigration, isolation and insularity. The 5,000 escudo banknote is also a tribute to the home of Aristides Pereira, Boa Vista Island, and depicts a landscape with the chimney of a pottery factory buried by sands in the foreground. *(Macauhub)*

Nigeria to raise 80 bln naira in 2020, 2024 bonds

Nigeria plans to issue 80 billion naira ($400 million) worth of local currency denominated bond with maturities range between 5-year and 10-year on Oct 14, the Debt Management Office (DMO) said. The debt office said it will issue 40 billion naira each in the debt maturing in 2020 and 2024 respectively at yields to be determined through Dutch Auction System (DAS). All the bonds are reopenings of previous issues and results for the auction are expected the following day. ($1 = 199.0000 naira) *(Reuters)*

Mali to auction 5-year 35 bln CFA bond with 6.25 pct coupon

Mali will issue a 35 billion CFA franc ($59.96 million) five-year treasury bond with a 6.25 % coupon on Oct. 15, the regional debt planning agency AUT said. The bond will be sold in units of 10,000 CFA francs to investors across the

eight-nation CFA franc currency zone via an auction organised by the Central Bank of West African States, the statement said. ($1 = 583.7500 CFA francs) *(Reuters)*

Angola to Sell $2 Billion Bonds Locally as Eurobond Delayed

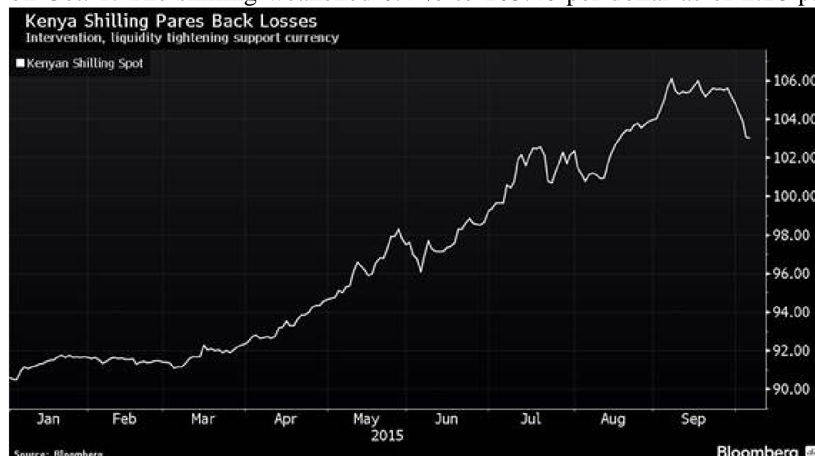
Angola, sub-Saharan Africa's second-largest oil producer, plans to sell as much as $2 billion of bonds in its local market after delaying a debut Eurobond. After consulting the central bank, the ministry of finance has been cleared to start offering the debt to fund expenditure and will determine the "form and timing of placement of bonds, maturity, face value and the criteria for calculation of interest rate," according to a government gazette published in the capital, Luanda. Angola postponed plans for a $1.5 billion Eurobond sale to await better market conditions, with the central bank governor and finance minister canceling a trip to market the debt at the end of last month, a person familiar with the arrangements said. Angola's credit rating was lowered to four levels below investment grade on Sept. 25 by Fitch Ratings, which cited a dependence on oil as the country faces the prospect of its first current-account deficit since 2009. Angola is struggling to cope with a 40 % slump in Brent crude prices in the past year. The commodity accounts for the bulk of government revenue and almost all export earnings. *(Bloomberg)*

Kenya's Borrowing Costs Bear Brunt in Battle to Defend Currency

Kenya is finding that the price for defending its currency is higher borrowing costs for the government. Yields on Treasury bills have surged to their highest levels in more than 3 1/2 years as the central bank attempts to entice foreign investors into buying the securities, attracting dollars into the economy and taking shillings out of the system. Rates on Kenya's 91-day notes last week rose above those of Uganda, a country with a gross capita per income not even half that of its larger neighbor, for the first time since July 2014, according to data compiled by Bloomberg. "As rates go up, we're likely to see foreign investors bring money into the market," Fred Moturi, head of fixed-income at Sterling Investment Bank Ltd., a Nairobi-based brokerage, said by phone. "The Central Bank of Kenya is willing to stomach high rates. It's all about the shilling, they feel they have room to do this without negatively affecting inflation." So far, the efforts are paying off. The currency of East Africa's largest economy has declined less against the dollar than neighbors Tanzania and Uganda, which have seen their shillings slide more than 20 % to record lows, as Kenyan policy makers also run down foreign-exchange reserves to defend the currency. The Kenyan shilling dropped 12 % against the dollar in 2015 as a slump in tourism and agricultural exports cut foreign-exchange earnings and investors shun riskier assets.

Kenya's central bank has raised its benchmark interest rate by a total of 300 basis points since June to try and stabilize the shilling in a nation that relies on imports for goods ranging from wheat and sugar to cars and fuel. The Monetary Policy Committee led by Governor Patrick Njoroge held the benchmark interest rate at 11.5 % on Sept. 22 as concerns about growth outweighed inflation risks.

Yields on Kenya's short-term debt securities may climb as high as 24 % from about 20 % before coming down, according to Moturi. The nation's 91-day securities paid 20.64 % at an auction on Oct. 1. The shilling weakened 0.4 % to 103.40 per dollar as of 2:28 p.m. in Nairobi. The government budgeted to borrow 229.7 billion shillings ($2.2 billion) from the domestic market to help bridge a deficit equal to 8.7 % of gross domestic product. While there is pressure to fund the shortfall, "borrowing rates are not sustainable,"Faith Atiti, an analyst at CBA Capital Ltd., said by phone from Nairobi. "Yields, where they are now, messes up the whole economy," she said. "It's really paramount that they contain rates for the sake of the economy. If they try to drop the rates aggressively, then that will definitely renew pressure on the shilling."



President Uhuru Kenyatta's administration is also paying more to borrow for less than a year than for two or even five years, an anomaly known as an inverted yield curve that signals investors are more concerned about short-term repayment risks than the longer-term economic outlook. Yields on 364-day T-bills jumped 4.4 percentage points to 20.7 % at a Sept. 30 sale, the highest since February 2012, while two-year notes sold in August were issued at an average of 14.78 %.
An increase in yields for bonds maturing in two- to five-years may lure foreign investors, although most will probably prefer higher-yielding infrastructure notes because of their tax-free status, Samir Gadio, head of African strategy at Standard Chartered Plc in London, said. "The authorities may be more reluctant to issue long-dated shilling debt instruments given the sharp rise in domestic funding costs, but will probably tolerate such rate levels at the short end for the time being," he said. With issuance lagging behind the government's target, there is an "increasing possibility that the authorities will step up external borrowing to meet their overall financing needs." *(Bloomberg)*

South Africa Central Bank in Policy `Bind,' Former Governor Says
South Africa's Reserve Bank is in a policy "bind" and will need to raise interest rates at some point despite a slowing economy, former central bank Governor Tito Mboweni said. "They've been boxed in very badly," Mboweni said in an interview with Bloomberg TV in London. "They will have to bite the bullet at some stage." The rand's slump to a record low this year is adding to pressure on inflation, forcing the Reserve Bank to raise the benchmark interest rate twice since July last year to 6 %. Governor Lesetja Kganyago kept the rate unchanged in September to support an economy that's threatened with recession. Mboweni, 56, said he was "very concerned" about the rand, which has dropped 14 % against the dollar this year. While the currency may rebound because of "technical factors," a slowdown in China and the prospect of higher interest rates in the U.S. are weighing on the currency's outlook, he said. Policy makers in South Africa are doing the right thing by not intervening in the foreign-exchange market to influence the level of the rand, Mboweni said. Actions taken by Nigerian central bank Governor Godwin Emefiele to run down reserves and impose foreign-currency controls aren't working, he said. "It is a very bad idea to try massive currency interventions," Mboweni said. "It doesn't work, we have learned the hard way in South Africa." During his tenure as governor of the Reserve Bank from 1999 until 2009, the benchmark rate was raised to as high as 13.5 % to fight inflation. The Reserve Bank ran up debts of as much as $24 billion in 1998 defending the currency against speculators. Mboweni helped to eliminate the debt in 2003 and start building reserves, which now stand at $46 billion. *(Bloomberg)*

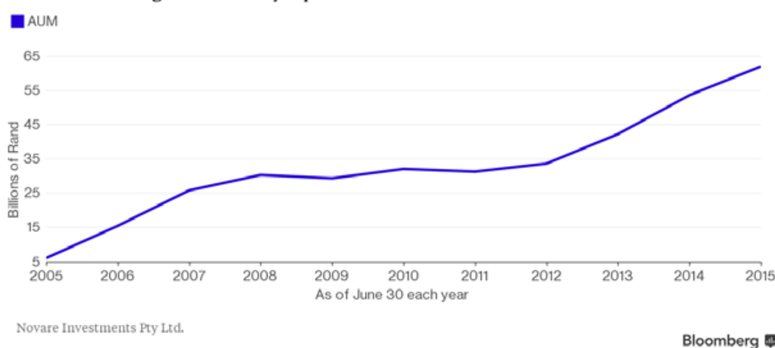
Fund

KKR to invest $100m in Africa within a year, make Nigeria regional base
US private equity firm KKR & Co LP is considering investing around $100-million in Africa within a year, a senior executive said. KKR is looking at the agriculture and food business, the energy industry and infrastructure projects, Dominique Lafont, a senior adviser at KKR, told Reuters during a visit with a French business delegation to Nigeria. "We want to use Nigeria as regional base and springboard for West Africa," he said. "We are not limited to one sector." KKR had appointed Lafont in July to help expand its Africa business. *(Engineering News)*

Fund manager expecting broader opportunities to exit renewable energy assets
Millions of people in sub-Saharan Africa do not have access to grid-connected electricity, yet the continent is endowed with substantial renewable energy resources.
In eastern Africa, investment in renewable energy projects is increasing. The Africa Renewable Energy Fund (AREF), the first dedicated such fund, recently announced it had reached its target of US$200m in committed capital.
The Nairobi-headquartered fund has already invested in three projects in eastern Africa, with more deals in the pipeline. It is managed by Berkeley Energy, an investment manager focused on renewable energy projects in Africa and Asia. Andrew Reicher, chairman of Berkeley Energy Africa and member of AREF's investment committee, says some

institutional investors have expressed interest in African infrastructure assets beyond the traditional real estate investments.
AREF hopes to exit its investments within the next 10 years. Reicher says there is currently no "huge market for acquirers or listings of energy assets" in Africa. "That is the gamble we have taken," says Reicher. "In 10 years' time we hope and expect that there will be much broader opportunities to exit renewable energy assets than there are today." In Asia, Berkeley manages the Renewable Energy Asia Fund (REAF) which invests in small hydro, wind, geothermal, solar, landfill gas and biomass projects – mostly in India and the Philippines. Now in its sixth year, REAF has done two thirds of planned developments and is starting to work on exits. "We have as yet nothing to announce in Asia, but very soon we expect to be able to show that we have begun the exit process. Six years into the fund and we are working on completing and exiting the assets in the Asia fund… We will do the same in Africa." "One year into the Asia Fund, we hadn't even made our first investment. In Africa we are ahead of the track that we followed in Asia," says Reicher. AREF is backed by over a dozen investors with the lead sponsors being the African Development Bank (AfDB) and its Sustainable Energy Fund for Africa (SEFA).*(How we made it in Africa)*

South Africa Hedge Fund Managers Beat Benchmark Equity Index
South Africa hedge fund managers betting on equities posted returns more than three times higher than the nation's benchmark stock index in the year to the end of June, according to an annual survey by Novare Investments Pty Ltd. The so-called long/short equity funds, which bet some stocks will rise and others will fall, returned an average of 14.7 % in the year while the FTSE/JSE All Share Index gained 3.7 %, the survey showed. Managers placed 37.8 billion rand ($2.75 billion), or 61 % of hedge fund assets, into such accounts. Assets under management increased to 62 billion rand from 53.6 billion rand in the previous period, according to the survey. "Despite heightened volatility in the local equity market, the equity long/short strategy fared relatively well," Cape Town-based Novare said in its 12th survey, released. "The industry grew assets mainly as a result of solid fund performance."



The South African hedge fund industry is seeking to expand its footprint. Rules that took effect Sept. 30 focus on attracting more money by creating a retail-friendly category and reducing the impact of what some managers termed the global industry's "cowboy image" by increasing transparency and oversight.
Fixed-income funds were the second-most popular, accounting for 14 % of assets, delivering an average return of 7.7 %, Novare said. Funds with an equity-market neutral strategy had 8.7 % of assets while posting an average return of 9.9 %, according to the survey. Commodity-focused funds held 3.7 % of assets, according to the survey.

Sharpe Ratio
The equity long/short strategy earned an average Sharpe ratio, which evaluates risk-adjusted return, of 2.17 compared with 1.63 for fixed income and 1.52 for equity-market neutral funds, Novare said. The previous survey to June 30, 2014, showed the long/short strategy posted a return of 20 % while the benchmark index gained 33 %. Managers added 16 funds and dissolved six, leaving 111 in place at the end of the year, the latest survey showed. Three-quarters of assets are managed by companies that oversee more than 5 billion rand, Novare said. The largest funds, those with more than 1 billion rand, posted the best average return at 13.8 %. The worst performing averaged 10.1 % and typically contained 100 million rand to 200 million rand.
More than half of managers charge fees of 1 % of assets under management plus 20 % of profit, according to the survey. Funds representing 16 % of assets include claw back provisions in their subscription agreements, allowing investors to reclaim fees if the manager fails to hit performance targets, Novare said.
Funds of hedge funds remained the leading type of allocation with 57 % of the market, thought this was a drop of 4 % from the previous period, Novare said. Deposits from high-net-worth people rose to 26 % of assets from 14 %, it said. Pension funds allocated just 0.1 % of assets, down from 8.4 % after a large fund with mostly pension fund investors closed, the survey showed.
More than 7 % of funds were hard closed, meaning that no further capital would be accepted, while fewer than 10 % were soft closed, only accepting money from current investors, according to Novare. The remaining 83 % were accepting new investors, it said. South Africa's hedge funds remain a small part of the country's fund industry, which had assets of 1.8 trillion rand after an inflow of 77 billion rand during the year, according to the Association for Savings and Investment South Africa. *(Bloomberg)*

INFRASTRUCTURE

Côte d'Ivoire begins construction of Abidjan port upgrades

Côte d'Ivoire began construction of a four-year, 560-billion CFA franc ($962-million) project to build a second container terminal and widen the canal leading to its main port in the commercial capital Abidjan. Among the busiest in sub-Saharan Africa, the port serves Côte d'Ivoire, French-speaking West Africa's largest economy and the world's top cocoa producer, and is also a gateway for landlocked nations to the north. China Harbour Engineering Co Ltd was awarded the construction contracts for both projects with the bulk of the cost covered by a loan from China's Eximbank. Construction of the new container terminal, which will be managed by consortium led by France's Bollore, will last 48 months and cost €409-billion ($461-billion). It is expected to allow Abidjan to increase container traffic from 1.2-million TEU to 3-million TEU by 2020. The upgrades to the canal linking the port to the Atlantic Ocean will be completed in 36 months at a cost of 151-billion CFA francs. *(Engineering News)*

Port managers from Cabo Verde and Recife, Brazil, sign technical cooperation agreement

Port companies Enapor – Portos de Cabo Verde and Porto do Recife signed a technical cooperation agreement in the Brazilian city of Recife, the state capital of Pernambuco, reported daily newspaper Diário de Pernambuco. The document provides, among other things, for commercial, technical and scientific exchange in the areas of port activity and maritime transport. The chairman of the Port of Recife, Olavo de Andrade Lima, called the document an “activities protocol” and the Consul of Cabo Verde (Cape Verde) in Recife, Ricardo Galdino, said the idea was to transform CaboVerde into a Pernambuco business platform for Africa and for Europe and the United States. The signing of the technical cooperation agreement took place on the sidelines of the Seminar on Business and Investment Opportunities in Cabo Verde in Pernambuco, in which participating businessmen and representatives of the government of Cabo Verde visiting the northeastern Brazilian state in search of business partnerships. In addition to taking part in the seminar, the Cape Verdean businesspeople who travelled to Recife will visit local industries and make a technical visit to the Pólo do Agreste, an textile industrial hub in the cities of Caruaru, Toritama and Santa Cruz do Capibaribe. *(Macauhub)*

Mozambique and Tanzania want second bridge over the Rovuma River

The governments of Mozambique and Tanzania have expressed interest in building a second bridge over the Rovuma River in order to promote trade and greater regional interconnection, the two governments said in bilateral talks in Maputo. Restating this aim is the result of bilateral talks held between the presidents of both countries within the framework of the visit by the President of Tanzania, Jakaya Kikwete, to Mozambique at the invitation of his Mozambican counterpart Filipe Nyusi. Cited by Mozambican news agency AIM, the Minister of Foreign Affairs and Cooperation, Oldemiro Baloi, who gave a summary of the talks, said infrastructure and people were the two fundamental requirements for growth and development. “The two bridges over the Rovuma River will foster links in the region and the countries north of Tanzania will benefit from this second bridge,” said the minister, pointing out that one of the great dreams of the African Union is to have a road connection linking the Cape Town, in South Africa, to Cairo, Egypt, and “this project could make a great contribution.” In talks between the two heads of state the keynote issue was defence and security in the area of coastal protection, cooperation in maritime borders which are the site of oil and gas reserves. For both countries, the borders have been delimited, however oil and gas deposits do not respect artificial boundaries, hence the need for close cooperation at all levels, through the Ministries of Defence and of Mineral Resources, particularly through the Oil Institutes of both countries. The last day of the visit to Mozambique, Jakaya Kikwete is due to travel to Pemba, in Cabo Delgado province to meet with the Tanzanian community living there. *(Macauhub)*

Effect of insufficient infrastructure on the African economy

The Infrastructure Consortium of Africa (ICA) believes that 40 billion potential work hours are lost each year owing to people being unable to open a tap in their homes for water and instead needing to fetch water from another source. From the perspective of land transport, roads account for 80% of goods and 90% of passenger transport on the continent.

African governments have historically relied on donor aid and external borrowing to finance their fiscal deficits. At the same time, many states have financed infrastructure spending out of their fiscal budgets, resulting in fixed capital growth being dependent on available government finances. The KPMG Africa 2015 Construction and Infrastructure in Africa Survey highlights the following issues across Africa:

- Emerging trends that will change the world of Infrastructure – The African Context
- Building Time and Costs
- Countries With Significant Construction & Infrastructure Opportunities

Uganda

The Ugandan industrial sector is dominated by construction, which, in turn, is primarily driven by large infrastructure investments by the government. Current infrastructure projects include work related to oil production (refinery, pipelines, access roads, and water and electricity access) as well as a standard gauge railway to facilitate access to the sea. In addition, social expenditure on education and healthcare will put further pressure on the fiscal account, while

spending related to the electoral cycle could result in further expansionary fiscal policy. The industrial sector as a whole will become an increasingly important contributor to economic growth in coming years due to the development of the country's fledgling hydrocarbons sector. Uganda is expected to maintain a healthy inflow of foreign direct investment (FDI) going forward, with the extractive sector anticipated to remain the country's main FDI drawing card. The slump in international oil prices during H1 of 2014 and early-2015 could have a negative impact on investment decisions in the energy sector, but this will be highly dependent on the specific circumstances of each project, and the medium- to long-term outlook for energy prices of each oil company. There is little doubt that oil exploration budgets will be cut globally, as energy share prices drop and expected revenue figures fall. However, some projects in Uganda are beyond the exploration phase, with both Tullow Oil and Total having submitted their field development plans to the government for approval, and they are expected to receive their production licences this year.

Zambia

The rapid expansion seen in the mining sector since the turn of the century and resultant increase in downstream activities have boosted the industrial sector's contribution to Zambia's economic activity to 26% of GDP. Robust performance by the construction sector (accounting for about an eighth of GDP) has been underpinned by largescale mining investments and developments, the domestic production of cement, as well as strong infrastructure spending by the government. Zambia has a structural fiscal deficit due to the high pressure on fixed capital formation in order to address the gaping transport and power infrastructure shortfall. Infrastructure-related projects account for 60% of the World Bank's portfolio in Zambia and the average life of a project is 3.8 years. Geographically, Zambia is favourably located as a regional hub and entry point into the SADC and close to the fast-growing EAC region, a position which could only firm up with the completion of the country's ambitious road, rail and freight transport and power infrastructural programme. The outlook for the construction sector remains robust, and favourably positioned to take advantage of the prolonged energy (and to a lesser extent, base metal) slump. The industrial sector is forecast to continue growing in coming years on the back of on-going mining-related investment, although downside risk pertaining to proposed changes in the mining fiscal regime and current opacity in the political arena are expected to introduce short-term impediments.

Tanzania

Cement imports by the EAC's second-largest economy increased from 92,400 tonnes during 2006 to 101,400 tonnes in 2012. According to the US Geological Survey (USGS), Tanzania's domestic cement production also increased almost two-fold during the period to 2.58 million tonnes in 2012. However, despite higher production and increased imports, cement demand remained higher than supply at an estimated 3.5 million tonnes in 2012. Deputy Trade Minister Janet Mbene expects the country's cement output to double to six million tonnes in a few years' time, as seven new factories are expected to commence with production. The country's industrial sphere is amongst its strongest growing sectors, driven especially by construction, mining and manufacturing. The industrial sector's contribution to GDP will rise in the long term as the country's deposits of coal, natural gas, and uranium are mined, while the manufacturing sector is expected to gain further in importance. The country also has a lot of untapped potential in the tourism sector, which could be utilised if the necessary tourism infrastructure is put in place and/ or upgraded. The nascent gas industry will be one of the key focus points of construction activity in coming years. Already the region's largest market for gas consumption, Tanzania's possible gas reserves are in the region of 43 Tcf, according to the Tanzania Petroleum Development Corporation (TPDC).

Final Thoughts

Africa's largest, most vibrant and fastest growing economies are offering significant opportunities for companies in the construction business and with interests in infrastructure development. However, these countries are far from homogenous, and present diverse bureaucratic requirements, construction costs, levels of industry transparency, foreign involvement, and financial market development. Africa's construction and infrastructure landscape is certainly full of challenges – as are many other sectors. The continent is said to have a significant handicap in terms of economic development potential due to its infrastructure deficit. Even when excluding profit and loss considerations, the infrastructure issue is at heart also a humanitarian and socio-economic issue. In the case of some 40 billion potential work hours lost each year to African people being unable to open a tap in their homes for water, the issue of infrastructure expands into areas of health and education as well. However, with the rapid expansion in infrastructure seen over the past decade, the growing interest in non-African companies in partaking in this immense growth, as well as the evident positive outlook for construction in many African states, the opportunities presented by the continent cannot be ignored. This document incorporates an overview of several countries' current activities surrounding oil and gas, shipping, electricity, retail, ports and railway. Africa is evidently firmly on the radar of major construction multinational companies with hundreds of large projects already underway on the continent. These initiatives are no longer limited to mineral resources, as many still believe, and have diversified into other sectors. *(KPMG Africa Blog)*

ADB pays for studies for hydropower plant construction in Guinea-Bissau

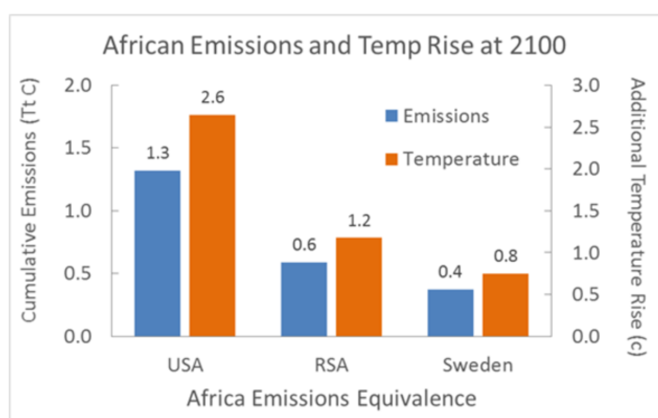
The Sustainable Energy Fund for Africa has approved a grant of 866,000 euros to prepare the construction of a hydroelectric power plant in Saltinho, southern Guinea-Bissau, said the African Development Bank (ADB). The hydroelectric power station with an installed capacity of 20 megawatts, will supply the city of Bissau and even

neighbouring countries within the scope of the Organization for the Development of the River Gambia. "The money is intended to pay for technical assistance to prepare the project in order to attract private investors and contribute to bank funding," reads the statement, which stresses that the grant will cover a technical feasibility study, the definition of institutional and financial relationships to create an independent power producer, or create a public-private partnership. The Sustainable Energy Fund for Africa (SEFA) is managed by the African Development Bank and funded with 54 million euros by the governments of Denmark and the US, to support renewable energy projects and energy efficiency on a small and medium scale in Africa. *(Macauhub)*

ENERGY

How can Africa make low carbon energy choices?

Africa is the poorest continent, with the fastest growing population. Rapid and sustained economic development is needed to overcome poverty. This development will need energy, and lots of it. The challenge is to do this without warming the planet further, as this would cause additional dangerous climate impacts that could undermine African development gains. While it might seem counter-intuitive, low-carbon development should be part and parcel of African countries' climate change adaptation strategy.



Africa's energy and development challenge

Kofi Annan's African Progress Panel 2015 Report clearly explains Africa's energy challenge. The continent uses less energy than Spain, and half this energy is consumed in South Africa. Two-thirds of its people do not have access to electricity. A prosperous and healthy Africa will need an energy supply that is similar to Europe as a whole, not just Spain. The problem is that this energy needs to be very low or zero carbon.

Africa's contribution to global warming

Humanity has already burnt nearly 60% of the one trillion tonnes of carbon that can be consumed, while retaining a reasonable chance of avoiding dangerous climate change. This is commonly taken as keeping below an overall global warming of two degrees above pre-industrial temperatures.

While it would be nice to think that some of the remaining 400 billion tonnes of carbon might be allocated to Africa, the reality is different. Emissions from all the big culprits are still growing and will take decades to start decreasing. The political, economic and technical lock-in of existing systems makes change very slow. So these existing big emitters will burn at least this remaining carbon budget, and any new emissions from Africa will take global warming ever further beyond two degrees.

A couple of calculations illustrate the climate impact of different African energy futures. For these calculations, I make the following presumptions and assumptions:

- Every additional trillion tonnes of carbon that is burnt will, as a best guess, warm the planet by a further two degrees.
- African population will increase from 1.2 billion today to 2.5 billion in 2050 and 4.5 billion in 2100 – you might like to listen to this BBC podcast on Africa's growing population.
- To achieve its development goals, energy access in Africa will shift from the current 33% to 100% by 2050, and so the per capita carbon emissions increase from the current level proportionately through to 2050, and remain constant to 2100.

And now here are three scenarios for African per capita carbon emissions in 2050, when full energy access is assumed to be achieved (using CO2eq emissions from World Resources Institute, and dividing by 3.67 to get to tonnes of carbon):

- The same as the USA today (5.95 tonnes per person per year)
- The same as South Africa (2.65 tonnes)
- The same as Sweden (1.69 tonnes)

Cumulative African carbon emissions under different per capita carbon intensities, and the resultant additional global warming from these emissions.

Mark New

As can be seen from the simple graph, energy development in Africa, under a range of carbon intensities, could result in an additional 0.4 to 1.3 trillion tonnes of carbon being burnt. This would cause an additional global warming of 0.7 to 2.6 degrees.

It is probably safe to assume that Africa will not end up having the carbon emissions of today's average American. But following a traditional carbon-based energy future could easily mean emissions similar to the average South African or Swede, and a best-guess additional global temperature rise of 0.7 to 1.2 degrees.

Impact on Africa of warming beyond 2 degrees

Importantly, every degree of global warming results in between 1.5 and two degrees of warming over Africa, especially in interior and drier areas. So a global warming of three degrees (one degree beyond the two degree global target) leads to local warming of between four and six degrees across Africa. The adaptation challenges of this amount of warming are huge. For instance, one study on common crop types in Africa estimated that nearly all varieties currently grown locally will have to be replaced by new varieties, either from other currently warmer regions, or in worst case, entirely new breeds. Similar challenges face a whole range of sectors, from cities to water to ecosystems and others. Today, the whole of Africa emits about 800 million tonnes of carbon per year (a bit more if one includes land-cover change). This is 1.5% of the global total emissions and won't make a big difference to future global temperature change. But as shown above, energy choices that are made in the next few years and decades could change this picture enormously. Large-scale energy investment and infrastructure locks you in to long term pathways that are difficult and expensive to break from. African emission can remain low, if low-carbon energy choices are made now – energy efficiency, coupled with solar, wind, hydro, geothermal, perhaps even nuclear and carbon capture-and-storage. And Africa can avoid exacerbating the impacts and adaptation challenges that are already in store because of other polluters. *(World Economic Forum)*

Medium-Term Renewable Energy Market Report 2015

As costs fall and emerging economies drive growth, IEA report sees major opportunities – but policy uncertainties remain - 2 October 2015 Istanbul

Renewable energy will represent the largest single source of electricity growth over the next five years, driven by falling costs and aggressive expansion in emerging economies, the IEA said in an annual market report. Pointing to the great promise renewables hold for affordably mitigating climate change and enhancing energy security, the report warns governments to reduce policy uncertainties that are acting as brakes on greater deployment. "Renewables are poised to seize the crucial top spot in global power supply growth, but this is hardly time for complacency," said IEA Executive Director Fatih Birol as he released the IEA's Medium-Term Renewable Energy Market Report 2015 (MTRMR) at the G20 Energy Ministers Meeting. "Governments must remove the question marks over renewables if these technologies are to achieve their full potential, and put our energy system on a more secure, sustainable path."

Renewable electricity additions over the next five years will top 700 gigawatts (GW) – more than twice Japan's current installed power capacity. They will account for almost two-thirds of net additions to global power capacity – that is, the amount of new capacity that is added, minus scheduled retirements of existing power plants. Non-hydro sources such as wind and solar photovoltaic panels (solar PV) will represent nearly half of the total global power capacity increase. The report sees the share of renewable energy in global power generation rising to over 26% by 2020 from 22% in 2013 – a remarkable shift in a very limited period of time. By 2020, the amount of global electricity generation coming from renewable energy will be higher than today's combined electricity demand of China, India and Brazil. The report says the geography of deployment will increasingly shift to emerging economies and developing countries, which will make up two-thirds of the renewable electricity expansion to 2020. China alone will account for nearly 40% of total renewable power capacity growth and requires almost one-third of new investment to 2020.

Declining costs drive growth

Renewable generation costs have declined in many parts of the world due to sustained technology progress, improved financing conditions and expansion of deployment to newer markets with better resources. Announced prices for long-term generation contracts at reduced levels are emerging in areas as diverse as Brazil, India, the Middle East, South Africa and the United States. As such, some countries and regions now have the potential to leapfrog to a development paradigm mainly based on increasingly affordable renewable power. This is especially true in Sub-Saharan Africa.

"Affordable renewables are set to dominate the emerging power systems of the world," Dr. Birol said. "With excellent hydro, solar and wind resources, improving cost-effectiveness and policy momentum, renewables can play a critical role in supporting economic growth and energy access in sub-Saharan Africa, meeting almost two-thirds of the region's new demand needs over the next five years."

Still, the MTRMR highlights risks. Financing remains key to achieving sustained investment. Regulatory barriers, grid constraints, and macroeconomic conditions pose challenges in many emerging economies. In industrialised countries, the rapid deployment of renewables requires scaling down fossil-fired power plants, putting incumbent utilities under pressure. Wavering policy commitments to decarbonisation and diversification in response to such effects can undermine investor confidence and retroactive changes can destroy it. Consequently, global growth in the report's main case forecast is not as fast as it could be – and annual installations level off, falling short of what's needed to put renewables on track to meet longer-term climate change objectives.

The report includes an accelerated case that assesses the impacts of enhanced policy frameworks in key countries, finding that this could boost global cumulative renewable power growth by 25% above the main case, with rising annual installations. An improving picture for renewables can have positive ramifications for global climate change

negotiations. At the same time, a clear, supportive outcome from the COP21 climate negotiations in Paris in December could create a virtuous cycle for renewable deployment by increasing long-term policy vision and predictability.
But the accelerated case requires more coherent and committed policy action. “To be sure, system and grid integration will be crucial for enabling high levels of wind and solar PV. The IEA remains at the forefront of addressing these issues, including possible impacts on electricity security,” concluded Dr. Birol. “But while variability of renewables is a challenge that energy systems can learn to adapt to, variability of policies poses a far greater risk.” *(IEA International Energy Agency)*

Could Africa become a global leader in green energy?

It’s no secret that Sub-Saharan Africa is desperately short of electricity. Excluding South Africa, consumption averages around 162 kilowatt-hours (kWh) per capita per year. This compares to a global average of 7,000 kWh. It would take the average Tanzanian around eight years to consume as much electricity as an American uses in one month, the latest report from the Africa Progress Panel indicated. When American households switch on to watch the Super Bowl, the annual finale of the football season, they consume 10 times the electricity used over the course of a year by the more than 1 million people living in Juba, South Sudan. But Africa can also become the global leader in low-carbon energy systems; new technologies, new business models and utility reform could be every bit as transformative in energy as the mobile phone was for telecommunications. Already, the region is registering some of the most remarkable advances in solar, geothermal and wind power. Four broad technological solutions have the capacity to improve access to energy in most energy-poor regions.
The first is the use of standalone devices such as solar lanterns, solar home systems and cook stoves.
The second is the use of energy efficient products such as power-saving light bulbs, fridges and fans. Energy efficient products increase access to energy by maximising what one can do with limited power.
The third is the extension of the national grid; while the fourth is mini-utilities/mini-grids – small power plants that can run on solar, wind, hydro, biomass or diesel power, and are able to reach 100-250 or more households. Mini-grids “exciting”. Mini-grids are particularly exciting for Africa because they decentralize energy, giving autonomy to underserved areas. Mini-grids also temper energy consumption, easing pressure on the national grid, therefore reducing capital expenditure and generating savings for both families and governments.
But even with all the opportunities, there are still some challenges – mainly access to finance, business and technical expertise constraints and regulatory challenges. Setting up a mini-grid typically requires high upfront and overhead costs for the developer, and on the consumer end, the connection fees may be out of reach of poor households unless they can access financing or an innovative payment plan. Operational costs can also be restrictively high; collection of payments from door to door is often costly and time inefficient. When it comes to regulation, old laws still exist that make it difficult to get private sector participation in mini-grids. One of the major impacts of the archaic regulations is that they created monopolies in power generation and such monopolies are generally hard to change or to privatize without a significant time lag. In Kenya for example, national utility Kenya Power owns and operates most of the electricity transmission and distribution systems in the country. The government has a 50.1% stake in it with private investors owning 49.9% of it. Kenya’s 2014 Rural Electrification Master Plan identified 33 new sites to be established as mini grids with the plan to open way for private distributors in mini grids, but policy regarding private sector participation is still to be finalized. Currently there are 15 mini-grids operated by Kenya Power, with one connected to the grid and 10 more being developed.

East African breakthroughs

Inroads are however being made in Eastern Africa, to deal with the key challenges, and in particular the financing issue.
In 2014, early-stage investments in off-grid solar companies operating in developing countries stood at a record $63.9 million, led by two large deals: $20 million in debt and grants to Kenya’s M-KOPA Solar and $23 million in venture funding for Tanzania-based Off-Grid Electric. The newly launched Energy Access Ventures Fund aims to provide first ever electricity to one million low-income beneficiaries in rural and peri-urban areas by 2020. Launched in 2015, the fund aims to boost access to energy in Africa by making long-term equity investments in African SMEs beyond the concept development stage into generation and distribution, and will offer access to technical experts. The 55 million Euro ($61million) investment will initially target Burundi, Ethiopia, Kenya, Malawi, Mozambique, Rwanda, Tanzania, Uganda, Zambia and Zimbabwe Other interventions in the region have also focused on combining technical assistance with credit guarantees to financial institutions to enable them to lend to both the supply side (including entrepreneurs, wholesalers and dealers) and the demand side (end-users) of the energy market. Africa has a unique opportunity to tackle access to energy issues on the continent by learning from successes in Eastern Africa and, in particular, how off-grid solutions can best be developed and managed to ensure maximum efficiency. *(World Economic Forum)*

First ‘fully local’ solar PV projects selected under REIPPPP

The 5.8 MW Adams and 5.8 MW Bellatrix solar projects, in the Western Cape, have been selected under the Department of Energy’s (DoE’s) Renewable Energy Independent Power Producer Procurement Programme (REIPPPP), becoming the first projects under the programme to be locally developed, designed, funded, constructed and operated. The projects, which were sponsored by the Cape Town-based Aurora Power group, would be designed, built and operated by a locally owned solar photovoltaic (PV) engineering and construction firm SOLA Future Energy, while the

Industrial Development Corporation and local black-owned company Mergence Investment Managers had signed a term sheet to provide debt to the project company."We're very excited to finally have a completely locally controlled, financed and constructed project. Until now, our participation had been limited by the size of the projects and the competition experienced from internationally backed independent power producers IPPs. "Although we've developed 245 MW of successful IPP projects with excellent partners over the previous rounds of bidding, we have had to sell or partner with larger international companies to meet the requirements of lenders and the market," remarked Aurora cofounder Chris Haw. The projects were selected under the DoE's Small Projects IPP Procurement programme, which was intended to address criticisms that the bulk of successful projects awarded under the REIPPPP tended to be controlled or built by foreign companies. Along with instituting a 5 MW generation capacity limit, the small projects programme required that 60% of the ownership of the projects remained in local hands and 15% be owned by small- to medium-sized business enterprises. Haw added that the projects would each generate around 190-million "carbon-free" kilowatt-hours over the life of the plant, enough to power 1 000 middle-income households.*(Engineering News)*

Southern Africa power generation investment up to $233 bln by 2027

The Southern African Development Community (SADC), a regional trade bloc, will invest between $114 billion and $233 billion from 2012-2027 to improve electricity generation, a new report said, as part of plans to ramp up renewable energy projects. Home to around 298 million people, the region faces significant energy shortfalls, ranging from low rates of electricity penetration to ageing power plants. Blackouts occur daily in some countries, hampering economic growth. "The related transmission investment costs to support new generation capacity are estimated at $540 million, not including already planned transmission interconnectors and national backbone lines," said the 2015 SADC renewable energy and energy efficiency status report released at a Cape Town conference. In South Africa, the continent's most developed economy, state-owned power utility Eskom is forced to cut electricity frequently owing to supply shortages. Zimbabwe and Namibia also face shortfalls. The energy crunch and the impact of coal-fired power plants on the climate have led to a push across the continent to diversify the energy mix to include greener sources, such as solar, wind and hydro. "Renewables ... provide needed energy services in a sustainable manner, more rapidly and generally at lower cost than fossil fuels. Their potential for the African continent is significant," said Christine Lins, executive secretary at the Renewable Energy Policy Network for the 21st Century, which brings together governments, NGOs and research institutions. Biomass remains the major source of energy in most SADC member countries, with wood and charcoal accounting for more than 45 % of the final energy consumption in the region. The report noted that renewable energy in southern Africa was increasing rapidly, accounting for around 23.5 % of generation, with hydropower, which has installed capacity of just under 12,000 megawatts (MW), the major source. "Current potential hydro resources in the region amount to just under 41,000 MW, not including major expansion on the Congo River," the report said. Experts cite power shortages as one of the foremost barriers to development in the vast Democratic Republic of Congo. Only about 10 % of the population has access to electricity. *(Reuters)*

Commercial operation starts at R3.5bn Dedisa peaker power project

Commercial operation has started at the 335 MW Dedisa Peaking Power project, in the Coega industrial development zone, in Port Elizabeth. The R3.5-billion project was originated by the Department of Energy (DoE), with the build, own and operate contract awarded to a consortium comprising ENGIE (formerly GDF Suez), Legend Power Solutions, Mitsui & Co and the Peaker Trust, acting on behalf of the local community. Together with the R6-billion 670 MW Avon project, near Durban, in KwaZulu-Natal, Dedisa was South Africa's first large-scale independent power project originated by the DoE. The power generated by the two open-cycle gas turbine power plants would be sold to State-owned utility Eskom under a 15-year power purchase agreement (PPA). The plants were located adjacent to existing high-voltage Eskom substations, with the electricity being fed into the transmission system at 275 kV and 400 kV respectively. A consortium led by Ansaldo Energia and Fata of Italy started construction on the Dedisa plant in September 2013. It had been a major source of local employment, with a peak of 1 400 workers on site in November 2014, with 70% of the total workforce employed to build the facility originating from the local communities, with 57% black management and in excess of 2.3% of payroll spent on skills development initiatives. The operation of the plant would also create permanent direct and indirect jobs for the local community. The Peaker Trust, which owned 10% of Dedisa, would use dividends it receives from the plant operations to fund socioeconomic development initiatives. "We owe our success to a solid partnership, strong support from local and national authorities and highly motivated teams," commented Dedisa Peaking Power CEO Arnaud de Limburg. "Looking ahead, I am confident that in the frame of South Africa's Gas Utilisation Master Plan, we will be bale to convert the Dedisa facility to baseload and combined cycle, as envisaged by the DoE," he added. *(Engineering News)*

Morocco economy: 49 firms pre-qualify for Nour Tafilalt solar

The state-owned utility firm, Office national de l'électricité et de l'eau potable, has pre-qualified 49 applicants from 19 countries for the construction of the Dh1.3bn (US$134.5m) Nour Tafilalt solar energy complex in south-eastern Morocco.

With a total planned installed capacity of 75 mw, Nour Tafilalt is modest compared with Morocco's broader renewable energy plan, which aims to install 2000 mw each of solar, wind and hydropower capacity by 2020. Nour Tafilalt will consist of three 25-mw solar stations in the south-eastern towns of Erfoud, Missour and Zagora. World Bank-overseen entities, including the International Bank for Reconstruction and Development and the Clean Technology Fund, agreed in April to provide over 95% of project financing.
The scale of the Nour Tafilalt round was reportedly not large enough to interest the major players in the industry. Nevertheless, 49 applicants will be hailed by the authorities as a sign of confidence in Morocco's political stability and improving regulatory environment for investment in energy infrastructure. By way of comparison, only 19 groups submitted pre-qualification applications in 2010 to develop the flagship 510-mw solar project in Ouarzazate; only four were invited to submit formal bids, due in part to the scope of the project. The first phase of the Ouarzazate site, a 160-mw concentrated solar power plant developed jointly by Saudi Arabia's ACWA Power and Spain's Sener, will significantly expand Morocco's solar capacity (from 20 mw currently) when it begins operation in late 2015.
Foreign investment in the renewables sector is expected to remain robust in the medium term, largely owing to the sector's stable regulatory environment. In late September a separate pre-qualification process for a 170-mw photovoltaic plant did attract some big players, including UAE's Masdar teaming up with Spain's Gransolar. Also in September, Italy's Enel Green Power confirmed its interest in both Moroccan solar and wind projects, as part of its five-year development strategy. However, any perceived preference for bids from the kingdom's Gulf Arab allies-a consortium led by Saudi ACWA Power won all the bids for the first three phases of the Ouarzazate complex-could dampen investor interest in the medium term. *(Economist Intelligence Unit)*

MINING

Zimbabwe gold mines seek cuts in power tariff, royalties

Zimbabwe's gold producers have asked President Robert Mugabe's government to cut royalties and electricity tariffs by half to prevent the collapse of mines struggling with low bullion prices, a group representing major mines said.
Gold is Zimbabwe's third-largest export earner after tobacco and platinum and the sector is still trying to emerge from a deep recession between 1999-2008, during which output fell to just 3.8 tonnes, its lowest since independence in 1980, and many mines were forced to suspend operations. The Chamber of Mines of Zimbabwe, which represents major mines, including large gold producers, told the government in a document seen by Reuters that high power tariffs and royalties and a lack of capital were stiffling the sector. Gold producers want the royalty on gold, levied on the value of what is produced, cut to 2.5 % from 5 % and the electricity tariff reduced to as low as 6.7 cents a kilowatt-hour from 12.8 cents. "These measures will assist producers to break even and sustain production and ameliorate the potential incidences of closure or placements under care and maintenance," the chamber said. A senior official from the chamber said the proposals were submitted in September but the government had yet to respond. Finance Minister Patrick Chinamasa on July 30 cut royalties levied on small-scale gold producers to 1 % from 3 % but retained the levy on large mines, who accounted for 63 % of gold deliveries between January and June this year. The mining chamber also wants electricity tariffs and royalties to be linked to movements in the price of gold. The mining chamber said at current bullion prices below $1,150, gold mines were incurring an average loss of $70 per ounce compared with a profit of $76 in 2013. Gold mines have cut wages and labour hours, renegotiated price reductions and discounts with key suppliers and replaced contractors with in-house staff, but costs remain above current gold prices, the chamber of mines said. *(Reuters)*

Botswana plans "bold" economic stimulus after diamond price drop

Botswana will use some of its $8.5 billion in foreign exchange reserves to stimulate the economy after a drop in diamond prices hit growth in the world's biggest producer, President Ian Khama said. Botswana in September slashed its 2015 growth forecast from 4.9 % to 2.6 % and said the southern African country would post a budget deficit this year and next. Diamonds account for around 75 % of Botswana's foreign exchange earnings and 30 % of GDP, but gem demand has slowed since late 2014 as middlemen who buy rough stones struggle with a stronger dollar and liquidity problems. The value of rough diamond exports from Botswana's mines fell 15 % in the first six months of the year. "We have realised our economy is going to stagnate," Khama said in a televised speech. "The time has come for us to make bold decisions and implement these new projects that will boost our economy. But that doesn’t mean we are going to be reckless," Khama added, without giving details on the size of the extra spending. The economic stimulus, which Khama said would be ready in "a few weeks", will target tourism development, agricultural production, construction and manufacturing. Botswana currently has 88 billion pula ($8.5 billion) in foreign currency reserves, with around half held in a sovereign wealth fund. ($1 = 10.3093 pulas) *(Reuters)*

OIL & GAS

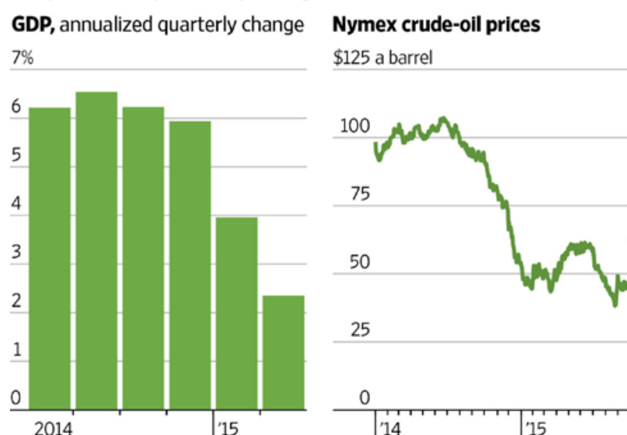
Tanzania launches project to pipe natural gas to capital

Tanzania has initiated a $1.33 billion project to pipe natural gas to its commercial capital, Dar es Salaam, and help relieve chronic power shortages in the city, the president's office said in a statement. The 532 km (330 mile) Mtwara-

Dar es Salaam pipeline and gas processing plants, largely financed by a Chinese loan, is part of a plan to add about 2,000 megawatts of new gas-fired electricity generating power by 2018 to increase Tanzania's generating capacity to 10,000 MW by 2025. Most new plants will be gas-fired but Tanzania also wants to use coal reserves and renewable resources such as wind and geothermal. "Tanzanian president Jakaya Kikwete inaugurated the pipeline and gas processing plants ... ensuring availability of gas for electricity generation to power factories and for domestic use," the presidency said in a statement. The expanding capacity will help meet domestic demand as the government connects more people to the national grid beyond the 40 % who are connected now, and offer the opportunity to export to neighbours. Tanzania estimates it has about 55 trillion cubic feet (tcf) of recoverable natural gas reserves off its southern coastline. Discoveries in Tanzanian and Mozambican waters have led to predictions the region could become the world's third-largest exporter of natural gas. The government said it hopes by switching to gas-fired power plants to save around $1 billion a year in oil imports for electricity generation after the completion of the pipeline. Kikwete also confirmed a project to build a new cement plant owned by Nigerian businessman Aliko Dangote in southern Tanzania close to its natural gas fields. Kikwete said the factory would produce 3 million metric tonnes of cement a year, and cost $600 million to construct. *(Reuters)*

Nigeria President's Bid to Rev Economy Hits an Oil Shock
Low prices hamper Buhari's efforts to restart refineries and combat terrorism in world's most populous petrostate

Newly elected Nigerian President Muhammadu Buhari's plans to overhaul the world's most populous petrostate include pushing people like Bombo Okpe out of the oil business. Mr. Buhari recently dispatched soldiers to torch the rusted oil drums and steel piping Mr. Okpe had rigged to refine stolen crude into gasoline and kerosene in a mangrove swamp here. Mr. Okpe says he is too afraid to rebuild. The president's move marks a major reversal in a country where thieves used to set fire to government refineries and build their own from spare parts. Now Mr. Okpe's operation is in ashes, while a few miles away engineers are revving up a refinery that hasn't worked properly in years. "They see light at the end of the tunnel," said Hippolite Amadi, an executive director at Warri's troubled refinery, which has gone in and out of operation for decades. "People want to help the president improve their country." Yet Mr. Buhari's overhauls are running up against a familiar foe: cheap oil. Nigeria's $22 billion annual budget—of which oil fuels more than 70%—assumes an average oil price of $65 a barrel, but prices are hovering around $45. "The shock—we still haven't recovered from it," Mr. Buhari said, as he attended the United Nations General Assembly. "Being an industry we depend on, it is a very serious economic development. It has really upset us very much." Mr. Buhari said he will run Nigeria's oil ministry himself because he didn't trust anyone else to implement his plans. The president's battle to jump-start Africa's top economy echoes the challenge facing leaders of commodity-rich nations from Brazil to Indonesia who have staked their future on China's demand for their oil, iron and coal. With China's economic growth slowing, their currencies and growth rates are plunging, too.



In the oil-rich Niger Delta, plunging prices are frustrating efforts to modernize equipment and appease impoverished residents who have long complained that the oil wealth around them flows to corrupt officials and out of the country. "Buhari needs to carry us along," said Paul Ozoboso, a former militant who swapped years blowing up wellheads for a monthly stipend of $320 and equipment to start a welding business. Mr. Buhari says he will end the program, brokered by his predecessor Goodluck Jonathan in 2009 to end an epidemic of sabotage and kidnapping, if money is too tight. The president is seeking to avoid a repeat of the fallout from an oil rout that clouded his first stint running Nigeria as a military dictator in the 1980s, when prices plunged to $27 a barrel and the government went bankrupt. After 20 months, soldiers marched him out of office at gunpoint.

This time, Mr. Buhari was elected in March on a pledge to fight corruption and defeat the Islamist insurgency Boko Haram. He has sent warplanes to bomb oil thieves' encampments and ordered the delta's crude-stainedcreeks cleaned up. "If we allow the militants to ruin all our petroleum installations, blow up the pipelines, blow up the refineries and so on, if we don't get the money from other sources, we cannot prosecute the war against insurgencies," Mr. Buhari said. "Somehow Nigeria has to survive." Nigeria's economy will grow just 2.8% this year, Renaissance Capital says, after a decade of average growth above 7% that elevated it above South Africa's as the continent's largest. That won't be enough to create jobs for the 13,000 Nigerians born each day. Gallop says just 9% of Nigerians work full time for someone else. "If they take this, they must give something else," said Mr. Okpe, the erstwhile illicit oil refiner. "How

will I feed my kids? I just pray." Mr. Buhari must balance his oil-sector crusade against the equally urgent battle to stop Boko Haram, which has devastated Nigeria's northeast. Last week, bombings in the city of Maiduguri killed more than 100 people. "We reorganized the military and did retraining…and moved the tactical headquarters closer to where the rebel threat is," the president said. "The government is gaining a lot of ground."
Meanwhile, Mr. Buhari's threat to end the 2009 militant payment agreement could spark new violence that would undo progress made at the refinery in Warri. In 2013, militants broke their truce and set it on fire, halting production for six months. Smaller attacks by hacksaw-wielding thieves who supply illicit refiners like Mr. Okpe have wrecked the 40-mile pipeline that feeds the plant. In August, the refinery ran dry. Still, longtime Warri employees say Mr. Buhari has given them newfound purpose. Workers in hard hats were recently washing sludge off tanks that had been out of service for months. The plant's flares again shot flames into the rainy season clouds. "It was depressing to have nothing to work with," said production manager Azubuike Ariaga, who has worked at the plant since the 1980s. Now, he said, "Buhari sees these as national assets that should not be degraded." Nearby, mechanics were oiling and reassembling one of the plant's 25-year-old fire engines. Shop owner Steve Mojugbe said the refinery owed him $135,000 for maintenance done this year, before Mr. Buhari's overhauls began. "He's started well. At least the body language is changing," Mr. Mojugbe said, "Let's see whether it turns into all the right moves." *(Wall Street Journal)*

Angola's Sonangol concludes awards of onshore oil blocks in November
Angolan state oil company Sonangol is expected to conclude in November its examination of the proposals from 2014-2015 for onshore oil blocks in the basins of the Kwanza and Lower Congo, the state company said. Sonangol, in a statement issued in Luanda, reported that 45 days after opening the proposals it is expected to award concessions and sign contracts with contractor groups. The blocks up for concession are doe oil exploration in the onshore basins of the Kwanza (seven blocks) and Congo (three blocks) which, according to Sonangol may represent over half of all known reserves in Angola, or at least 7 billion barrels. Among the 38 oil companies pre-qualified in this bidding process – which began in April 2014 – were, as operators, companies such as Italy's ENI, US Chevron or Colombia's Ecopetrol and Portugal's Galp Energia and Partex. In the running as non-operators (minority contractors in groups to be established by block) according to information from Sonangol, 47 companies were selected in pre-qualification, although it is not known which companies put forward final proposals. *(Macauhub)*

Chinese companies bolster oil sales in Angola
Chinese companies are bolstering Angola's oil sales, even at a time of uncertainty when Chinese purchases from other countries in the region, such as Nigeria, are falling, according to figures from financial news agency ThomsonReuters.
China International United Petroleum & Chemicals Co. (Unipec) has been one of the most active buyers on the spot market, absorbing most of the Angolan oil shipments marketed for November, according to the agency. "Angola is selling quite well, with Chinese companies buying a large number of oil shipments," a trader told ThomsonReuters.
Only a third of the 55 Angolan oil shipments scheduled for November had not been auctioned by the end of September, compared with Nigerian oil shipments, the majority of which had yet to be sold.
In October, according to figures from ThomsonReuters, exports from West African countries to China are expected to have been the lowest of the last four years – about 735,000 barrels per day (bpd). India increased its purchases from countries in the region from 475,000 barrels to 552,000 barrels, as did Taiwan. Angola is the main African oil supplier to China with exports of 806 million barrels in 2014. Long-term supply contracts to China, which have intensified since 2002, have come to be regarded as a financial "cushion" for Angola in the current environment of falling prices, due to the way the price is set, which is favourable for Angola in times of market fluctuation. The Africa Intelligence Monitor, citing senior officials of the Angolan regime, said the sharp drop in oil prices has to some extent been mitigated by these long-term contracts. According to figures recently compiled by Reuters, China's funding to Angola, including the latest loans, already amounts to US$20 billion, support that has become increasingly necessary due to the sharp decline in oil revenues over the last year.
In recent years, the Chinese state oil companies have been acquiring major stakes in Angolan oil wells. In 2005, the acquisition by China Petroleum & Chemical Corporation (Sinopec) of Block 3/80 coincided with the announcement of a new loan of US$2 billion to Angola and, in 2010, the same Chinese state oil company bought 50 % of Block 18, while the first tranche of a loan from the China ExIm bank was paid out. Also with Chinese capital, the China International Fund (part-owned by China Sonangol), is starting the construction of the new Soyo refinery (northern Angola), which should be operational in 2017, with a processing capacity of 110,000 barrels of fuel per day. Angolan economic growth forecasts have been revised downwards, given the uncertainty about a recovery in oil prices, the government now pointing to 4.4 %, which is significantly above the figure put forward by the International Monetary Fund (3.5 % in 2015 and 2016). *(Macauhub)*

Mercuria acquires 17% stake in Forte Oil for $200m
One of Nigeria's integrated energy solution providers, Forte Oil Plc, confirmed the acquisition of 17 per cent of its equity by Mercuria Energy Holdings SA for $200 million. With the foreign direct investment in Forte Oil, the world's third largest independent energy trader and asset operator has made inroads into the West African energy sector.

Forte Oil said in a statement that through this investment, it had secured additional working capital to continue its meteoric growth and dominance in the downstream sector, upstream services, power generation and upstream exploration in its bid to becoming Nigeria's premier integrated energy solution provider. "Mercuria is joining forces with Forte Oil at an auspicious time when equitable funding and expertise is needed to expand and intensify its market penetration to give the company the leverage to further create a positive impact for all shareholders. "This is another step towards projecting Forte Oil Plc as the investment of choice as reflected in our mission statement," Forte Oil said.
Forte Oil said the investment has been approved by the Nigerian Stock Exchange (NSE) and the Securities and Exchange Commission (SEC), adding that it is geared towards improving the group's working capital and would be used for the expansion of the downstream and power generation businesses in Nigeria as well as positioning itself for future opportunities in the Nigerian oil and gas sector.
Mercuria Energy Group Holdings SA was founded in 2004 by Marco Dunand and Daniel Jaeggi, former executives at Phibro—the commodities trader sold by Citigroup to Occidental Petroleum in 2009—and previously at Goldman Sachs. Until 2007, Mercuria was called the J&S Group and focused mostly on oil trading. With their expansion, they have hired away traders and investment professionals from across Europe, particularly Morgan Stanley, Goldman Sachs, Louis Dreyfus Group and Electrabel in London. Mercuria's 2013 revenue was $112 billion.
Forte Oil is a leading indigenous major marketer of refined petroleum products with a strong presence in all parts of Nigeria. The company has over 500 Forte Oil owned, dealer-assisted and dealer-developed retail outlets spread across the country, a major fuel storage installation at Apapa, Lagos, and another major storage depot in Onne, Rivers State. It also has an aviation joint users' hydrant in Ikeja, Lagos, and joint aviation depots in Abuja, Port Harcourt and Kano, as well as eight retail outlets in Ghana under the trade name of AP Oil and Gas Ghana Limited (APOG). In the midstream sector, the company has also established a reputation for effectively servicing the upstream sector under its trade name – AP Oilfields Servcies Limited (APOS). *(African Markets)*

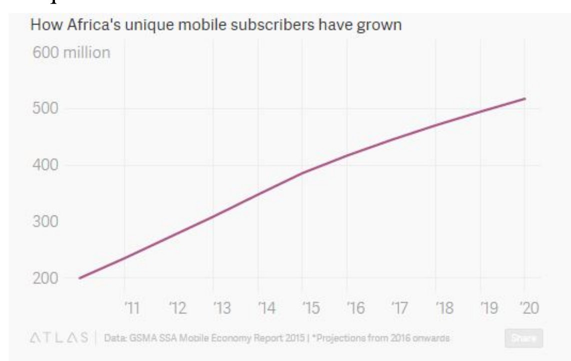
TELECOM

Mozambique government calls for of state-owned telecom

Mozambique's state-owned telecommunications company Telecomunicações de Mozambique (TdM), which is making a loss, has been frozen in time and is unable to position itself in the current competitive market, the Minister of Transport and Communications said in Maputo. Minister Carlos Mesquita, who was speaking at the end of a visit by Prime Minister Carlos Agostinho do Rosário, said the company had resources that needed to be well managed to reverse the current loss-making situation and called for TdM to restructure in order to operate in a competitive market. At the time, the minister said the project to merge TdM with state mobile phone company Moçambique Cellular (mCel), which also is in a difficult economic situation, needed to move forward. "We can start thinking about sharing infrastructure to reduce operating costs," advised the minister, adding that attention should be paid to investments "because TdM has been frozen in time and is unable to position itself in a competitive market," according to Mozambican news agency AIM. Virtually all public companies, Moçambique Celular, airline LAM and now TdM, visited by the Prime Minister are currently making a loss, which has been a concern for the current government. *(Macauhub)*

What is holding back Africa's mobile growth?

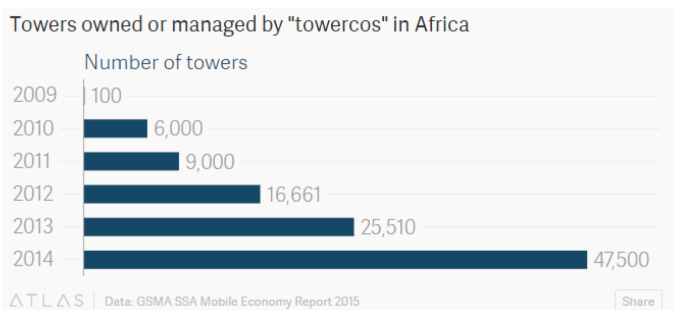
Africa's mobile connections may be edging closer to the one-billion mark, but growth in unique mobile subscribers—the number of individuals that have subscribed to a mobile service—will slow down over the next years says a a new a report from GSMA, the international organization of mobile operators and companies.
Africa currently has 367 million unique mobile subscribers, and its fastest growth period for these subscriptions was in the first half of this decade (2010-2015), with an annual growth rate of 13%. The GSMA now expects the growth rate of unique mobile subscribers to slow down to 6% in the second half of the decade (2015-2020).



One of the reasons the GSMA has cited for slow down in growth is "a weak business case for rural network rollout". According to GSMA mobile users in rural areas generate a low average revenue per user (ARPU) for mobile operators. The costs associated with setting up and maintaining networks in these areas is a barrier for operators wanting to extend their coverage, as it "makes it hard to justify the high costs of network deployment and maintenance in remote communities," says the GSMA.

Tower sharing as a solution

Rural areas in Africa typically have a lower population density, making it difficult for operators to spread out their coverage. To address the coverage gap, the GSMA recommends (pdf, pg.5) infrastructure sharing as a strategy to extend coverage in rural areas.



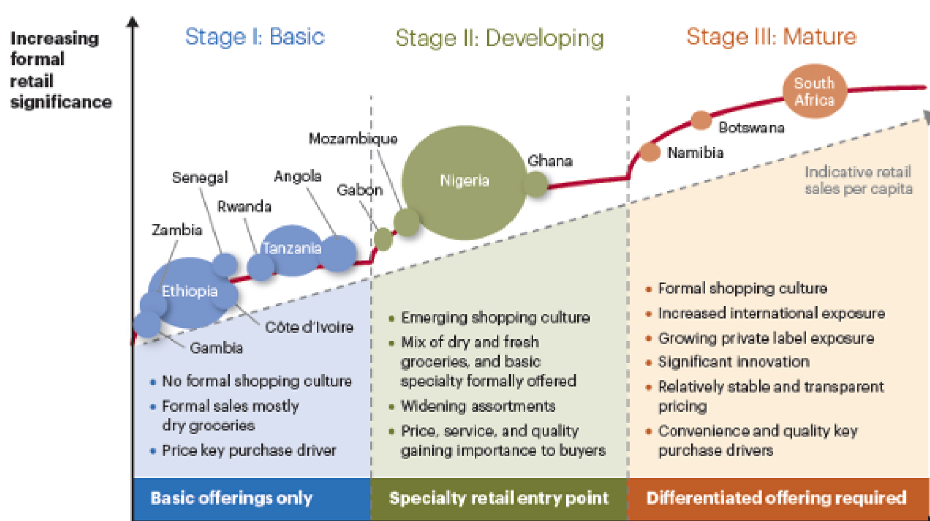
In recent years, some of the continent's leading operators, like MTN, have sold off their tower assets to tower management companies—known as "towercos"—to reduce their running costs. In turn, this has helped operators who may not have the infrastructure in particular areas to take out a tower lease from a towerco, in order to extend network coverage without incurring capital expenditure costs. With over a quarter of Africa's estimated 165 000 towers operated by independent tower management companies, tower the GSMA argues that infrastructure sharing could help "provide coverage in areas that would otherwise be uneconomical". *(World Economic Forum)*

RETAIL

A.T. Kearney ranks Gabon and Botswana as Africa's top retail markets

In recent years there have been growing interest in sub-Saharan Africa's formal retail industry. While most sales are still through informal channels like open-air markets and kiosks, modern retailers (both African and international companies) are growing their footprint. Cities such as Lusaka, Nairobi, Lagos and Accra have also seen the construction of numerous western-style shopping malls.

In its recently published 2015 African Retail Development Index, consultancy A.T. Kearney ranks African countries according to their attractiveness for retail expansion, both now and for the future. Countries were scored on four variables – market attractiveness, country and business risk, market saturation, and the time pressure to enter or expand in the market.



Below are sub-Saharan Africa's most attractive retail markets, as according to A.T. Kearney.

1. Gabon

With a population of just about 1.6 million, Gabon is a somewhat surprising pick for the top retail market. But A.T. Kearney says Gabon represents a balanced profile – an attractive market; moderate to low country risk; a developing yet unsaturated market for modern trade; and little competitive pressure. Gabon's economy is expected to grow by an average of 5.3% annually from 2014 to 2019, according to the IMF.

While trade in Gabon is still predominantly informal, a handful of French players have entered the country. The development of modern retail facilities – such as the 80,000m2 Le Grand Marché de Libreville – is also ongoing.

Gabon's small size is however a significant downside for retailers looking for a large number of customers. "A retailer seeking scale and large volumes may not pick Gabon as their key market, but it can be a good way to gain experience in a strong regional market. And for a specialty retailer or a global sourcing concept, Gabon is definitely a market not to be missed," notes A.T. Kearney.

2. Botswana

Second-ranked Botswana also has a small population of about 2.1 million. What makes the landlocked country enticing for A.T. Kearney is its relatively high GDP per capita ($7,505) and stable economy, supported by a strong diamond mining industry as well as sectors such as agriculture and tourism.

Botswana is classified as a mature retail market. The country's largest supermarket chain is Choppies, and most South African brands also have a presence.

Despite a relatively saturated retail environment, A.T. Kearney says the market as a whole is still growing. The landlocked country's proximity to South Africa and Namibia also make it a potentially attractive entry point for retailers with something new to offer.

3. Angola

Oil-rich Angola is described as an "interesting place to do business" where retailers with an understanding of the market and aware of the risks "can uncover a great opportunity". It currently has a growing retail sector with numerous new shopping malls being built.

Despite strong economic growth of an average annual rate of 10.1% (IMF) from 2005 to 2014, the sharp fall in oil prices has put a damper on the outlook for coming years. According to A.T. Kearney, Angola's true middle class is also relatively small, with consumer spending per capita remaining on the low side.

2015 rank	2014 rank	Country	Market attractiveness	Country risk	Market saturation	Time pressure
1	5	Gabon	20.2	13.0	20.7	12.1
2	8	Botswana	22.3	25.0	0.2	15.9
3	12	Angola	16.6	3.5	22.0	15.8
4	2	Nigeria	13.0	4.1	18.4	22.4
5	4	Tanzania	4.9	7.9	19.8	25.0
6	7	South Africa	25.0	22.7	0.0	9.6
7	1	Rwanda	5.7	11.2	21.6	18.2
8	3	Namibia	18.2	21.9	0.0	14.0
9	6	Ghana	10.9	11.3	21.6	8.5
10	14	Senegal	8.9	7.6	21.1	14.6
11	NR	Gambia	7.8	4.4	23.7	13.3
12	13	Zambia	8.8	8.4	13.5	18.2
13	NR	Côte d'Ivoire	8.7	3.0	22.5	13.3
14	10	Ethiopia	4.7	2.9	25.0	14.5
15	9	Mozambique	4.3	6.3	18.2	18.1

Note: Rankings for 2014 include only the top 15.
Source: A.T. Kearney analysis

But "with a specific proposition and a strong sense of the target market, a retailer can still find a strong opportunity" in Angola, says the report.

4. Nigeria

Nigeria is Africa's most populous country, boasting a population of 178 million. The country is urbanising with an expanding middle and upper class. Modern supermarkets currently only account for 1% of all trade, meaning Nigeria has significant room for growth in formal retail. Online platforms such Jumia and Konga have also found traction, selling everything from electronics to fashion.

But Nigeria only ranks fourth on A.T. Kearney's list due to its relatively low spending power as well as a difficult business environment where barriers to entry remain high and consumers have specific requirements. "Retailers that succeed [in Nigeria] will be those that do not underestimate the effort and investment to be successful."

5. Tanzania

Tanzania's large populace of 49 million (the biggest in the East African Community), its political stability and rapid GDP growth make it a potentially lucrative opportunity. The modern retail industry is still in its early stages of development. Tanzania only has 30% urbanisation, high levels of poverty and a GDP per capita of less than $2,000.

According to the report authors, Tanzania is large enough to introduce a mass-market concept. Dar es Salaam, the commercial capital where most of the wealth is concentrated, could also be an attractive target for the right retailer. But considering Tanzania's small middle class and pervasive poverty, entering the country today would require a basic value proposition and a long-term view to be successful. *(How we made it in Africa)*

AGRIBUSINESS

AB InBev Makes $100 Billion SABMiller Offer Public After Snubs

Anheuser-Busch InBev NV made a third offer for SABMiller Plc, this time going public with a 65.2-billion pound ($99.7 billion) proposal that promptly won support from its biggest shareholder -- but not from the target.

The move, which SABMiller noted was barely higher than the previous offer, raised the stakes in the back-and-forth battle over combining the world's two largest brewers. A merger would create a beverage empire controlling the No. 1 or 2 positions in 24 of the world's 30 biggest beer markets, according to Exane BNP Paribas. As with the previous offers from the maker of Budweiser, this one had two tiers: AB InBev would pay 42.15 pounds a share in cash for a majority of the stock. The price is 44 % above London-based SABMiller's closing level on Sept. 14, the day before renewed speculation about a deal, AB InBev said in a statement. AB InBev proposes paying a lower price, 37.49 pounds a share, in cash and stock for the stakes held by SABMiller's two biggest shareholders. "This is not, in our view, intended as ABI's concluding proposal," said James Edwardes Jones, an analyst at RBC Capital Markets. "But it is likely to put pressure on SAB's management to engage and at least there is now a formal proposition to discuss." SABMiller's largest shareholder, Altria Group Inc., with a 27 % stake, said in a statement that it supported the approach. Altria urged SABMiller's board to engage "promptly" with AB InBev. SABMiller rose 1.9 % to 36.91 pounds at 11 a.m. in London. AB InBev gained 2.3 % to 100.30 euros.

Previous Offers
The world's No. 2 beermaker has already rejected two proposals made privately of 38 pounds a share and 40 pounds a share, the Leuven, Belgium-based company said. Under U.K. takeover law, AB InBev has until Oct. 14 to make a formal offer or it must walk away, and if it doesn't bid it can't renew its takeover effort for six months.
While SABMiller's board will review the latest proposal, it's only marginally higher than a suggestion of 42 pounds a share that AB InBev made verbally when the two companies were discussing the 40-pound-a-share proposal, SABMiller said in a statement. The board, excluding representatives of Altria, would have rejected the 42-pound-a-share offer as too low, the company said. "We continue to work towards a recommended transaction, it's just that after a couple weeks trying the private route we didn't get any meaningful engagement from the board and with the deadline approaching we felt it was important for SABMiller shareholders to understand the compelling opportunity and look at our proposal," AB InBev Chief Executive Officer Carlos Brito said on a conference call.
Emerging Markets
SABMiller can create more value by remaining independent and pursuing growth in emerging markets such as Africa and Latin America, the company said. "AB InBev needs SABMiller but has made opportunistic and highly conditional proposals, elements of which have been deliberately designed to be unattractive to many of our shareholders," SABMiller Chairman Jan du Plessis said in the statement. "AB InBev is very substantially undervaluing SABMiller."
After years of speculation, the approach was hastened by the impact of slowing economies in the emerging markets of China and Brazil and after a decade of consolidation in the industry eliminated smaller targets. A 20 % drop in SABMiller shares in the months preceding AB InBev's approach and the prospect of an end to cheap credit also served as catalysts. Brewers face their biggest challenge in half a century as consumers shift from mid-range mass-produced beers either to premium, microbrew or discount products, McKinsey & Co. analysts said in a report in June.
Tax Savings
Under the cash-and-stock alternative, shareholders owning 41 % of SABMiller could opt for the lower payout. While accepting some stock would reduce the tax hit that would come from selling for cash, it also lowers the price that AB InBev would have to pay. A formal offer is conditional on Altria and SABMiller's second-largest shareholder, the family of Colombian investor Alejandro Santo Domingo, accepting the partial share alternative, AB InBev said. Those two investors own just less than 41 %. AB Inbev's Brito said the company's proposal was crafted with input from BevCo Ltd., the Santo Domingo family holding company. It owns a 14 % stake in SABMiller. AB Inbev doesn't have the support of Bevco, the potential acquirer said in a statement.
World Domination
The transaction would be the biggest of 2015 -- already a bumper year for dealmaking -- and among the largest takeovers ever, according to data compiled by Bloomberg. Together, AB InBev and SABMiller would outrank all other consumer-staples companies by earnings, according to the Exane BNP Paribas analysts, who estimate the combined company would make $25 billion before interest, tax, depreciation and amortization in 2016.
Lazard Ltd. and Freshfields Bruckhaus Deringer LLP are advising AB InBev on its potential bid. SABMiller is being advised by Robey Warshaw LLP, JPMorgan Chase & Co. and Morgan Stanley. *(Bloomberg)*

SABMiller Rejects AB InBev's $104 Billion Proposal
SABMiller says proposal 'very substantially undervalues' the company
SABMiller PLC rejected a sweetened takeover proposal valued as high as £68.24 billion (about $104 billion) from Anheuser-Busch InBev NV, saying the proposal "still very substantially undervalues" the world's second-largest brewer. AB InBev said earlier that it had proposed a cash price of £42.15 a share, with a so-called partial-share alternative aimed at pleasing SABMiller's largest shareholders. The latest proposal was the third it has made to SABMiller's board, which rejected the earlier two, both companies said.
SABMiller's biggest shareholder, U.S. tobacco giant Altria Group Inc., said it supports the current proposal, including the share alternative, and recommended that SABMiller's management engage "promptly and constructively" in talks.
The cash proposal represents a premium of about 44% to SABMiller's closing share price of £29.34 on Sept. 14, the day before SABMiller shares started climbing amid speculation about an approach from AB InBev. AB InBev said the "share alternative"—essentially a less valuable offer of cash and shares—would be available for 41% of SABMiller shares outstanding. That corresponds to the amount held by Altria and the Santo Domingo family. That separate offer values each SABMiller share at £37.49, or a 28% premium, but offers tax advantages to Altria and Santo Domingo. The deal's structure has been a key point in negotiations. If SABMiller agrees to the offer, and Altria and the Santo Domingo family elect to accept the lower cash and stock offer, AB InBev will end up paying £65.14 billion for SABMiller. SABMiller shares were up 3.2% at £37.40 , valuing the company at £60.55 billion. AB InBev said it has made two prior written proposals in private to SABMiller, the first for £38 a share in cash and the second for £40 in cash. "AB InBev is disappointed that the board of SABMiller has rejected both of these prior approaches without any meaningful engagement," said the brewer in a statement. "AB InBev believes that the revised cash proposal of £42.15 per share is at a level that the board of SABMiller should recommend.
SABMiller fired back with its own statement earlier, saying after reviewing a "highly conditional" £40-per-share proposal made by AB InBev on Sept. 22, which included a partial stock offer of £35.59 per-share valuing SABMiller at

£62 billion, it "unanimously concluded that it very substantially undervalues SABMiller, its unique and unmatched footprint, and its stand-alone prospects" and that the board therefore "unanimously rejected" the proposal. It said AB InBev then contacted it again, putting across the same proposal again. It said at that meeting AB InBev indicated the possibility of increasing its offer to £65 billion, with a raised all-cash price of £42 a share alongside the partial stock alternative. SABMiller said it again rejected the £40 proposal and said that, the board—excluding the directors nominated by Altria—concluded that even if AB InBev formalized the £42 a share proposal, it would reject this as it "still very substantially undervalues SABMiller." SABMiller added that AB InBev had timed the approach to take advantage of SABMiller's recently depressed share price, that the structure of the proposals discriminates against some SABMiller shareholders, and that AB InBev hasn't offered it comfort on the significant regulatory hurdles in the U.S. and China. AB InBev Chief Executive Carlos Brito on a call with analysts said of the £42-per-share proposal, "That was never an offer. That was just testing grounds."

The statement marks a change in tone by AB InBev, which when talks were first disclosed said its "intention is to work with SABMiller's board toward a recommended transaction." AB InBev said it is seeking SABMiller's board's recommendation for the full cash part of the offer, but isn't looking for board's approval for the partial-share alternative aimed at Altria and the Santo Domingo family. Representatives of AB InBev didn't respond to requests for further comment.

Under U.K. takeover rules, AB InBev has until 5 p.m. on Oct. 14 to announce a "firm intention" to make an offer for SABMiller and specify the details of the offer. Proposal doesn't constitute a firm intention to make an offer, said AB InBev, cautioning that there is no certainty that a firm offer will be made.

Altria in its own statement said it supports a deal with AB InBev at £42.15 "or higher," with the partial-share alternative, saying this "would create significant value for all SABMiller shareholders." The company said it would be prepared to elect the partial-share alternative. A tie-up between the two beer companies would bring household brands such as Budweiser, Corona and Stella Artois together with Pilsner Urquell, Grolsch and Peroni, and give the combined company a major presence in the U.S., China, Europe, Africa and Latin America. Together, AB InBev and SABMiller sell more than 30% of the world's beer volume. Combined, the two companies would generate revenue of $64 billion and earnings before interest, taxes, depreciation and amortization of $24 billion. Because of the global reach of AB InBev and SABMiller, they will likely have to seek antitrust clearance from jurisdictions around the world, a process that could easily take a year.

The biggest regulatory hurdle is in the crucial U.S. market, where AB InBev already has a roughly 45% market share and U.K.-based SABMiller controls a further 25% through its MillerCoors LLC joint venture. Another potential regulatory headache is China, where AB InBev had an estimated 14% volume market share last year, according to Euromonitor. Chinese authorities could require the brewer to exit SABMiller's joint venture with China Resources Enterprise Ltd., which has 23% of the market and produces the top-selling Snow brand.

In a statement, AB InBev said it is "committed to working proactively with regulators," and said in the U.S. and China in particular it would "seek to resolve any regulatory or contractual considerations promptly and proactively." "We've done a lot of homework to get to this point, we've been thinking about this for a long time," said Mr. Brito on the call with analysts.

AB InBev said it would establish a secondary listing on the Johannesburg stock exchange and have a local board there.

Such a deal has been rumored for years, and has been described by some analysts as the last major piece of consolidation that remains in the beer industry. Research firm Euromonitor has estimated that the combined company's market share would be 29% after the deal after likely divestments, giving it a 20-percentage-point lead over the next biggest brewer, Heineken NV.

SABMiller brought forward a trading statement originally slated for Oct. 15, a move that was intended to give its shareholders information ahead of a formal proposal being made by AB InBev.

Corrections & Amplifications:

The proposal values SABMiller at up to £68.24 billion (about $104 billion). An earlier version of this article incorrectly stated that the conversion was $104.1 million. If SABMiller agrees to the offer, and Altria and the Santo Domingo family elect to accept the lower cash and stock offer, AB InBev will end up paying £65.14 billion for SABMiller. An earlier version of the article incorrectly said the figure was £52.48 billion. (Oct. 7, 2015) *(Wall Street Journal)*

Côte d'Ivoire seeks to save forests from illegal cocoa boom

In Mont Peko National Park, thousands of leafless Iroko and Samba trees tower over a sea of lush plantations like headstones, a testament to the heavy environmental cost Côte d'Ivoire has paid for a dramatic rise in its cocoa production. Ivorian officials say 99% of the park's 34 000 hectares have been destroyed by cocoa farmers taking advantage of the chaos wrought by a decade-long political crisis in the West African nation.

With the years of turmoil over, the government of President Alassane Ouattara is preparing to re-exert state authority by expelling tens of thousands of farmers from parks and reserves in an attempt to save the dwindling forests.

Mont Peko, with an illegal population of around 28 000, will prove the first test of the government's new policy. Evictions are slated for December and similar operations will follow in Côte d'Ivoire's more than 200 parks and reserves. "The role of a national park is not to produce cocoa," said Adama Tondossama, director of the OIPR, one of

the government agencies charged with managing protected land. "Those people who are there are there illegally and we'll fight to get them out." But as it works to roll back decades of environmental destruction, the government faces a dilemma: can it foster conservation while avoiding social unrest and preserving the country's position as the world's top cocoa grower? Côte d'Ivoire produced 1.2-million tonnes of cocoa in the 2000/1 season, a year before a failed coup attempt sparked a civil war that split the country in half. In the recently ended 2014/15 season, it harvested a record crop of around 1.8-million tonnes, or some 40% of world supply. Though no firm statistics exist, analysts attribute much of the rise to illegal farming in protected forests. Shutting those illegal plantations would lead to a fall in output, at least in the short-term, industry figures say. At a time when the industry is seeking to tap potential new markets in Asia, any major drop in production from Côte d'Ivoire could drive up the price of chocolate on shelves around the world, from Brussels to Beijing.

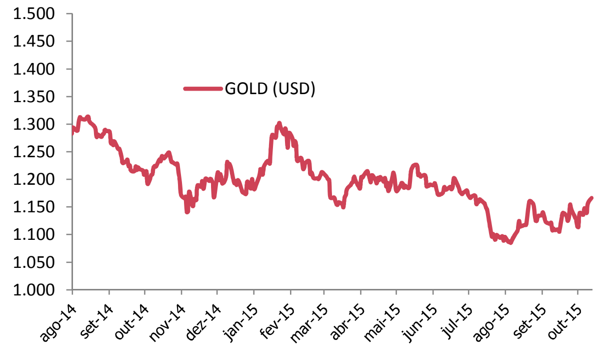
Côte d'Ivoire's first President Felix Houphouet-Boigny set out from the start to build his country into an agricultural powerhouse. From around 12-million hectares at independence in 1960, Côte d'Ivoire's primary forest, once the largest in West Africa, has fallen to less than 2.5-million hectares, mainly due to expanding agriculture, according to European Union figures. Available land for new plantations ran out long ago, and so farmers moved into parks and reserves, up to 60% of which have now been destroyed to plant cocoa. Cocoa farmer Vincent Karsamba, 42, said he was not aware he was doing anything wrong when he bought 20 hectares inside Mont Peko in 2007, but he is hardly apologetic. "Plantations outside the protected forests and parks are old and aren't as productive as here," he said, standing, machete in hand, next to a tree dripping with ripe, yellow cocoa pods. The government abandoned a short-lived attempt to evict farmers from national parks in 2013. If the strategy is pushed through this time, output will undoubtedly be affected in the short term. But Christophe Kouame, country director for the World Agroforestry Centre, points out that low yields on plantations outside the parks and reserves leave much room for improvement. "We can ease the drop in the long-term by using new production techniques that we implement via grafting and agroforestry," he said. To have a real impact such techniques must become commonplace, something that will take time and require the shared efforts and resources of the government, farmer cooperatives and the industry. In the meantime, less cocoa production may not be a disaster. "Is it really in Côte d'Ivoire's interest to have such a dramatic rise in cocoa output year-on-year?" asked Ecobank soft commodities analyst Victoria Crandall. Rapid growth in production has in recent years outpaced relatively stagnant demand, potentially setting the stage for a drop in world prices that could end up hurting Côte d'Ivoire and its farmers. "There's got to be a balance in the market at some point. They don't want to dump all that cocoa on the market, so it might be a good thing," she said.

Regardless of whether the sector thrives or simply survives as Côte d'Ivoire reclaims its forests, it is farmers like Sory Bourahima, who will likely lose out. Having arrived from Burkina Faso in 1990, he carved an 18-hectare plantation out of the protected Gouin-Debe forest, where he lives with his two wives and ten children. Forestry authorities say up to 60% of the 100 000 hectare reserve is occupied by farmers. Together with their families, they number around 50 000 people. Not long ago a forestry agent dropped by Bourahima's plantation and told him to stop planting cocoa trees and prepare to leave. "We've invested so much for so many years. Our children grew up here ... If they chase us away, we will suffer," he said, as he sun-dried cocoa beans on the ground. Côte d'Ivoire's short-lived first attempt to clear the forests in 2013, beginning with the Niegre reserve, led to accusations of human rights abuses by security forces. Thousands were left to fend for themselves w hen bulldozers levelled their homes. This time around the authorities have pledged to do things differently. "We want to avoid what happened in Niegre," said Kpolo Ouattara, the OIPR agent responsible for Mont Peko. "The government gave two extra years to the Mont Peko infiltrators to prepare. But their departure is not negotiable." The government has offered to transport around 8 000 park inhabitants who have expressed a desire to return home to neighbouring Burkina Faso. Others have told officials they plan to rejoin family members farming legally elsewhere in Côte d'Ivoire or abandon cocoa for new lines of work. Ivorian authorities have said they will offer resettlement packages. But the residents of Mont Peko say they still do not know how much help they will get. Thousands, like Lamine Ouedraogo, say they have nowhere to go. "Cocoa is all we know. We don't have diplomas or another trade," he said. "So if we leave here, we don't know what we'll do." *(Engineering News)*

MARKET INDICATORS
12-10-2015

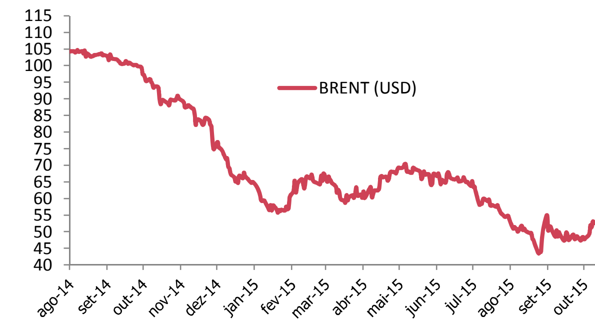
STOCK EXCHANGES		
Index Name (Country)	12-10-2015	YTD % Change
Botswana Gaborone Domestic Index (Botswana)	10.584,86	11,40%
Bourse Régionale des Valeurs Mobilières (Ivory Coast)	300,02	16,25%
Case 30 Index (Egypt)	7.650,65	-14,29%
FTSE NSE Kenya 15 Index (Kenya)	185,11	-14,10%
Morocco Casablanca Stock Exchange CFG 25 (Morocco)	19.247,94	-4,88%
Nigerian Stock Exchange All Share Index (Nigeria)	30.257,85	7,76%
FTSE/JSE Africa All Shares Index (South Africa)	53.167,90	6,83%
Tunindex (Tunisia)	5.199,60	2,15%

Source: Bloomberg and Eaglestone Securities



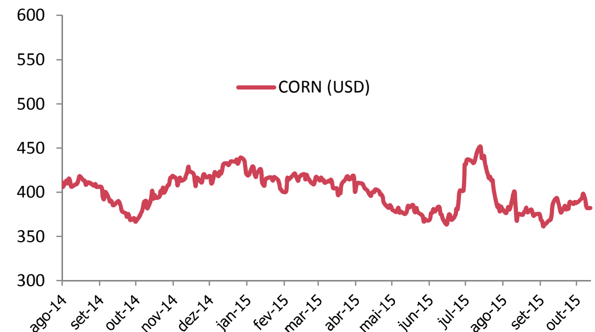
METALS	Spot	YTD % Change
Gold	1.166	-1,58%
Silver	16	1,76%
Platinum	995	-17,67%
Copper $/mt	5.295	-15,95%

Source: Bloomberg and Eaglestone Securities



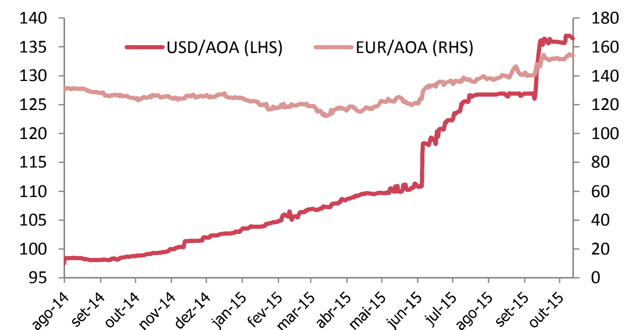
ENERGY	Spot	YTD % Change
NYMEX WTI Crude (USD/barril)	49,7	-8,48%
ICE Brent (USD/barril)	52,8	-10,88%
ICE Gasoil (USD/cents per tonne)	488,0	-7,88%

Source: Bloomberg and Eaglestone Securities



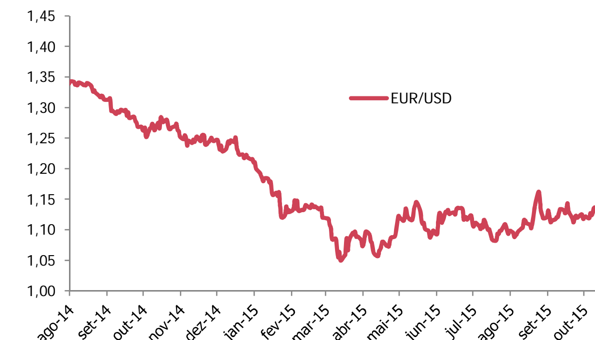
AGRICULTURE	Spot	YTD % Change
Corn cents/bu.	382,3	-4,62%
Wheat cents/bu.	506,5	-14,80%
Coffee (KC) c/lb	134,2	-20,73%
Sugar#11 c/lb	14,3	-4,36%
Cocoa $/mt	3046,0	5,33%
Cotton cents/lb	61,9	1,33%
Soybeans c/bsh	891,5	-13,49%

Source: Bloomberg and Eaglestone Securities



CURRENCIES	Spot
KWANZAS	
USD	135,978
EUR	153,870
GBP	207,927
ZAR	10,193
BRL	35,935
NEW MOZAMBIQUE METICAL	
USD	44,500
EUR	48,946
GBP	66,104
ZAR	3,352
SOUTH AFRICAN RAND SPOT	
USD	13,275
EUR	15,096
GBP	20,400
BRL	3,526
EUROZONE	
USD	1,14
GBP	0,74
CHF	1,09
JPY	136,60
GBP / USD	1,54

Source: Bloomberg and Eaglestone Securities



UPCOMING EVENTS

Katanga Mining Week, 20-21 October, Lubumbashi, DRC
The Katanga Mining Week focuses more on the local challenges of the province as well as the role of the mining industry in social development responsibilities. Katanga is the hub of copper and cobalt mining in the DRC.
www.ipad-katanga.com

Global Pacific & Partners' 22nd Anniversary Africa Oil Week/Africa Upstream Conference 2015, 26th- 30th October 2015, Cape Town International Convention Centre, South Africa
The longest-running and most prominent event held worldwide in or on the Continent for its fast-growing oil, gas-LNG and energy industry. *http://aow.globalpacificpartners.com/events/?fa=event&id=937&evid=938*

Future of Banking Africa, November 10th Intercontinental Lagos Nigeria
Africa is rising and is becoming the new banking destination.
www.futureofbankingafrica.economist.com

African Urban Infrastructure Investment Forum Nov 30 –Dec 3 2015, in Sandton - South Africa
http://ic-events.net/event/africa-urban-infrastructure-investment-forum-2015/

The Global African Investment Summit, 1-2 December 2015 Central Hall Westminster, London UK
www.tgais.com/africanbusiness

Mining Indaba 2016 Cape Town, South Africa -01 to 04 February 2016
http://www.saceec.com/events/view/mining-indaba-2016

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Disclosures

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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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