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In-depth:
Can the US move Africa towards economic independence?

It costs almost US$4 500 to transport a container from Brazzaville in the Republic of Congo, across about four kilometres of the Congo River, to Kinshasa, capital of the Democratic Republic of Congo (DRC) on the opposite bank of the river, according to the World Bank. If you include inland transport costs, the total can top US$10 000.

To move the identical container with the same cargo from Malaysia's Kuala Lumpur to Singapore, 256 kilometres away, costs less than US$1 000. Because of such poor infrastructure and inefficient customs procedures, only 1,1% of Congo Brazzaville's imports come from its neighbour.

The US Trade Representative Michael Froman and Dana J Hyde, CEO of the Millennium Challenge Corporation, a US government development agency, offered this comparison in an article this week, to illustrate the stark problem Africa faces in really lifting itself off the ground economically.

The article was essentially about the 2015 AGOA Forum, which has been underway this week in Libreville, Gabon. AGOA – the African Growth and Opportunity Act – is the US law that gives eligible African countries (currently 39) duty free, non-reciprocal access to the US market for almost all of their exports.

AGOA, enacted in 2000, 'has since succeeded in helping eligible nations grow, diversify their exports to the United States, and create employment and inclusive economic growth in sub-Saharan Africa,' the US government says.

African exports to the US rose to US$26,8 billion by 2013, but more than four-fifths of that was oil. The US points out that non-oil exports rose by about 250% from 2001, to US$4,4 billion by 2014, helping to create some 300 000 direct jobs.

But South Africa is by itself responsible for a large chunk of that, with its auto exports to the US alone accelerating from US$289 million in 2001 to US$1,4 billion in 2014, according to Reuters. Florie Liser, the assistant US Trade Representative for Africa, acknowledged in a pre-forum briefing last week, that only 23 of the 39 African countries eligible for AGOA benefits have actually exported goods to the US. And the values of those exports are mostly pretty small.

For, as Froman, Hyde and others have pointed out, AGOA is in the end, only a 'demand-side' measure, even if a pretty good one. With the partial exception of South Africa, Africa's real economic problems are about supply.

The cost of moving a container across the Congo is just one example of the logistical and bureaucratic obstacles that business people have to overcome. Others include corruption, wars, and warlords, governments that flout the rule of law, shocking roads, hazardous airlines, congested ports, and many more.

But the ultimate impediment to getting goods to market is, of course, making things in the first place that the market wants to buy. And the AGOA Forum is taking place at a soberly instructive time for Africa. Massive Chinese demand for African commodities throughout this century has been the main driver of impressive growth in African economies – averaging 6,4% between 2002 and 2008 – and the 'Africa Rising' narrative.

But the sudden Chinese slowdown, aggravating falling US demand for oil because of its own shale-gas discoveries, has exposed Africa's failure to industrialise and has dropped forecasted growth across Africa this year to 4,2%.

'Every major economy in Africa that did well out of the extractive industries over the past decade has failed to industrialize,' Ricardo Soares de Oliveira, who teaches African politics at Oxford University, told Reuters this week. 'While exports from the region more than quadrupled to US$457 billion in the decade to 2011, manufactured goods made up just US$58 billion of that,' Reuters said.

Some countries without oil or minerals, such as Kenya, Ethiopia and Lesotho have done a bit better. Kenya is targeting labour-intensive, low technology industries such as textiles and leather to take advantage of AGOA. And manufactured goods already accounted for about 20% of its exports last year. Textiles and apparel sales from Kenya and Lesotho have already jumped under AGOA from US$359 million in 2001 to US$991 million in 2014.

Recognising these deeper problems all too well, the US has chosen the theme of 'AGOA at 15: Charting a Course for a Sustainable US-Africa Trade and Investment Partnership' for this week's forum. The theme recognises the US Congress' recent reauthorisation of AGOA for an additional 10 years – rather than the usual three-year extension.

Both the US and Africa hope that extending AGOA for a decade will gives investors enough predictability to encourage them to make long-term investments – such as building factories – in Africa, knowing they will be able to get a good return on their investments by exporting their goods duty-free for a longer time. As Liser noted, AGOA has already encouraged some investment – for example in textile mills to feed the factories producing apparel for the US market. More was now expected on the 10-year horizon.

But the theme of the forum also accepts the need for 'a more comprehensive approach, one which recognizes that tariff preferences alone are not sufficient and addresses the supply-side constraints facing Africa today,' as Froman said at the forum. The AGOA extension act intends to tackle some of those constraints, with trade facilitation measures and more generous rules of origin that will allow African producers to source inputs from a wider range of countries.

But to be productive and competitive, Africa also needs affordable, reliable electricity, efficient ports and products that meet international standards, Froman said. The US was trying to help with measures like its Power Africa initiative to get electricity to millions more Africans and its US Aid and Millennium Challenge Account compacts, which were focusing on boosting trade by developing ports and other relevant infrastructure.

Interestingly, the forum topic of trying to establish a sustainable commercial relationship with Africa also hints that the current iteration of AGOA, which will expire in 2025, will be the last. The US government tweeted that the forum would 'launch a dialogue on our shared vision for the post-AGOA future of US-Africa trade'.
So the US is perhaps seeing the next decade as the last, long training exercise before it jettisons itself out of the cockpit, so to speak, and launches Africa into solo flight after 2025, entering into a normal, reciprocal trade relationship with the continent. Francis Kornegay of the Institute for Global Dialogue suggests this could entail several two-way, free trade area agreements with Africa's various regions.
By 2025, though, if all goes according to plan, Africa's regional economic communities will have merged into the envisaged single, Africa-wide Continental Free Trade Area, so the US could negotiate a free trade agreement with all of Africa.
The impediments to be crossed before that point is reached seem insurmountable. Yet such a move would not be unprecedented. The Economic Partnership Agreements which the European Union has already negotiated with some African countries – and is trying to negotiate with all – are also, after all, an often painful attempt, to 'graduate' Africa from a long, non-reciprocal trade relationship with the EU to a more normal, reciprocal one.

East Africa emerges as a trade hub

Border restrictions eased to aid trade flows, but 'sleeping giants' hold Africa back

East Africa is emerging as a trade hub to rival sub-Saharan Africa's two heavyweight states of South Africa and Nigeria, according to analysis published by Barclays.
However the UK bank identifies five "sleeping giants" that present significant new opportunities for foreign companies; Ethiopia, the Democratic Republic of Congo, Mozambique, Tanzania and Ghana. This quintet which are "playing catch-up after significant political and economic upheaval . . . are increasingly attractive to foreign firms and international investors with an eye on long-term returns from fast-growing markets," Barclays said in its inaugural Africa Trade Index. Matt Tuck, head of global corporate banking at Barclays, said the five were open to international trade and had rapidly growing populations that are likely to reach 325m in total by 2020, comparable to that of the US. Moreover, any repeat of the 7.3 per cent compound annual economic growth they have experienced over the past five years would lead to a significant rise in household spending. Most are relatively unreliant on commodity exports by African standards, shielding them from some of the storms currently battering emerging markets. "The core underlying fundamentals are getting better and with more stable government it does represent an opportunity for growth," said Mr Tuck. "It's a much more encouraging outlook than in the past."

Barclays Africa Trade Index 2015

Top 10	Score / 100
South Africa	73.3
Nigeria	62.6
Kenya	56.2
Ghana	53.4
Tanzania	52.4
Ethiopia	49.2
Angola	48.7
Côte d'Ivoire	48.5
Sudan	48.4
Senegal	48.3

Source: Barclays

Overall, Barclays found South Africa and Nigeria offered the best opportunities for foreign companies, in terms of unmet demand, the absence of major barriers to cross-border trade and their connectivity with other African countries (see the first table).
While South Africa is the "standout performer", Barclays said Nigeria arguably represented the "most exciting" long-term opportunity.
However it added that the country suffered from "logistical difficulties posed by inadequate infrastructure," which meant many companies had to provide their own power and water supplies. The bank, which has operated in Africa for more than 150 years and has 1,500 branches across the continent, said Nigeria needed to reduce non-tariff barriers to trade, as well as invest heavily in transport networks and power provision. Barclays said that east Africa was emerging as a trade hub, with improved border administration helping create a fast-growing regional market.

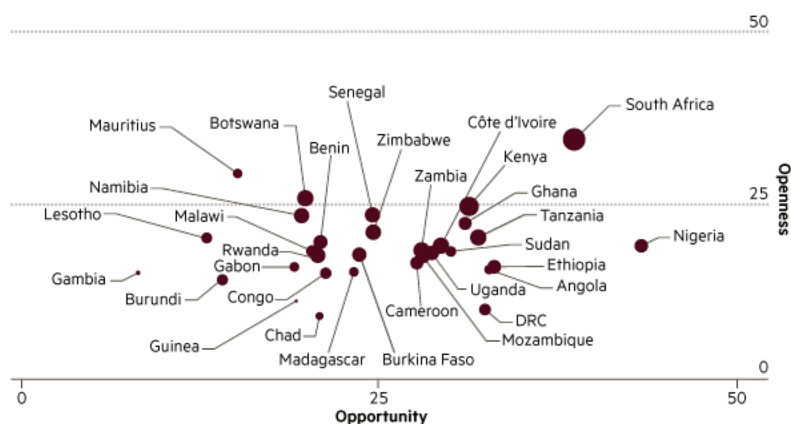
Barclays Africa Trade Index 2015

Bottom 10	Score / 100
Malawi	38.8
Madagascar	38.8
Rwanda	38.5
Congo	36.5
Gabon	35.2
Lesotho	33.2
Guinea	30.3
Chad	29.9
Burundi	28.2
Gambia	23.4

Source: Barclays

Barclays Africa Trade Index 2015

The east African Community introduced a single customs territory last year, earning praise from Erich Kieck, director for capacity building at the World Customs Organisation, for "remarkable work simplifying the control of goods moving across the customs union".
Kenya is ranked third in Barclays' index, with Tanzania and Ethiopia also in the top six. Mr Tuck said Kenya had taken on the role of "regional leader", pushing for regional policy in terms of infrastructure and administration and developing strong regional and global air connectivity.
"Many countries, particularly in east Africa, have invested in major developments in both infrastructure and 'soft' infrastructure such as tariffs and border policies," said Mr Tuck.



He welcomed the development of "one-stop" border posts, where a single customs check is run jointly by neighboring countries, rather than each country operating their own station. East Africa is leading the way in this regard, with seven OSBPs operational or in development in Tanzania and six in Uganda and Kenya, although they are spreading further afield with even Zimbabwe implementing such a system at its Chirundi border post with Zambia.

Developments such as these have helped the dollar value of intra-regional exports expand at a compound annual growth rate of 16 per cent between 2004 and 2013, Barclays said, double the 7.6 per cent CAGR for sub-Saharan exports in total, which hit $460bn in 2014.

Mr Tuck said intra-regional trade still only represented 17 per cent of total trade flows in sub-Saharan Africa, below the levels in regions such as Latin America (20 per cent), North America (32 per cent), Asia (48 per cent) and Europe (66 per cent). Having said that, bodies such as the African Development Bank have estimated that the true figure is nearer to 40 per cent when informal and unofficial cross-border trade is taken into account.

The report, which was compiled as an aid for UK exporters but has wider ramifications, also pointed to the degree to which Europe has been usurped by the rise of Asia, which accounted for 19 per cent of sub-Saharan Africa's goods imports in 2004 but 32 per cent by 2013. Barclays saw some of the best opportunities in the retail sector, with the development of more formal shops, malls and supermarkets allowing customers to "trade up", and expanding mobile and internet services creating new avenues for online retailers. Opportunities abound elsewhere though, with Diageo, the UK drinks group, currently generating 13 per cent of its sales in sub-Saharan Africa, a figure it hopes to raise to 20 per cent. *(Financial Times)*

IMF, WORLD BANK & AFRICAN DEVELOPMENT BANK

AfDB and Japan sign bilateral agreement for sixth Private Sector Assistance Loan

On September 8, 2015, the African Development Bank (AfDB) and the Government of Japan signed the sixth private sector assistance loan under the joint initiative titled Enhanced Private Sector Assistance (EPSA) for Africa. The loan, worth JPY 35.88 billion, equivalent to USD 300 million, is intended to support private sector operations in Africa.

To mark this agreement a signing ceremony was held at AfDB headquarters in Abidjan, Côte d'Ivoire in the presence of AfDB President Akinwumi A. Adesina, AfDB Finance Vice-President Charles Boamah, Hiroshi Kawamura, Ambassador of Japan in Côte d'Ivoire, and Hiroshi Kato, Japan International Cooperation Agency (JICA) Vice-President in charge of Africa.

Speaking at the signing ceremony, President Adesina thanked the Government of Japan, JICA, and the people of Japan for the 3 billion USD support to the EPSA Initiative and the loan of 300 million USD equivalent that was signed. The President emphasized the importance of the Loans from JICA that have reached a cumulative 1.2 billion USD since 2007, and stated that: "Japan is a very strategic partner of the AfDB and a major trading partner for Africa. Your support in promoting private sector growth, quality infrastructure and co-financing operations, has allowed the Bank to grow its private sector portfolio ten-fold."He underscored the importance of delivering the development benefits of projects supported under this partnership: "Let me assure you that you will see the impacts on the ground, not just on the balance sheet of the Bank. As a Bank, we must and will redouble our efforts to deliver faster. And we will disburse approved funds faster." Ambassador Kawamura congratulated the President on his successful inauguration and extended his appreciation for the past efforts of the Bank and wishes for further deepening of the partnership with the Bank.

The first Private Sector Assistance Loan from JICA to the AfDB was signed in 2007 for USD 100 million. This sixth loan brings the grand total to USD 1.2 billion. The Private Sector Assistance Loans are one of three components comprising the EPSA Initiative, the other two being the Accelerated Co-financing Facility (ACFA) for public sector co-financing with JICA, and the Fund for African Private Sector Assistance (FAPA), a multi-donor thematic trust fund administered by the Bank.

AfDB SME Program: Enhancing inclusive growth and job creation in Rwanda
The African Development Bank Group (AfDB) and Access Bank Rwanda Ltd. signed a loan agreement for the equivalent of US $6 million under the Africa SME Program on September 3, 2015 to support small and medium enterprises (SMEs) in Rwanda.
Access Bank Rwanda is a member of the Access Bank Group, which has its headquarters in Lagos. The AfDB has had a long-standing relationship with Access Bank. The Rwanda subsidiary was established in 2008 when Access Bank PLC took a 75% ownership in Bancor SA. Expanding its loan portfolio in recent years, Access Bank Rwanda offers a variety of SME products including asset finance, invoice discounting and term loans, etc. It is also in the process of launching new financial products and services exclusively for women. The US $6-million line of credit will support SME projects in economic sectors such as telecom, school/education, tourism/services, construction, etc. and also focus on women entrepreneurs.
The Africa Small and Medium Enterprises (SME) Program was approved by the AfDB's Board of Directors in July 2013. It is a four-year program with US $125 million. Under this program, a US $3.98-million technical assistance package was granted by the Fund for African Private Sector Assistance (FAPA) under EPSA (Enhanced Private Sector Assistance for Africa) initiative, which aims to supporting micro, small and medium enterprises (MSMEs) in Africa. The Africa SME Program will provide the necessary longer-term finance as well as a technical assistance package to address a number of constraints faced by approximately 25 target financial institutions and their SME clients across Africa.
About the Fund for African Private Sector Assistance (FAPA)
The Fund for African Private Sector Assistance (FAPA) is a multi-donor thematic trust fund that provides grant funding for technical assistance and capacity building to support implementation of the Bank's Private Sector Development Strategy. The Government of Japan, African Development Bank, the Austrian Development Bank and the Government of Austria are contributors to the fund, which to date has provided US $42 million to 47 projects across the African continent. The FAPA portfolio includes regional and national projects in sectors such as business enabling environment, financial intermediation, infrastructure, trade and micro, small and medium enterprises.
About Access Bank Rwanda Ltd.
Access Bank Rwanda Ltd. is a commercial bank and is reputed as one of the fastest-growing banks in Rwanda, having demonstrated consistent growth in its financial performance over the past four years. Access Bank Rwanda leverages on its international network within the Access Bank Group, which is made up of seven (7) countries. Access Bank Rwanda intends to play as a strong and aggressive role on the Rwandan financial services market. Over the years, Access Bank has evolved to become a catalyst for socio-economic development in the country and is on its way to becoming one of the top three banks in Rwanda within the next five years. The Bank recently strengthened its retail banking business, by offering a wide range of retail products.

AfDB approves US $22-million grant to break "triangle of thirst" in West Kordofan, Sudan
The African Development Bank Group (AfDB) on Wednesday, September 9 committed a grant of US $22-million to finance water and sanitation facilities in the West Kordofan State of Sudan and a country-wide Institutional Capacity Development Program.
More than 130,000 people (69,000 women) in the rural areas of West Kordofan State are targeted beneficiaries. Water supply points will also benefit approximately 730,000 heads of livestock.
The Water Sector Reforms and Institutional Capacity Development Program targets all 18 states of the Republic of the Sudan and will kick off in January 2016 for implementation spanning a four and a half years. It will focus on building a resilient and sustainable water and sanitation sector that meets the needs of all users or beneficiaries in Sudan, and in particular West Kordofan State. In this regard, the program is expected to enhance peace-building, improve livelihoods and build resilience against climate variability and change in the country.
Women and youth in the program areas will benefit from the provision of livelihood interventions. The AfDB President, Akinwumi Adesina, who chaired the Board meeting in which the grant was approved, said that "up to 30% of girls stop going to school, essentially to help their families with water chores. This has to stop."
Water and sanitation access in West Kordofan State, currently estimated at 60% and 23%, respectively, are far below national averages of 71% and 35%. Per capital average water consumption stands at about 10 liters per day; with the population in some northern parts of the state surviving on less than three liters a day.
The AfDB will finance the program with a grant of US $21.06 million from its Transition Support Facility (TSF) and a US $0.90-million Rural Water Supply and Sanitation Initiative Trust Fund (RWSSI-TF) grant.
According to Mohamed El Azizi, Director of the AfDB Water and Sanitation Department, "The overarching aim of the program is to provide improved water supply and sanitation facilities for the region's resilience and stability. It will focus on gaining in efficiency of the water and sanitation sector and on capacity development for federal and state staff and beneficiary communities".
The AfDB Board commended the program for its focus on climate change resilience, gender and inclusivity while advising the team to pay particular attention to coordination and sustainability. AfDB President Adesina called for the "swift implementation of the program to serve the people who are suffering on the ground". The program is in line with

the Bank's Ten Year Strategy to promote inclusive growth, achieve social stability and help the country to acquire human and institutional capacity required to transition from fragility and build resilience in the face of increasing climate risks.

AfDB and Benin discuss cooperation

Benin's Prime Minister Lionel Zinsou paid a courtesy visit to African Development Bank Group President Akinwumi Adesina on Thursday, September10, 2015 at the Bank's headquarters in Abidjan, where they discussed existing partnerships and explored areas for future cooperation.

President Adesina commended the Benin Government's efforts to consolidate the country's macro-economic framework and the sustained growth achieved since 2011. He praised the Government's energy programme, which seeks to provide electricity to about one million people in the next six months.

He said the Bank's undertaking to provide US $700 million in support to Benin during the 2014-2018 period had begun to materialize through projects approved in 2014 such as the Parakou Urban Transport Project. An agriculture and a water project are also in the Bank's pipeline for funding.

For his part, Prime Minister Zinsou congratulated President Adesina on his election noting that his country would provide him with the support he needs to accomplish his mission at the head of Africa's premier development finance institution.

In closing, President Adesina invited the Prime Minister to attend the high-level energy conference to be hosted by the Bank on September 17 and 18, 2015 in Abidjan ahead of the COP21 conference scheduled for Paris in December.

President Akinwumi A. Adesina pushes for a New Deal on Energy for Africa and Binding Agreement at COP21

Speaking to a delegation of Ministers representing more than 40 nations spanning the globe in Paris, the President of the African Development Bank, Akinwumi Adesina, pushed for a New Deal on Energy in Africa to solve Africa's energy crisis.

The audience included the host of the 2015 Paris Climate Conference, COP21, Laurent Fabius, Minister of Foreign Affairs, France; as well as Manuel Pulgar Vidal, Minister of Environment, Peru; Khalid Fahmy, Minister of Environment and Chair of the African Ministerial Conference on Environment (AMCEN), Egypt; and leaders representing European governments, the G7, the G20 and other nations.

Adesina also called for a binding agreement toward limited carbon dioxide emissions at the forthcoming COP21. He outlined the importance of the Paris Climate Conference, as presenting a unique opportunity to reach a lasting agreement on limiting carbon dioxide emissions and charting the way for transformative partnerships to address the adverse effects of climate change. To this end, he stressed, Africa's voice is crucial for a successful outcome at COP21.

"We need to support initiatives that address risks associated with climate change, and build disaster-response capacity and recovery programs for those who are most affected. This includes building their assets, providing catastrophic bonds, weather index insurance schemes, and crop/livestock insurance for farmers and rural populations," said Adesina.

Adesina called for strong political will, sharply focused partnerships, and ambitious financing programs to address climate and its impact on the millions of people whose livelihoods are under threat, especially in small, fragile, and island states, and the Sahel region.

The Bank's new President also highlighted three sectors for urgent action: building integrated and resilient energy systems, including both conventional and renewable energy; smart agricultural, land use and forestry systems; and boosting urban renewal – creating more resilient cities, with efficient water systems and smart, climate-friendly infrastructure.

While endorsing Africa's position on the need for more resources to address climate change adaptation and mitigation, Adesina assured world leaders of the Bank's strong support for Africa's transition to inclusive and green growth. He affirmed that the Bank will champion the implementation of the polluter pays principle and work with member countries and partners to support governance reforms, continental risk transfer and risk-sharing schemes, and building institutions that will support greater social and economic resilience in the face of climate change. He also announced that the Bank will expand its support to African countries to solve their energy and food security challenges, while ensuring inclusive and green growth. "Together, we must end Africa's energy crisis and unlock Africa's enormous energy potentials – both conventional and renewables," he said. "This is why the African Development Bank strongly supports the Africa Renewable Energy Initiative and will cooperate with all stakeholders to launch a New Deal on Energy for Africa that will accelerate energy supply and access across the continent."

During his visit, Adesina held bilateral talks with Laurent Fabius and Helene Le Gal, Adviser to the President of France, and senior officials of the Agence Française de Développement to discuss strategic partnerships between the Bank and France. He also met with Khalid Fahmy, and other COP21 and G7 delegates to discuss the Africa Renewable Energy Initiative and the Bank's New Deal on Energy for Africa. Adesina secured their support for the Bank to provide leadership to drive this Africa-led initiative.

The Bank will host the drafting team of the Africa Renewable Energy Initiative at the Bank's Headquarters on September 16, 2015 to finalize the action plan for the Initiative. On September 17 and 18, 2015, Khalid Fahmy will attend the High Level Consultative meeting on the New Deal on Energy for Africa convened by Adesina in Abidjan.

The African Development Bank and Partners host Energy Week in Abidjan

The African Development Bank (AfDB) is hosting and co-organizing a series of events, including high-level discussions and partnerships focusing on lighting up and powering Africa, and unlocking the continent's huge energy potential. It will do so in 'Energy Week', which runs from Monday, September 14 to Friday, September 18 in Abidjan. Energy Week will launch a dialogue with key stakeholders to set out the New Deal on Energy for Africa that will accelerate energy supply and access across the continent.

Since taking office on September 1, the President of the African Development Bank, Akinwumi Adesina, has reaffirmed the position of energy among the key priorities for the AfDB. "Africa is blessed with limitless potential for solar, wind, hydropower and geothermal energy resources," he said during his inaugural speech. "Unlocking the huge energy potential of Africa, for Africa, will be a major focus of the Bank. The Bank will be a leader on this critical issue, for nothing is more important for Africa's economic growth and development. "We will be bold and creative, to build strategic partnerships on energy for Africa and harness resources from the public and the private sectors. We will work closely with our political leaders and support African countries to power their economies. As a Bank, we will launch a New Deal on Energy for Africa."

Events taking place during Energy Week include the ECOWAS Sustainable Energy Policy & Investment High Level Forum, the "Towards a New Deal on Energy for Africa" High Level Consultative Stakeholder Meeting, the 2nd West African Forum for Clean Energy Financing, and the International Renewable Energy Agency (IRENA) West Africa Clean Energy Corridor Technical Workshop. Leading investors, project developers, policymakers, development institutions, entrepreneurs, and heads of state are expected to attend. The Bank will also host the drafting team of the Africa Renewable Energy Initiative at the Bank's Headquarters on September 16, to finalize the action plan for the Initiative.

The ECOWAS Sustainable Energy Policy & Investment High Level Forum takes place on September 14-18. It will bring together top-level policy- and decision-makers, project promoters, investors and international partners to meet, discuss and explore relevant inter-linkages between the 'enabling environment' and project development and financing, and identify concrete investment opportunities. The latter arise from the Sustainable Energy Country Action Plans, National Renewable Energy Action Plans (NREAPs), National Energy Efficiency Action Plans (NEEAPs), and Sustainable Energy for All (SE4All) Action Agendas of the ECOWAS Member States.

The AfDB's High Level Stakeholder Consultative Workshop "Towards a New Deal on Energy for Africa" on September 17-18 will bring together leaders in the energy sector to identify actions for the launch of the New Deal on Energy for Africa. It will also chart next steps towards a Transformative Partnership on Energy for Africa, providing a major platform for structured private sector, multilateral and bilateral partnerships and financing to solve Africa's energy challenge.

The West Africa Forum for Clean Energy Financing (WAFCEF2) is West Africa's premier clean energy investment showcase. Participating projects were selected through a rigorous evaluation process, in response to a call for proposals. Twenty projects were shortlisted, and have received dedicated support and assistance from CTI PFAN professional financing advisors to help structure bankable business plans and professional investment pitches. The 10 best projects from this shortlist will be presented at the WAFCEF2 Investor Forum on September 17.

The IRENA Africa Clean Energy Corridor in West Africa calls for the accelerated deployment of – and cross-border trade in – renewable power. IRENA will facilitate a technical stakeholders' meeting on September 18, and launch the IRENA Project and Financial Navigator and Sustainable Energy Market Place, which aims to make the overall renewable energy project development process more transparent, practical and explicit.

The Energy Week events are organized in partnership with the ECOWAS Centre for Renewable Energy and Energy Efficiency (ECREEE), the Climate Technology Initiative – Private Financing Advisory Network (CTI-PFAN), the International Renewable Energy Agency (IRENA), the Sustainable Energy for All (SE4All) Africa Hub, and the Sustainable Energy Fund for Africa (SEFA). They are supported by the United Nations Industrial Development Organization (UNIDO), the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), the Government of Côte d'Ivoire, the Spanish Agency for International Development Cooperation (AECID), the Austrian Development Cooperation (ADC), the European Union (EU), the United States Agency for International Development (USAID), the Global Environmental Facility (GEF), the International Center for Environmental Technology Transfer (ICETT), la Banque ouest africaine de Développement (BOAD), and the African Biofuels and Renewable Energy Company (ABREC). ABREC is affiliated with the ECOWAS Bank for Investment and Development (EBID).

AfDB plays a leadership role in energy on the continent as host of the Secretariat to the African Energy Leaders Group (AELG), host of the Sustainable Energy for All (SE4ALL) Africa Hub, an architect of the Programme for Infrastructure Development in Africa (PIDA) and a key financier for the PIDA Priority Action Plan, an anchor partner to President Obama's Power Africa Initiative, and a key partner to the new Africa Renewable Energy Initiative. The AfDB has an active portfolio of around USD 10 billion, and lending to energy sector projects in recent years has on average exceeded USD 1 billion annually. The Bank is also a leader in clean energy financing and host to a suit of concessional finance instruments including SEFA, GEF and the Climate Investment Funds.

About the SE4ALL Africa Hub
The UN Secretary General's Sustainable Energy for All (SE4ll) initiative was launched in September 2011 with the aim of achieving three main goals by 2030 (i) ensuring universal access to modern energy services; (ii) doubling the global rate of improvement in energy efficiency; and (iii) doubling the share of renewable energy in the global energy mix. The AfDB is at the forefront of the implementation of the SE4ALL Initiative and hosts the Africa Hub in partnership with the African Union Commission, the NEPAD Planning and Coordination Agency and UNDP. The mission of the Hub is to coordinate and facilitate the implementation of the SE4ALL initiative on the African continent. The Hub also contributed to the establishment of the African Energy Leaders Group (AELG), and the Secretariat of the AELG is housed at the AfDB in conjunction with the Hub.

About SEFA
SEFA is a USD 90 million multi-donor facility funded by the governments of Denmark, the United Kingdom and the United States. 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. SEFA is hosted by the Energy, Environment and Climate Change Department of the AfDB.

About ECREEE
ECREEE is a specialized agency of the Economic Community of West African States (ECOWAS) which acts as an independent body, within the legal, administrative and financial framework of ECOWAS rules and regulations. The overall objective of ECREEE is to contribute to the sustainable economic, social and environmental development of West Africa by improving access to modern, reliable and affordable energy services, energy security and reduction of energy-related GHG emissions and climate change impacts on the energy system.

About CTI PFAN
CTI PFAN is a multilateral, public-private partnership initiated by CTI in cooperation with the UN Framework Convention on Climate Change's Expert Group on Technology Transfer.

About IRENA
The International Renewable Energy Agency (IRENA) is an intergovernmental organisation that supports countries in their transition to a sustainable energy future, and serves as the principal platform for international cooperation, a centre of excellence, and a repository of policy, technology, resource and financial knowledge on renewable energy. IRENA promotes the widespread adoption and sustainable use of all forms of renewable energy, including bioenergy, geothermal, hydropower, ocean, solar and wind energy in the pursuit of sustainable development, energy access, energy security and low-carbon economic growth and prosperity.

INVESTMENTS

A new private investment law, n.º 14/15 was published on the 11th August in Angola.
This law came into force on the same day of its publication and approved the new regime of private investment in Angola. It revoked the former law n.º 20/11 of 20 May and introduced relevant changes when compared with the previous regime. This law essentially aims to make the procedure for the admission of investment less bureaucratic, as well as adapt the system of tax and customs incentives and benefits to the current economic dynamic of the country. Contrary to the former regime, which required an external investment in an amount at least of 1 million dollars, the new private investment law in Angola is applicable to external investments of any amount, as well as internal investments in an amount of at least 50 million Kwanzas (approximately USD 396.000,00). This regime is not applicable to investments carried out by entities governed by private law, in those cases where the share capital is held at least 50% by the State or other public entity subject to its own regulation.

INVESTMENT NVESTMENT BENEFITS
Although the new regime applies to external investments of any amount, to be eligible for the investment benefits and incentives, it is required that the total amount of investment corresponds to the exchange value in Kwanzas of at least 1 million dollars. In case of internal investments, the minimum amount of investment required corresponds to an amount equivalent to 500.000,00 USD. In these cases, as a way of reducing the discretion existing in the granting of benefits, this new regime establishes that the tax incentives are granted based upon a case-bycase analysis of the projects, taking into consideration the following criteria: (i) employment creation for national workers, (ii) investment value, (iii) investment location, (iv) sector of activity, (v) export activity, (vi) participation of Angolan shareholders, and (vii) added value to national economy. For the purpose of the granting of tax incentives to the investment operations, the new law distinguishes two different zones: Zone A (includes the province of Luanda, the head municipalities of Benguela, Huíla and the municipality of Lobito) and Zone B (includes the provinces of Cabinda, Bié, Cunene, Huambo, Cuando Cubando, Lunda-Norte, Lunda-Sul, Moxico, Zaire, Bengo, Cuanza- Norte, Cuanza-Sul, Malanje, Namíbe, Uije and remaining municipalities of Benguela and Huíla). The applicable benefits involve industrial tax, real estate transfer tax and capital gains tax reduction, for a period of 1 up to 10 years, depending on the particular case. It also establishes that the benefits should cease immediately once the 10 year period elapses or if the investor has already benefitted from tax

savings in an amount equal to the amount of the investment made. The law also provides for an extraordinary granting of tax benefits to investments whose total value corresponds to an amount equivalent to 50.000.000,00 USD and creates at least 500 and 200 jobs to national citizens in Zone A and Zone B respectively.

REPATRIATION OF PROFITS AND DIVIDENDS

After the operation of the external private investment project, and proven its implementation, it is guaranteed the external/internal investor the right to transfer abroad: (i) the distributed dividends or profits, (ii) the result of liquidation of their investments, including capital gains, (iii) the result of compensation and (iv) royalties.

ADDITIONAL RATE ON CAPITAL GAINS TAX

Although the mentioned right of repatriation of profits no longer depends on a minimum invested amount, this law stipulates that the amount of distributed dividends and profits are subject to a payment of an additional charge on capital gains tax, in the component that exceeds the share in their own funds, in the following terms: (i) 15% when the excess value is up to 20%, (ii) 30% when the excess value is above 20% to 50% and (iii) 50% when the excess value exceeds 50%. This regime is not applicable to dividends and profits reinvested in Angola.

PARTNERSHIP ARTNERSHIP REQUIREMENT

The new law also requires the need to have an Angolan partnership in the following sectors:(i) electricity, (ii) water, (iii) hotel business, (iv) tourism, (v) transports, (vi) logistic, (vii) construction industry, (viii) telecommunications, (ix) information technology and (x) social media. In fact, in the abovementioned sectors, the foreign investment is only allowed in case of partnerships with Angolan citizens, with public capital/state-owned companies or Angolan companies, holding at least 35% of the share capital of the relevant entity and having an effective participation in the management of the investment project.

INDIRECT INVESTMENT

The internal or external investment that contains, isolated or cumulatively, the form of loan, shareholders loans, supplementary payment of capital, patented technology, technical process/assistance, industrial secrets and models, franchising, trademark and other forms of access to their use, either on an exclusive basis or under the form of restrictive licensing per geographic area or field of industrial and/or commercial is considered indirect investment. In respect of the shareholders loans, the new regime stipulates that those loans should not exceed 30% of the amount of investment made by the incorporated company and are only refundable after 3 years counting from the corresponding date of registration in the company accounts. Finally, this regime stipulates that the operations qualified as indirect investment, should not exceed an amount corresponding to 50% of the total amount of investment, either in cases where an internal investor is involved, either in cases of external investor.

APPLICATION IN TIME

This law and its regulations are not applicable to investment projects approved before its entry into force. These investment projects continue to be governed by the provisions of former legislation and by the terms or specific contracts on the basis of the authorization granted before. In any case, the investors may require the application of the new law to their investment projects. The decision should be issued by the competent body taking into consideration the investment amount and its characteristics. The tax and customs benefits already granted under the former law remain in force within the period established and extensions are not allowed.

REGULATION

Even though this law has entered into force, the new regime should be subject to regulation which is expected to be published soon. *(RFF Lawyers)*

More than 300 Angola Investe projects receive public guarantee

Three hundred and three projects funded by commercial banks under the Angola Investe programme have received public guarantees, said in Luanda the chief executive of the Credit Guarantee Fund, Manuel Passos. The chief executive said that those projects, which have been approved since 2013, obtained funding of 59 billion kwanzas (US$466.7 million) and credit guarantees of 30 billion kwanzas. “The Fund provides guarantees with coverage of up to 70 % of capital, hence the difference between the amount financed and the amounts guaranteed by the Credit Guarantee Fund,” said Passos cited by Angolan state news agency Angop.

The Fund’s chief executive, who was visiting Imprimarte, a printing company that has benefited from investment from Angola Investe said that to date no guarantees had been activated, “which is a good sign.” The chairman of Imprimarte, a subsidiary of the Cecaso group, Carlos Cunha, said Angola Investe had granted a loan of US$5 million (630 million kwanzas) to complete the project valued at US$12 million (1.512 billion kwanzas). The company specialises in graphic arts and has production lines for books, magazines, packaging and labels, and ended 2014 with a turnover of 355.9 million kwanzas, which is expected to increase to 794 million kwanzas this year. Angola’s Credit Guarantee Fund is part of the Ministry of Economy that works with public resources, to facilitate access to bank credit for micro, small and medium enterprises. *(Macauhub)*

Bollore invests 30 mln euros in Ivory Coast-Burkina rail link

Bollore has invested 30 million euros ($33.6 million) to buy trains for the freight and passenger line it operates between Burkina Faso and Ivory Coast, the French company said. Landlocked Burkina Faso relies partly for its exports and

imports on the ports of its southern neighbour Ivory Coast, the biggest economy in French-speaking West Africa. It also uses ports in other neighbours Ghana and Togo. We have invested around 30 million euros to acquire trains, including six received today," Lionel Labarre, director of Bollore Africa Logistics, said. "We are still waiting for nine locomotives that will add to the 20 that are already in service," he said, adding that Bollore would also develop the station in Abidjan, Ivory Coast's main city.
Trains take about 36-hours to do the 1,260-km (787-mile) journey between Abidjan and Burkina Faso's capital Ouagadougou, and carriages are often packed with people, trade goods and animals being carried to market.
Bilateral trade between Burkina Faso and Ivory Coast hit 290 billion CFA francs ($495 million) in 2014, up from 165 billion in 2011, Prime Minister Daniel Kablan Duncan said at a ceremony to mark the arrival of the six new engines. Most of the trade runs via rail and road links. Cargo traffic between the two countries stood at 610,000 tonnes last year, up from 402,000 tonnes in 2011, Duncan said.
Developing the rail line is a strategic priority for Ivory Coast and a tool for regional integration, said Duncan, adding that the country was aiming for 2 million passengers a year in the next few years up from 300,000 now.
Bollore has operated the Ivory Coast-Burkina Faso railway since 1995 and has recently been awarded a concession for a rail link between Niger, Benin and Togo. ($1 = 0.8939 euros) ($1 = 586.3600 CFA francs) *(Reuters)*

Investors interested in recovering Companhia do Buzi in Mozambique
A group of investors has expressed an interest in recovering Companhia do Búzi (CB) in the Mozambican province of Sofala, which has been at a standstill since 1994 due to the obsolete state of its equipment, said provincial governor Maria Helena Taipo. The governor told Mozambican newspaper Notícias that the group of investors expressed the interest during the Maputo International Fair (Facim), which ended in Marracuene district, Maputo province.
In addition to the interest shown in the recovery of Companhia do Búzi, founded on 13 September 1898 and which was once a major sugar producer in Mozambique, Taipo also mentioned an investment in a factory for processing tomatoes, also in Búzi. In 2011 an announcement was made that Companhia do Búzi would start producing sugar again in the first half of 2014 after a standstill of 15 years.
The company’s president, Jorge Petiz, cited by the Mozambican press, said at the time that the business plan for this project, which would involve investment of US$120 million, was being drafted by Portuguese bank BPI, which will also negotiate and set up its financing operation, with an appropriate capital structure by the end of the year.
Açucareira do Búzi is one of six sugar factories that existed in Mozambique during the colonial period and, if it is recovered, will increase the number of sugar factories in Mozambique to a total of five. Investors have yet to be found for Açucareira do Luabo, in Zambézia province. Mozambique is currently served by four sugar manufacturers, Maragra and Xinavane in the south, and Mafambisse and Marromeu, in the central region. *(Macauhub)*

BANKING
Banks

Zimbabwe: Africa Century Secures U.S $4 Million to Fund Economy
Local company African Century Leasing has secured $4 million from a Geneva-based investment firm, Symbiotics Group to be used to fund productive sectors of the economy. ACL has so far disbursed $82 million in lease finance to various local small and medium enterprises and other sectors of the Zimbabwean economy since its inception in 2011.
In an interview with The Herald Business, ACL managing director Mr Stanley Matiza said the company has already secured the credit line with a signing ceremony expected to be announced soon. "We have secured some funding arrangement with a Geneva investment group worth about $4 million and the funds will be disbursed towards manufacturing, agriculture and tourism. The deal will soon be signed in the presence of Government. "The process of retooling local industry is being hampered by lack of long term funding and as such ACL will continue to engage the DFI community for credit lines. The leasing company, in June this year, successfully secured a credit line of $5 million from the Netherlands Development Bank.
This was the second tranche of funding that ACL received after having accessed $8 million in 2013. Mr Matiza said the leasing industry requires more long-term funding to meet the needs of the local industry. The company has grown to be a lease finance company for vehicles and machinery with clients from both the private and public sectors.
Shareholders of African Century Limited are African Century Leasing Limited Mauritius and the Management Staff Share Scheme. African Century was given a licence by the central bank to be a deposit taking microfinance institution.
Symbiotics Group was incorporated in 2004 in Geneva and is an investment company specialised in emerging, sustainable and inclusive finance which offers market research, investment advisory and asset management services.
It is an asset manager of collective investment schemes regulated by FINMA, the Swiss Financial Market Supervisory Authority and has an advisory licence from the Financial Conduct Authority, through its subsidiary in the United Kingdom. The company is head-quartered in Geneva, with offices in Cape Town, London, Zurich, Mexico City and Singapore with a staff of over eighty professionals.
Since 2004, Symbiotics has invested over $2,3 billion in more than 250 microfinance institutions in 50 emerging countries, working with more than 28 investment funds and many institutional investors. *(All Africa)*

Zimbabwe: FBC Records U.S $8,2 Million Profit

FBC Holdings registered US$8,2 million after tax profit in the half-year to June 2015, a 21 % increase from the same period last year. The financial service group declared an interim dividend of 0,149 cents.
FBC Holdings chief executive officer John Mushayavanhu said the group recorded total income of US$39,9 million, virtually standstill as the group recorded US$40 million in the same period last year. "Net interest income at US$14,9 million contributed 37 % to total income. This was however, 11 % below the same period last year," he said.
Total assets currently stand at US$381,7 million down from US$393,9 million recorded prior period.
Loans disbursed during the period increased to US$262,8 million from US$250,3 million.
Deposits were US$332,3 million down from US$353 million while the non-performing loans ratio surged to 16,5 %, similar to the market average, from 15,9 % last year.
Fees and commission contributed 31 % to total income with no real growth due to a downward revision in fees as the group moved towards e-channel transactions, which are high in volume and low in value. *(All Africa)*

I&M Holdings of Kenya Agrees to Acquire Giro Commercial Bank

I&M Holdings Ltd., Kenya’s sixth-biggest lender by market value, said it agreed to buy Giro Commercial Bank Ltd. for an undisclosed sum. The stock surged by the most in 21 months. The acquisition, which is subject to regulatory approval, comes after the Kenyan Treasury proposed raising banks’ minimum core capital requirements by five-fold to 5 billion shillings ($47 million) by the end of 2018. Giro had core capital of 2.3 billion shillings, Standard Investment Bank said in a research note e-mailed from Nairobi. “We think the acquisition will benefit I&M Holdings on the side of branch expansion given that plans were underway to increase its network,” SIB said. The two have similar strategies in that they focus on lending to small- and medium-sized enterprises and on retail banking, it said. Giro has seven branches in Kenya, including five in the capital, one in the port city of Mombasa and another in the western city of Kisumu, according to its website. The lender, which focuses mainly on short-term lending, had a market share of 0.5 % at the end of 2014, according to SIB. I&M Chief Executive Officer Arun Mathur wasn’t unavailable when Bloomberg called his office seeking comment and he didn’t immediately respond to e-mailed questions. I&M shares surged 12 % to 120 shillings by 11:15 a.m. in the capital, Nairobi. *(Bloomberg)*

Ecobank’s Ikazoboh: A man who’s good in a crisis

Emmanuel Ikazoboh was brought in to Ecobank as chairperson in June 2014, as the company was going through tumultuous times. The bank was being accused of poor governance, and there was talk of cliques, in-fighting and low morale. But a year on, the ship seems to have been steadied, even if the dispute with former CEO, Thierry Tanoh, continues.
In a rare interview on the sidelines of their General Assembly in Tanzania, Ecobank’s chairperson spoke to African Banker about how things are going. Ikazoboh is no stranger to crises. The softly spoken Nigerian, a chartered accountant by training, seems to take a liking to solving problems, especially those relating to governance. Indeed, it is not by chance he was chosen as the man for the job when the bank was accused of mismanagement in 2013-2014. The bank had lost its chairman Kolapo Lawson and its new CEO Thierry Tanoh in a short space of time. KPMG was called in to conduct a comprehensive audit, and it was them that first sounded the idea of Ikazoboh as chairperson following his success as acting director of the Nigerian Stock Exchange (NSE). There, he had been parachuted in to stabilise Nigeria’s capital markets in 2010 after the NSE’s board had sacked its CEO over issues related to transparency, poor governance and supervision. Within 18 months, Ikazoboh had managed to improve the management structures, rebuilt trust in the exchange, and recruited an executive team to take over from him.Ikazoboh says he was not daunted by the new task at Ecobank, and as a pan-Africanist the challenge had a certain appeal. His experience at Deloitte, where he’d led the West and Central African practices, gave him sufficient knowledge of operating on a continental level. Sitting on the African board at Deloitte, he was part of the team that oversaw the integration of the company’s practices across Africa. Nevertheless, the Ecobank job was not plain sailing.“It was a bit more complex than I thought,” he says. “From a corporate governance perspective you had a situation where the bank had grown so rapidly over the last seven or eight years that in the process of growing, certain processes and structures were not put in place.”Ikazoboh suggests he spent much of the first year strengthening issues relating to governance. And in a year of refocus and renewal, he helped implement a 51-point plan to improve internal controls and corporate oversight. “When you talk about corporate governance for a bank like Ecobank, it’s a bit different from other banks that are only in a particular country,” he says. “This is a situation where you have subsidiaries that are in various countries with different cultures and different regulatory requirements. And you want to have a common standard across [all subsidiaries], a minimum standard which we cannot go below, and then in addition to that, in each environment, you had to now put in place certain structures to also address local needs.”The other urgent item on his list was that of appointing a new Group CEO; Albert Essien, who had taken over from Tanoh in March last year would have to stand down on reaching 60, in June 2015. A committee was formed and they appointed global headhunters Stuart Spencer, with the board eventually appointing Citigroup veteran, Adebayo Ayeyemi, who will take the helm on 1st September. Ikazoboh is confident Ayeyemi is the man for the job. He feels Ayeyemi comes with the right experience – which includes being the first black African to be made the CEO for sub-Saharan Africa for Citibank – and the right attributes as the bank consolidates its activities and forges

ahead. "Don't forget that the culture to drive and build the institution and expand at the rate at which it did needed an authoritarian culture where the chief executive and his team had to drive things," says Ikazoboh. "Having achieved that expansion, you now need to have an innovative culture where people can come up with different ideas so the next culture has to be an innovative culture, and we needed someone who has worked in an innovative environment to now take it to that level."Challenges aheadAfter a tough year in 2013, the bank's performance in 2014 was a lot stronger with operating revenue growing 14% and net earnings growing 230% to $339m. Cost-to-income ratios, which were high compared to the industry average, were also brought down although Ikazoboh admits more needs to be done. Also of possible concern to the bank are the dominance of the Nigerian subsidiary in the company's results (accounting for a little under half) and the overwhelming performance of the treasury department to the company's profitability (which at 45% is much higher than the industry average). But Ikazoboh is not worried. He is comfortable with the bank's wide footprint and sees it as a clear competitive advantage. "The signpost in the 36 countries gives us a position today that no other bank in Africa has. There is a seamless movement of funds across the region because of the subsidiaries, and we have a common technology platform so that is a competitive advantage over other banks in Africa. We have to look at each subsidiary and know where we have to do only retail banking, where we have to do only corporate banking and where we have to do a combination of both retail and corporate, so that is the restructuring that is taking place to ensure that there is efficient use of capital in each of the locations where we are."During the General Assembly, and in subsequent discussions, Ikazoboh mentions tough global economic conditions and other headwinds such the fall in the price of oil and other commodities. But he remains bullish and expects performance this year to be even stronger than previous years. The bank did not pay dividends in the last two years, something shareholders have been complaining about. Yet Ikazoboh attributes this primarily to regulatory requirements in each of the subsidiaries. Cross-border regulation was a central issue when problems arose last year. In short, it was asked, how could regulators ensure that failure in one subsidiary did not create systemic risk for subsidiaries in other countries? "You must have read the IMF report on this and there was a concern by the regulators that ETI [Ecobank Transnational Inc] was a regulator's nightmare for some of them because of the way it is structured. What we kept making them understand is that we try to run a ring around each of our clusters to ensure that if there are challenges it will be limited within each cluster, so the holding company – actually that is ETI itself – ensures that we monitor each of the subsidiaries and not transactions. Although there are transactions between [subsidiaries] these transactions are at arm's length and properly secured to ensure that there will be no drastic effects on the operations of any of the subsidiaries." Another question still on many people's minds regarding Ecobank is the prolonged dispute with former CEO Thierry Tanoh, who is suing Ecobank for defamation and unfair dismissal. He has won a case in the Ivorian and Togolese courts, but the bank is still challenging these; the courts in Abidjan and Lomé had ordered Ecobank to pay Tanoh in excess of $20m. Ikazoboh mentioned that the bank would prefer to settle this outside the courts, but following a recent court order in the UK in July that had overturned an order blocking the payments, they may have to draw the line, cut their losses and move on. No regretsA year on from his appointment, does he regret in any way coming on board? "It's been very challenging, more than I thought," he says. "But there has not been a day when I have regretted my decision…This is the best board [I have worked with] and I'm not saying it because I'm a member of that board…These are people who have worked in financial institutions, most of whom have retired and just want to give their best and to leave behind something for their children or children's children."As we end our conversation, Ikazoboh is keen to emphasise, in his discreet and understated style, that governments and regulators need to appreciate the hard work the staff of the bank put in. Whether or not this is a veiled message to the authorities in Togo and Côte d'Ivoire it is hard to say, but the unwavering commitment of his team is not, for Ikazoboh, to be questioned: "All the staff are so passionate about this institution that I think they should need to be encouraged and the encouragement should come by way of the governments of Africa encouraging [their own] institutions and giving it the necessary support to achieve the economic integration of Africa which is the vision of the institution." *(African Business)*

Markets

Angola has new Securities Code

The Securities Code (CodVM) – Law 22/15 – has been in force in Angola since 31 August, the date of its publication in the Angolan Republic Gazette to ensure legal security and the confidence of issuers and investors, Angolan news agency Angop reported. The new law, approved by the Angolan parliament on 21 April, replaces the Securities Law (Law 22/05, of 23 September) and completes the basic legal framework of the securities and derivatives market. The publication of the Securities Code, in conjunction with the new Basic Law on Financial Institutions (Law 12/15), in force since 17 June, 2015, is part of the reform of Angola's legal and financial system. With 484 articles, the new Securities Code clarifies concepts of securities, defines investment services and activities and sets out in detail the framework for negotiating financial instruments in regulated markets.

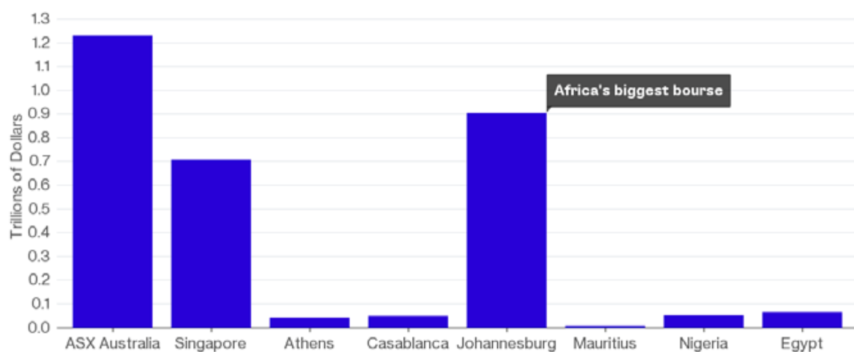
The new document also creates substantive and procedural rules on misdemeanours, defines the crime of disobedience, adjusts the abstract measures of penalties for market manipulation crimes and insider trading, among other topics.

The Capital Markets Commission was admitted as an associate member of the International Organisation of Securities Commissions (IOSCO) on 7 November, 2014, and following the publication of the new Code is closer to becoming a

full member. The Capital Markets Commission is responsible for the regulation, supervision, inspection and promotion of the securities and derivatives markets in Angola. *(Macauhub)*

The African Development Bank announces expansion of its African Bond Index
Botswana and Namibia join index family bringing transparency to most liquid African bond markets.
The African Development Bank (AfDB) through the African Financial Markets Initiative (AFMI) launched its AfDB/ AFMISM Bloomberg® African Bond Index (ABABI) in February 2015. Calculated by Bloomberg Indices, the composite index is currently comprised of the Bloomberg South Africa, Egypt, Nigeria and Kenya local currency sovereign indices and will be joined from October 2015 by Botswana and Namibia. "As more African countries are increasingly looking to domestic capital markets to source much-needed financing for economic development, we are delighted to welcome Botswana and Namibia to the index and expect to include more countries to it as soon as reliable pricing information is made available," says Stefan Nalletamby, Director of the AfDB's Financial Sector Development Department.
The expanded index will now include the six most liquid sovereign bond markets in Africa and three sub-indices for different maturity ranges. To be included in the index, a security must have at least one year remaining to maturity and withstand price stability tests.
The AFMI works to deepen the continent's local currency bond markets and also strives to create an environment where African countries can access financing at variable terms. By providing transparent and credible benchmark indices, the AfDB/AFMISM Bloomberg® African Bond Index provides investors with a tool with which to measure and track the performance of Africa's bond markets. The composite index is available to Bloomberg Professional® service subscribers via {BADB Index}. More on the AFMI can be found at www.africanbondmarkets.org.

Trader Promises Price War to Undercut Africa's Biggest Exchange
Kevin Brady, once head of equity trading for South African-born bank Investec Ltd., wants to compete with Africa's biggest and oldest financial market, JSE Ltd. To do that he plans to undercut the monopoly's fees. "Our target is to make the end-to-end cost of an equity trade between 30 to 50 % cheaper," Brady, 48, said by phone from Johannesburg on Sept. 3. "Our value proposition is about giving people a choice and a high-performance platform with top-end technology and a material reduction in price."
The new exchange, named A2X, may open for trade in the second half of next year if the regulator, the Pretoria-based Financial Services Board, approves its license application, which was first lodged in May. Brady is starting it with partners Ashley Mendelowitz, formerly of technology company Peresys Ltd., and Sean Melnick who co-founded investment firm Peregrine Holdings Ltd. "If people are able to get a license on the same basis that we operate, then I am up for the competition," Nicky Newton-King, chief executive officer of the JSE, said by phone on Sept. 3. "Our pricing isn't out of the ballpark in global terms. Our general policy is to reduce our pricing every year. When they come out with pricing, we'll see how we need to react." Johannesburg's stock exchange started in 1887, spurred on by the gold rush in South Africa. The companies it lists have a market value of about 9.92 trillion rand ($713 billion), making it the largest exchange in Africa, according to data compiled by Bloomberg. In the six months to June, the JSE recorded revenue of 1.01 billion rand and increased pretax profit 28 % to 585.4 million rand from a year earlier.
Dependable Regulation
"With a 50 % pretax margin, there is absolutely space for competition," Brady said. Of course, it's not just about the price. Investors trust exchanges that can offer liquidity, price discovery and transparency with dependable regulatory oversight. While A2X will offer the full gamut of trading, clearing and settlement services along with surveillance and regulation, Newton-King believes introducing competition in a relatively small market may in turn hurt investors. "I think competition in this market is a very bad idea," she said. "Fragmenting price discovery will increase the spread on shares. Settlement risk increases. For the market as a whole there are some serious negative potentials."



Australian Archetype
Brady's example to counteract Newton-King's argument is Australia's Chi-X. Started in November 2011, Chi-X had an average daily trading of A$296 million ($207 million) in 2014, compared with A$1.6 billion on the JSE's more direct counterpart, the Australian Securities Exchange, according to data compiled by Bloomberg.

Since Chi-X began, prices and costs have declined, investors have used technology to ensure price discovery, and liquidity and spreads have improved, Brady says.

Risks aside, if A2X is successful and able to settle trades while providing appropriate levels of regulation, it may help boost South Africa's economy and increase the total trade in equities. The country, Africa's most developed nation, needs to attract more investors as growth slows amid power outages and rising inflation. "If A2X obtains a license, it will immediately be negative for the JSE, even if A2X do not gain much market share or are not profitable for a number of years, as it will force the JSE to reduce pricing in cash equity products," Harry Botha, an analyst at Avior Capital Markets who rates the JSE underperform, said in a note to clients on Aug. 26. "We expect this initial fee reduction to be about 10 % for trading, and clearing services and this will reduce our earnings forecasts by about 8 %."

Entrants Galore

A2X isn't the only wanna-be exchange applying for a license. Another two, called 4AX and ZAR X, want to focus on shares that have been trading over the counter in mostly unregulated environments. That said, only A2X poses any immediate threat to the JSE's business, according to Botha. "There are a lot of opportunities that come from people trading, but we're not going to make it easy for them to gain traction in any part of our business," Newton-King said. "We have to take the view that we earn trade, so we do what we do better every day."

The new exchange has already noted a pent-up demand among brokers who want to become authorized members and might break even within three years, Brady said, adding that the company will need about 30 staff members when it's operating at full capacity. At first, 50 to 65 stocks with primary listings on the JSE will be able to be traded on A2X. "We will grow our business according to what our clients want and need and we're starting with a blank slate rather than a lot of legacy systems," Brady said. "The JSE is very protective of its space. It says it welcomes competition, but the proof will be in the pudding. I hope it does." *(Bloomberg)*

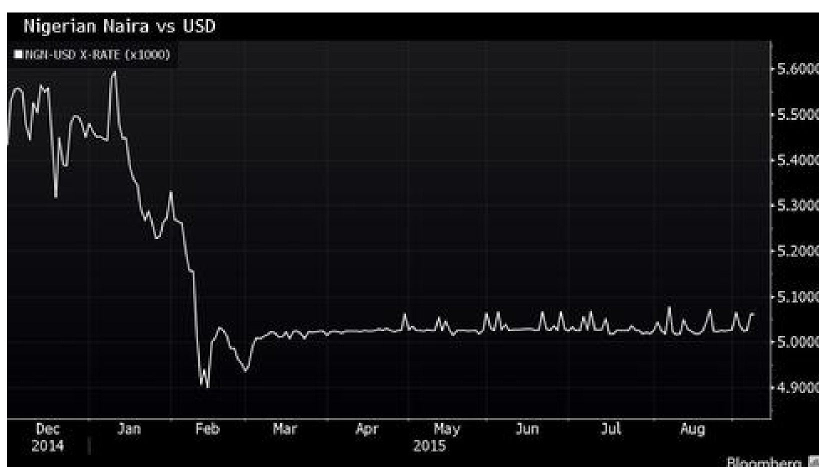
JPMorgan to Remove Nigeria From Emerging-Market Bond Indexes

JPMorgan Chase & Co. has excluded Nigeria from its local-currency emerging-market bond indexes tracked by more than $200 billion of funds, after restrictions on foreign-exchange transactions prompted investor concerns about a shortage of liquidity.

The first phase of removing Africa's biggest economy from the Government Bond Index-Emerging Markets, or GBI-EM, will take place at the end this month followed by a full exit by the end of October, the New York-based lender said in a statement sent to Bloomberg by spokesman Patrick Burton. Nigeria's central bank under Governor Godwin Emefiele introduced several foreign-exchange trading restrictions from December to stem the drop of the naira amid weaker oil prices. The country is Africa's largest producer of crude, which accounts for about 90 % of exports and two-thirds of government revenue. JPMorgan placed Nigeria on index watch in January, saying the foreign-exchange measures made it more difficult for foreign investors to replicate the gauges.

Currency Reaction

The country will "lose a significant chunk of regular portfolio inflows," Gareth Brickman, a market analyst at ETM Analytics NA LLC in Stamford, Connecticut, said in a e-mailed note, estimating that more than $3 billion of Nigerian bonds will need to be sold. "The pressure will most certainly be back on the bank to allow the official naira rate to be at a lower, more sustainable level. Whether this comes with a more liberalized foreign-exchange regime is now anyone's guess." Nigeria will not be eligible for re-entry for at least 12 months from the date of exclusion, JPMorgan said. The country has a 1.5 % weighting in the biggest GBI-EM index, which is tracked by $183.8 billion of funds, according to the bank. "Investors who track the GBI-EM series continue to face challenges and uncertainty while transacting in the naira due to the lack of a fully functional two-way FX market and limited transparency," JPMorgan said in the statement. "As a result, Nigeria will be removed." The naira weakened 20 % to a record low of 206.32 per dollar in the year through Feb. 12. Extra curbs introduced by Emefiele after that slashed trading in the interbank market and have seen the currency stabilize at an average of 198.93 since the beginning of February.



"We would like to strongly disagree with the premise and conclusions upon which the decision rests," Ibrahim Mu'azu, a spokesman for the Abuja-based central bank, said in a statement.

Nigeria has already introduced an order-based, two-way foreign-exchange market to stabilize the naira and limit speculation, according to the statement. "Despite these positive outcomes, JPMorgan would prefer that we remove this rule; even though it is obvious that doing so would lead to an indeterminate depreciation of

the naira," Mu'azu said.
Emefiele repeatedly said that Nigeria wanted to remain in the indexes and that there's enough liquidity in the currency market for foreigners to buy and sell naira bonds. Average yields on those securities rose 11 basis points to 16.04 % on Sept. 7, the highest among 18 countries included in the GBI-EM indexes, according to data compiled by Bloomberg.

'Big Blow'

"This will place additional pressure on the currency and even more upward pressure on domestic yields," Stephen Bailey-Smith, head of Africa strategy at Standard Bank Group Ltd., said by phone from London. JPMorgan included Nigeria in the GBI-EM in October 2012 after Emefiele's predecessor, Lamido Sanusi, removed a rule that foreign buyers of naira bonds had to hold them for at least a year. Foreign holdings of the country's local debt surged as a result to a peak of about $11 billion in 2013 before falling to $3 billion today, Samir Gadio, head of Africa strategy at Standard Chartered Plc., said by phone from London.
The exclusion hurts Nigeria just as President Muhammadu Buhari, in power since May, prepares to announce his cabinet, according to Ronak Gopaldas, head of country risk at Rand Merchant Bank. Buhari said he would have ministers in place by the end of the month. "The move is a big blow to the country's prestige and will result in negative market sentiment and capital outflows," Johannesburg-based Gopaldas said in an e-mailed response to questions. "The performance of the currency, stock market as well as yields on the country's debt are all expected to be adversely affected." *(Bloomberg)*

Fund

Sovereign Wealth Funds Can Ease Africa Risks, AfDB Head Says

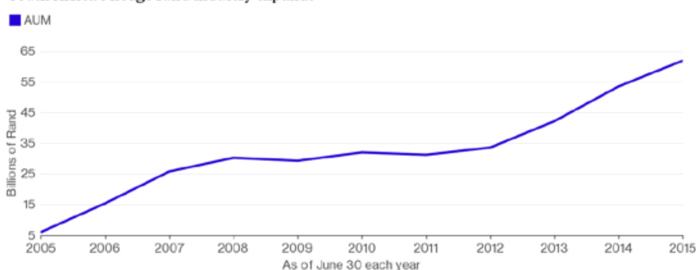
African nations, stung by plunging commodity prices, should set up more sovereign wealth funds to help withstand the next downturn, said Akinwumi Adesina, the African Development Bank's new president.
The funds "will allow countries to have fiscal buffers and liquidity buffers to this kind of shock," said Adesina, 55, who took charge of the lender. "It's not the only one we're going to see, there's still going to be a lot of disquiet in the market going forward." Adesina replaced Donald Kaberuka at a time when low oil prices threaten to deepen economic crises in Nigeria and Angola, the continent's largest crude producers, African currencies are trading near all-time lows and stock and commodity markets are reeling after China devalued the yuan this month.
The Bloomberg Commodity Index, which tracks 22 raw materials, slumped to its lowest level since 1999 on Aug. 26.
The West African nations of Nigeria, Angola and Ghana, also an oil producer, have sovereign wealth funds, while countries including Kenya and Tanzania, in the east, are considering the idea to store savings from oil and gas exports as they develop deposits on a commercial scale. Critics of the wealth funds argue that the revenue can be squandered for political gain by African governments that often aren't transparent, rather than be invested over decades for future generations, or the money is better spent on immediate priorities, like infrastructure and social programs.

Immediate Impact

The recent fall in Chinese stock market prices was an "asset repricing issue" that isn't expected to cause greater economic turmoil in Africa beyond the immediate difficulties, Adesina said in an interview on Aug. 28. China has become Africa's largest trading partner, with the value of trade rising threefold to $166.3 billion in 2012 compared with five years' earlier. "We have to make sure that we are able to mitigate against those shocks," he said. "It's clear that markets are rebounding, but it doesn't take away from the fact that we're maybe looking at a new normal here."
Economic growth in sub-Saharan Africa will probably slow to 3.5 % this year, compared with an average of 5.5 % between 2000 and last year, Renaissance Capital economist Yvonne Mhango said in a note on Aug. 28. The outlook has dimmed in Nigeria, where growth slowed to 2.4 % in the second quarter, from 4 % a quarter earlier, and South Africa, whose economy contracted in the three months through June. "Our goal is to maximize Africa's economic prosperity and build growth that is inclusive and sustainable," Adesina told reporters in Abidjan after his inauguration. "We want to unlock Africans' potential by giving them the means to create, innovate and prosper."
Weakening African currencies have increased the cost of servicing foreign-currency bonds, Adesina said. The bank will promote an expansion of regional borrowing to help countries raise money to build infrastructure and develop more sophisticated industries. "We can do a lot more in terms of domestic resource mobilization that reduces the need to post a lot of foreign currency-denominated bond issuance," he said. *(Bloomberg)*

Kenya: Dubai Team Seeks Trade Openings
Dubai investor have advised Kenya to offer innovative tourism packages targetting the Muslim population in United Arab Emirates keen on visiting tourist attraction sites. Muhamad Ali Kamali, deputy chief executive of Dubai Exports, said the agency can offer support to local investors in the tourism sector to develop products suited for customers from Islamic countries. He said packages that include Halal tourism options would be well received in the UAE. Kamali said the agency will support Kenyan businesses in identifying and meeting prospective buyers in Dubai. He spoke yesterday during the opening of a trade mission from United Arab Emirates. Kenya imports electronics, machinery, motor vehicles and plastics from UAE, according to data from the Export Promotion Council. It exports fresh produce, cut flowers, nuts, coffee and black tea to the Middle East nation. "Kenya will campaign for higher volumes of flower exports and tourism," said International Trade Cabinet secretary Amina Mohamed. According to data from the Kenya National Bureau of Statistics, Kenya's exports to the UAE stood at Sh1.74 billion in June 2015 from Sh752 million in June 2014. Imports from UAE rose to Sh8.7 billion in June from Sh5.7 billion over the same period last year 2014. *(All Africa)*

Hedge Funds in South Africa Fight 'Cowboy Image' With New Rules
Hedge funds in South Africa are counting on new regulations imposed by the government to help them win credibility with pension fund managers who oversee 2.5 trillion rand ($180 billion).
The rules enhance oversight of hedge funds by requiring a separate management company, administrator and trustees that check and balance each other. Managers must report holdings each quarter to investors and the Financial Services Board, the country's regulator. It's a move that may shoot down the industry's "cowboy image" and unlock more of the 1/10th of pension fund investments that can be allocated into hedge funds, industry insiders said. "That 10 % can be a substantial amount of money given the assets under management in the pensions industry," Udesh Naicker, head of hedge fund regulation at the Financial Services Board, said Aug. 25 in an interview in Pretoria, the capital. "The hedge fund industry will probably experience significant growth through pension fund allocations.''



Hedge funds sometimes use short-selling, borrowing and derivatives in addition to traditional stock picking. Some hedge fund investing strategies that take on risk by borrowing to fund bets on market directions have hurt the industry's reputation, said Philippa Owen, chief operating officer of Tower Capital Management Pty Ltd. "These are generally the types of strategies that have been linked to a cowboy image globally and are unfortunately the ones that make the headlines when the bets go wrong," she said in an e-mail from Johannesburg. Sharing the same rules as traditional funds on how they report activity and sell themselves "will certainly help pension funds and other investors gain more confidence in hedge funds," she said. The attitude of South African hedge funds to increased regulation echoes the experience in the U.S. where in 2011 funds embraced Securities and Exchange Commission supervision as investors sought regulated venues for their money in the wake of the financial crisis.
In South Africa, despite robust investment processes, asset segregation and infrastructure, "the industry has been tainted by perceptions of rogue traders, sub-standard infrastructure and the gun-slinging cowboy caricature," Bradley Anthony, chief investment officer at Fairtree Capital Pty Ltd. in Cape Town, said by e-mail. "For this reason, the vast majority of South African hedge fund managers not only welcome the regulation, but have actively participated in the processes which contributed to its introduction."
The regulations should also increase protection of investors against fraud in the continent's most developed economy. The Relative Value Arbitrage Fund sold itself as a hedge fund in a 2.2 billion rand ponzi scheme with about 3,000 investors that collapsed in 2012. In July of that year, under investigation by authorities and unable to keep pace with customer withdrawals, Herman Pretorius, who ran the fund, killed his former business partner Julian Williams and shot himself. "The South African regulator is far more rigorous in its licensing of hedge funds than in the U.S. and U.K.,'' Andre Steyn, chief executive officer of Steyn Capital Management Pty Ltd. in Cape Town, said by e-mail. Steyn, who worked on hedge funds in both those countries, controls 2 billion rand in hedge funds and 5 billion rand in long-only funds.
Winning Support
The new rules, which change hedge funds' classification to what South Africa terms "collective investment schemes," are already winning over some investors. Liberty Life Insurance Co., which administers 220 billion rand in corporate and individual retirement funds, will use hedge funds because the clarity and certainty of the new regulations make investors comfortable, Justin Roffey, the company's head of portfolio construction, said in a phone interview from Johannesburg. "It's a 'what-I see-on-the-can-is-what-I-get' kind of approach," Roffey said. "Hedge funds have a great place because of their natural tendency toward low volatility and they produce bond-like returns, so it means we have

another way of creating a benefit." Liberty Life began trial investments in hedge funds using its own balance sheet more than five years ago and will also start investing retirement funds it administers, a move Roffey predicts will be followed by industry peers. South African hedge funds had about 62 billion rand under management in 111 vehicles as of June 30, according to Novare Investments Pty Ltd., a Cape Town-based investment adviser.

Fee Changes

The country's collective investment scheme industry managed assets of 1.8 trillion rand across 1,225 portfolios as of June 30, according to the Association for Savings and Investment South Africa. It's too early to determine how much would flow across to hedge funds, said Eugene Visagie, a spokesman for Novare, and Marilyn Ramplin, director of the Hedge Fund Academy in Johannesburg. The local industry has followed a global trend of cutting fees from about 2 % of assets under management plus 20 % of profits, to 1 % of assets and 20 % of profits, Ramplin said. While the new regulations may mean higher costs for funds, Tower Capital won't be increasing its fees, Owen said.

The new regulations require that funds be overseen by a management company -- a "manco" in industry parlance. Funds must be classified either in a new category of retail, known as RIHFs, for man-in-the street depositors, or as QIHFs for qualified investors required to invest at least 1 million rand. Retail managers can set their own initial amounts. Tower's Owen said educating investors is important so that they don't paint all hedge fund strategies with the same brush. Investors should also become aware that top South African hedge fund managers are generating better returns than most traditional long-only mandates, while their short positions, or bets on declines in stock prices, provide insurance on the downside, she said. Owen cited the soon-to-be classified as retail Tower Fund, which has a 5-year annualized return of 21.9 %, while the top-performing general equity fund, Foord Asset Management Pty Ltd.'s Equity Fund, had gained 20.4 % as of July.

Fund management companies will have 12 months after their structure is approved by the regulator to implement the changes from the old regulation. "It was considered the Wild West because it was unregulated and there was that feeling that the guys could do theoretically whatever the heck they wanted,'' George Herman, head of South African portfolios at Citadel Wealth Management Pty Ltd., said by phone in Johannesburg. "We're excited about the new regulation. We think it's a new phase." *(Bloomberg)*

INFRASTRUCTURE

Port of Quelimane in Mozambique undergoes dredging

The dredging of the port of Quelimane, in Mozambique's Zambézia province, is due to begin this month and will last until January 2016. Once the work is completed around 320,000 cubic metres of sediment are expected to have been removed, Mozambique's Minister of Transport and Communications said. Minister Carlos Mesquita, who was speaking in the city of Beira, said dredging had not taken place for at least five years in the port and that following the work the port should have an overall depth of 5 metres. Mesquita said the port of Maputo had increased from 9 to 14 metres deep, while the port of Beira, which is tidal, had reasonable conditions for berthing ships, with an average depth of 8 metres along its access channel. Cited by Mozambican daily newspaper Notícias, the minister stressed that because of discharges from the Pungué river, dredging at the port of Beira totals 2.5 million cubic metres per year and in the first half of the year Empresa Moçambicana de Dragagem (Emodraga) removed 1.25 million cubic metres of sediment. The 22 buoys set up along the access channel to the port of Beira undergo maintenance on a fortnightly basis and ships of up to 60,00 gross registered tons can now move around the port at night, compared to ships of up to 30,000 tons previously. *(Macauhub)*

Mozambique will have just three international airports

The international airports in Mozambique will be reduced to three and the southern region will be served only by Maputo international Airport, the central region by Beira Airport and the northern region by Nacala Airport, said the chairman of state airport manager Aeroportos de Moçambique (AdM). Emanuel Chaves, cited by Diario de Mozambique, a newspaper published in Beira, Sofala province, also said that the remaining airports – Nampula, Pemba and Vilankulos – will no longer receive international traffic. The main aim of this measure is to transform Nacala International Airport, in the north, which opened in 2014, into an international centre for passenger distribution, which will compete in the market with the airports of Johannesburg, South Africa, and Addis Ababa, the Ethiopian capital, in addition to airports in Nairobi (Kenya) and Dar es Salaam (Tanzania). Speaking at a seminar to publicise Nacala Airport, during the Maputo International Fair (Facim) in Marracuene, the southern province of Maputo, Chaves stressed he was not the only one to make a similar decision, citing the cases of South Africa and Ethiopia, which "saw long ago the economic benefits of reducing the points of entry and international air outlets in their territory." South Africa, for example, despite being a much larger territory than Mozambique and having much more international air traffic than Mozambique only has three international airports and Ethiopia has a single point of entry and exit by air. *(Macauhub)*

UK, Norway conclude Globeleq Africa acquisition

The UK's State-owned development finance institution CDC and Norwegian investment fund Norfund's joint buyout of power generation platform Globeleq Africa from emerging market investor Actis has been concluded, the parties

announced. Norfund, which injected $227-million for a 30% stake in Globeleq Africa, and CDC, which already owned around 70% through the Actis Infrastructure 2 Fund, would transfer their interests into a newly formed joint unnamed venture. Together, the duo planned to bring an additional 5 000 MW on line to Africa's generating capacity over the next ten years, adding to the more than $350-million investments made by Actis to more than double Globeleq Africa's installed capacity to 1 234 MW over the past seven years across eight power plants in Côte d'Ivoire, Cameroon, Kenya, South Africa and Tanzania. In June, Globeleq completed – on time and within budget – the expansion of the combined-cycle gas turbine of its majority-owned Azito gas-to-power plant near Abidjan, in Côte d'Ivoire, to 430 MW of installed capacity and 139 MW of generating capacity using locally supplied natural gas. Globeleq Africa had also backed the construction of three renewable-energy generation assets with a combined capacity of 238 MW under the first round of South Africa's Renewable Energy Independent Power Producer Procurement Programme. The firm was a majority shareholder of the 50 MW De Aar solar photovoltaic (PV) power plant, in the Northern Cape, and held majority stakes in the consortium groups that owned and managed the 138 MW Jeffreys Bay wind farm, in the Eastern Cape, and the 50 MW Droogfontein solar PV power plant, in the Northern Cape. In Tanzania, Globeleq held a majority interest in the Songas business, which provided gas processing and transportation, as well as power generation services, and owned a 30% interest in Tsavo (Kipevu II) 75 MW power plant in Mombasa, Kenya. Last year, the company acquired a majority share in the 88 MW Dibamba Power generation plant in the Yassa Village, Cameroon. CDC and Norfund said the Africa-focused power firm's growth milestone would be the expansion to 330 MW of the majority-owned 216 MW Kribi gas-fired generation plant, in Cameroon, which was currently in advanced development and expected to reach financial close later this year. *(Engineering News)*

ENERGY

Solar Win in Coal's Back Yard Shows Cheap Way to Beat Blackouts

Near a massive iron ore mine in the Northern Cape, almost 320,000 photovoltaic panels mounted to track the sun cover the rust-colored earth. Spanish developer Acciona SA built the 94-megawatt Sishen solar project in about 16 months under some of the strongest sunshine in the country. In South Africa, the fifth-biggest producer of coal, which is burned to generate most of the country's electricity, solar and renewable power are gaining fast. The alternatives have attracted 193 billion rand ($15.5 billion) of investment since 2011, helping the government ease blackouts. Two coal-burning power plants first approved in 2007, now costing $17 billion, are over budget and more than seven years behind schedule. South Africa's experience shows how renewables are spreading across the developing world, opening new markets with a reputation for convenience and plunging costs. That's challenging the traditional selling point for the most widely-used fossil fuel, which prides itself on being the easiest way to boost power supplies. "In the past we all looked at green and everybody was thinking, 'Well that's great, but it's very expensive, and it's for the rich,'" said Karen Breytenbach, head of the Independent Power Producer office, a group established by the government to procure energy from private sources. "We have moved the market from very expensive green power to affordable power."

Solar Solution

Renewables are a lone bright spot in South Africa's power industry. State-owned Eskom Holdings SOC Ltd. has struggled to meet demand, cutting power supplies on 99 days this year to protect the grid while the shortages stunt the economy. Eskom's older power stations are susceptible to breakdowns from lack of maintenance. Trouble with bringing the coal plants online is emblematic of the industry's difficulties worldwide. Coal prices have tumbled 50 % since the start of 2011, tipping more than three dozen mining companies including Patriot Coal Corp. and Alpha Natural Resources Inc. into bankruptcy. Envoys from more than 190 nations including South Africa will try to reach a historic deal in Paris in December limiting fossil-fuel emissions everywhere, suggesting more regulations against coal. Renewable installations, meanwhile, are surging in South Africa and elsewhere in the developing world. Minister of Energy Tina Joemat-Pettersson in April accelerated the program, which follows the country's National Development Plan. Auctions first started in 2011 under a framework the government designed with developers and banks.

Installations Boom

Starting with almost zero utility-scale photovoltaics in 2010, South Africa now has procured solar capacity of more than 1,000 megawatts, a little more than what a nuclear reactor produces. Instead of offering fixed incentives in the form of feed-in tariffs as Germany did, South Africa designed a competitive tender process for developers to bid on the renewable energy projects. The government will procure over 6,000 megawatts of wind, solar and hydro plants in South Africa, as part of the biggest surge in power capacity since the 1980s. The nation saved 4 billion rand in fuel costs and avoided some blackouts in the first half of 2015, according to a study by the Council for Scientific and Industrial Research, a Pretoria-based research group that found renewables may be the cheapest way for the nation to prevent shortages.

'Blessing'

"Changing from a feed-in tariff to an auction has been a blessing and turned what many thought would be an expensive exercise into one where solar and wind are extremely cost competitive in global standards," said Derek Campbell, an analyst at Bloomberg New Energy Finance. India and Brazil are also using auctions like South Africa's to boost renewable capacity. By 2040, $12.2 trillion will be invested in power generation worldwide, 78 % of that in emerging

market nations, and two-thirds of the total will be in renewables, according to Bloomberg New Energy Finance. For South Africa, the interest in the renewables program "was far beyond our wildest dreams," said Breytenbach at the Independent Power Producer's office. It pushed the costs of solar and wind power lower, allowing the government to reduce the price paid for power, through successive auctions. The program has been praised for its clarity and transparency and "could be a useful model for private funding of other types of infrastructure projects," McKinsey & Co. said in a report. "Backing (particularly long-term debt) from South Africa's deep financial market has been strong," it said. Coal remains South Africa's dominant power source, accounting for 88 % of electricity supplied in the first half of the year, according to the CSIR. Solar and wind together were 1.8 %.

Coal's Difficulty

Bringing on new coal plants hasn't been as easy as the government anticipated. Labor disputes and construction delays hit both the 4,764-megawatt Medupi power plant in Lephalale and the 4,800-megawatt Kusile power plant in Emalahleni. Neither will be fully operational until at least 2019. Even more baseload generation is needed for future demand, and the IPP office plans to procure 2,500 megawatts of coal stations by 2021. On a rare, overcast day, a computer in the control room at the Sishen solar plant shows 14 megawatts flowing from the panels supplied by JinkoSolar Holding Co. Other than a squeak as the GPS adjusts their position for maximum radiation, the rows of panels are silent. Through the competitiveness of its bidding rounds, South Africa has reduced tariffs for solar power to as little as 786 rand a megawatt-hour from 3,288 rand, according to data compiled by Bloomberg. The average cost of energy from independent power producers using renewables is 2,172 rand a megawatt-hour, which is cheaper than the 2,573 rand from turbines using diesel, the state-owned power company reported this year. Baseload power -- primarily coal -- is still the cheapest at about 300 rand. In spite of the tariff reductions, the procurement program is "well planned" and predictable, Rafael Mateo, chief executive officer of Acciona's energy unit, said at a visit to his company's project. He expects to bid again in successive renewable energy auctions. "It is a good example of how to drive renewables as part of the solution to South Africa's current energy crisis," Mateo said. *(Bloomberg)*

Zambia: Solar-Powered Hammermills Arrive

The first batch of the 400 solar-powered hammermills, which will be placed in four provinces in the country by 2016, have arrived in the country from China. This is part of the US$200 million project which would see the creation of more than 3,000 jobs when 2,000 hammermills are installed in all the 10 provinces by June next year. Shandong Dejian Group Company general manager Huang Meng, whose firm is handling the procurement and installation, said the company would engage many Zambians at the installation stage. "We will employ about 3,000 locals during the installation phase, our idea is to engage a lot of Zambians at every stage so that when we hand over the plants to the Government through the Zambia Cooperative Federation (ZCF), locals have the gist on the equipment to run it efficiently," Mr Huang said. By October this year, 200 of them which have been loaded in China for onward shipping would be in Zambia. The project emerged from the presidential milling initiative in which a contract was signed with China for the purchase of the hammermills aimed at addressing the price of mealie-meal in the country. The hammermills, which came into the country on August 27, are expected to be transported and begin operating in Lusaka, Northern and North-Western provinces, while the next consignment would be installed in Southern Province. Mr Chirwa said the bringing in of the solar-powered hammermills would ignite development within rural areas around the country. The ZCF expected to see other industries emerging around the mill area to provide various services towards the maintenance of the equipment. "We would like to see services such as provision of spare parts to allow for the smooth running of the hammer mill," he said. *(All Africa)*

Angolan state owns 26 pct of Efacec Power Solutions

The Angolan State holds 26 % of Efacec Power Solutions after the President authorised the National Electricity Distribution Company (ENDE) to buy 40 % of Winterfell Industries, the Portuguese press reported. Winterfell Industries, a company led by Isabel dos Santos, bought a 65 % stake in Portugal's Efacec Power Solutions from major shareholders the José de Mello and Têxtil Manuel Gonçalves groups, for 200 million euros. A statement issued at the time showed that Winterfell was already majority-owned by Isabel dos Santos and also "owned by ENDE," but did not specify what percentage of capital belonged to the Angolan public company. The authorisation from José Eduardo dos Santos consists of an order of 18 August, cited by Lusa, justifying the purchase by state company ENDE based on the "need to carry out strategic investments to strengthen the operating capacity of the Angolan public business sector," in the area of energy. Winterfell's activities before this acquisition or the cost of buying 40 % of the share capital by ENDE have not been made public, as required by an order signed by José Eduardo dos Santos, which entered into force on 18 August. *(Macauhub)*

Angolan government capitalises power company ENDE

The government of Angola will capitalise the newly created power distribution company Empresa Nacional de Distribuição de Electricidade (ENDE) with over 5.4 billion kwanzas (US$42.8 million), according to a presidential order. The document cited by Portuguese news agency Lusa said President Jose Eduardo dos Santos authorised an additional credit to capitalise the new national public company responsible for sale and distribution of electricity and

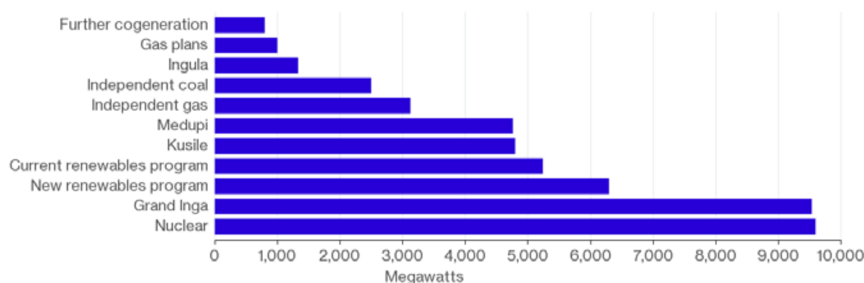
that the , being the Institute for Public Enterprise Sector would provide the required loan. About a year ago the Angolan government created three new public companies to manage the energy sector and closed Empresa Nacional de Electricidade (ENE). This decision was explained by the country's "development strategy in the electricity sector" and the need for "financial restructuring of the industry." The new organisational structure of the sector, also as part of the development scheduled until 2025, involved creation of business units expressly focused on power Generation, Transmission and Distribution. The assets of the two closed companies as well as those of the Gabinete de Aproveitamento do Médio Kwanza (Middle Kwanza Exploration Office) and the responsibilities and workers were distributed based on the responsibilities of the new business units amongst the newly created – Empresa de Produção de Electricidade, Rede Nacional de Transporte e Empresa Nacional de Distribuição de Electricidade. *(Macauhub)*

What Is South Africa Doing to Tackle Its Electricity Crisis?

South Africa's government has established a "war room" to tackle energy shortages that have led to managed blackouts and contributed to the economy's contraction in the second quarter. While there have been 99 days of scheduled power cuts this year, none have taken place since Aug. 8. About 95 % of the nation's electricity is supplied by state-owned Eskom Holdings SOC Ltd., which had installed generating capacity of 44,262 megawatts at Sept. 2. More than 85 % of the utility's output comes from coal-fired plants. Here's what's being done to bolster power supply and diversify the energy mix:

Coal

Eskom is building two new coal-fired plants -- Medupi and Kusile -- that will jointly add 9,564 megawatts of power to the national grid. Medupi's first 794-megawatt unit came online on Aug. 23. The initial output from Kusile's first 800-megawatt unit is expected in August 2017 and from Medupi's second facility a month later. The plants, which will cost a projected 223.5 billion rand ($16.1 billion), are running about four years behind schedule. The feasibility of building a third new coal-fired plant, with an initial budgeted cost of 111.1 billion rand, is being investigated. Private companies have been invited to bid for contracts to supply 2,500 megawatts of coal-fired power. The deadline to submit proposals closed Aug. 31.



Nuclear

The government plans by the end of March to award bids to build power plants that will supply 9,600 megawatts of atomic energy to the grid. While it wants the first facility to be operational in 2023, it remains unclear how it will foot a bill for as many as eight reactors that could run as high as $100 billion.

Hydropower

Work on the 25.9 billion-rand, 1,332-megawatt Ingula pumped storage facility is nearing completion, with its four units scheduled to be connected to the grid between May and August next year. South Africa has signed a treaty with the Democratic Republic of Congo to buy electricity from the planned Grand Inga hydropower plant. Under the accord, South Africa is guaranteed a minimum of 9,540 megawatts and a maximum of 13,060 megawatts, with further supplies subject to negotiation. Construction work has yet to begin on Inga, which is expected to eventually cost about $100 billion and generate 40,000 megawatts of electricity.

Gas and Diesel

The government is seeking bids from private companies to supply 3,126 megawatts of power generated from gas. Eskom is revamping two existing open-cycle turbines to enable them to use gas as well as diesel. The project will probably be completed in 18 months and cost about 1.8 billion rand. A 300-megawatt diesel plant in the Eastern Cape province is due come online in October, while a 700-megawatt facility in the KwaZulu-Natal province is scheduled for completion in May 2016. The plants will be used during peak demand periods.

Wind and Solar

Independent producers have been awarded contracts to supply more than 6,000 megawatts of solar- and wind-generated power to the grid. The government intends procuring a further 6,300 megawatts of green electricity. Eskom's 100-megawatt Sere wind farm became operational in February this year.

Cogeneration

Eskom is buying 827 megawatts of power generated during industrial processes by private companies. The government has called for bids from companies to supply it with a further 800 megawatts of co-generated power. *(Bloomberg)*

South Africa Pushes to Expand Renewable Energy

Some see effort to connect private solar and wind power plants to the grid as a model for africa

From rooftop solar panels to vast fields of groaning wind turbines, renewable energy is growing in Africa. And that has utilities racing to upgrade and expand dilapidated power grids so they can carry the electricity generated by a constellation of new producers large and small. “We’ve pushed them to be better,” says Jasandra Nyker, chief executive of BioTherm Energy Ltd., a South African solar and wind power producer. A short learning curve is particularly critical for South Africa, where economic growth has stalled as state power company Eskom Holdings SOC Ltd. races to modernize aging power plants and transmission lines whose frequent breakdowns are regularly leaving the country in the dark. “The increased grid-capacity requirements coupled with intermittent generation inherent in renewable sources of energy requires Eskom to strategically strengthen the grid,” says Dikatso Mothae, a spokeswoman for the power company. To get its grid up to speed, Eskom has spent $180 million upgrading its network of transmission stations and strung hundreds of miles of high-voltage power lines to more than 40 private wind and solar plants.

New Ingredient

Solar and wind power, which had no presence in South Africa's power grid as recently as 2012, are gaining a foot-hold. South Africa generating capacity in 2014:

	Megawatts	Pct. of total
Total	43,000	–
Wind	1,000	2.3%
Solar	860	2.0%

Changing the Mix

South Africa aims to increase wind and solar to nearly a third of the country's total electrical generating capacity over the next 15 years. Power production by fuel type:

Year	2012	2030
Coal	84%	30%
Nuclear	4	17
Wind	0	16
Solar	0	15
Gas	9	15
Hydroelectric	3	7.2

Source: South African Department of Energy
THE WALL STREET JOURNAL.

From desert to city

About 4% of South Africa’s 43,000 megawatts of generating capacity comes from renewable sources. The government wants to triple the total to some 6,000 megawatts by 2020. South Africa is one of the richest countries in the world when it comes to renewable potential, from the blustery Atlantic Coast around Cape Town to the sun-drenched fringes of the Kalahari Desert. The country’s sunniest stretches receive more than twice the annual solar radiation that reaches Northern Europe, where solar power has gained popularity in recent years.

But South Africa’s sunniest province, the Northern Cape, is 500 miles from Johannesburg, the country’s economic engine and top energy consumer. Getting solar energy from the desert to customers in the city is the biggest challenge facing Eskom. “The grid has to be strong enough to transport that energy to somewhere it’s useful,” says Bernard Bekker, a consultant for Energy Partners, a Cape Town-based company whose business installing rooftop photovoltaic units has grown more than threefold in the past year.

A model in progress

Some energy investors say the partnership between the state utility and independent power producers in South Africa could be a model for other African governments. “In the rest of Africa, interest in renewables is accelerating,” says Ms. Nyker of BioTherm. “Hopefully they will take a look at the success Eskom has had here.”

Many countries are still at the drawing-board stage of designing the mix of power generation and grid capabilities that they hope will light up a continent where reliable power is rare.

Ultimately, grids will need to be sophisticated enough to handle different kinds of renewable-power generation—not only massive corporate wind farms and solar-panel clusters but also the solar panels powering individual homes, says Nasi Rwigema, a director at Solafrica Energy, a Johannesburg-based investor in renewable-energy systems.

That means that grids will have to be able to absorb any excess power generated by home solar panels. That capability not only gives the grid access to more power, it also makes solar a more attractive option for homeowners, since any power they feed into the grid reduces their power bills. Ms. Mothae, the Eskom spokeswoman, says the utility has a long-term plan to make the grid capable of handling such home power-generation systems. If grids can’t accept excess power from homes, Mr. Rwigema warns, many people who can afford to might install home solar units anyway and simply go off the grid, reducing the utilities’ revenue. “They’ll lose some of their best customers” along with a source of power, Mr. Rwigema says. *(Wall Street Journal)*

MINING

UAE is largest buyer of Angolan diamonds

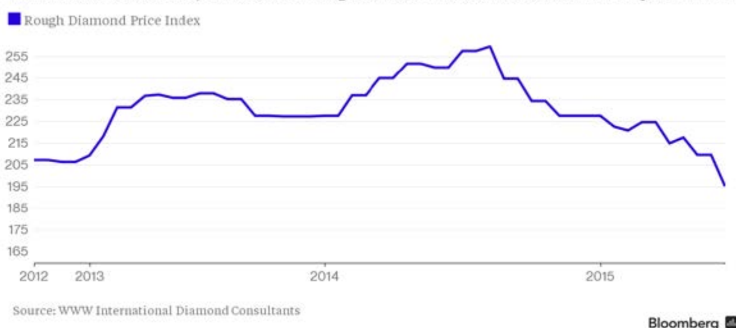
About 95 % of the diamonds mined in Angola in July were sold to the United Arab Emirates (UAE), which was followed by Hong Kong with 3 % and Belgium and Israel, both with 1 %, the Ministry of Geology and Mines said. The statement also said that over 865,000 carats of diamonds were extracted and sold in the period under review, which provided income of US$115 million, at an average price of US$133 per carat. Compared to June, when 748,000 carats of diamonds were extracted and sold, with a value of US$92.9 million at an average price of US$124 per carat, there was an increase in the quantity and value of 15.66 % and 24.22 %, respectively.

These increases were due, according to the Ministry, to the Catoca mine increasing production by 3.83 % and the fact that in July higher quality diamonds were traded, in a process that usually takes place every two months. Industrial diamond production in July involved the Catoca, Cuango, Camútwe, Chitotolo, Somiluana, Calonda, Luó and Luminas mines of the twelve active mines in Angola. At these mines there was total production of 764,000 carats, worth US$90.7 million, sold at an average price of US$118 per carat, with artisanal production, involving seven of the twelve operators accredited to purchase rough diamonds, representing 101,300 carats with a value of US$24.6 million at an average price of US$243.51 per carat. *(Macauhub)*

Australia's Lucapa Diamond finds "special" diamonds in Angola

The Lucapa Diamond Company has extracted more large diamonds described as "special" at its Lulo mining project in Angola, according to a market filing published by the Australian Stock Exchange. The Australian company said it had extracted nine "special" diamonds of over 10.8 carats each in the first two weeks of operation of that mining concession. Amongst the stones extracted there are four large ones, of 37.28, 17.15, 14.69 and 11 carats, as well as a pink diamond. In August the company extracted five large diamonds of over 50 carats each at this concession. The Lucapa Diamond Company's partners in this project are Angolan companies Endiama and private group Rosas & Pétalas. The Lulo concession lies 150 kilometres from the Catoca diamond mine, which has the largest kimberlite in Angola and the fourth largest in the world, and both are located in the same geological area. *(Macauhub)*

Diamonds' Former Monopolist Bows to Market Forces to Spur Demand

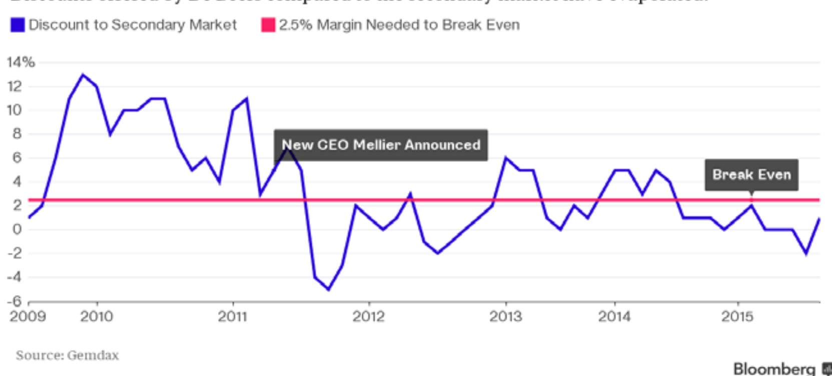


De Beers, the one-time world diamond monopoly, is bowing to market forces.

The Anglo American Plc unit, still producing about 30 % of supply, is said to have lowered prices almost 10 % last month, and is plowing tens of millions of dollars into an advertising push to spur jewelry sales. That's after two reductions in its annual output target, by a total of as much as 15 %, failed to halt an accelerating slump in prices of the uncut gems. "The time is right for us to try and help boost confidence in the industry," Bruce Cleaver, De Beers' head of strategy, said from London on Sept. 2. Rough diamond prices have tumbled about 14 % this year and are heading for their fifth straight quarterly loss, the longest streak in at least a decade, figures from U.K.-based WWW International Diamond Consultants show.

De Beers cut prices on a sale of about $250 million of the stones by as much as 9 % last week, according to three people familiar with the matter. Its advertising campaign to promote diamond jewelry focuses on the U.S. and Chinese consumers who make up more than half the world market. "It's a dramatic set of steps," Anish Aggarwal, a partner at Antwerp-based industry consultants Gemdax, said from Antwerp last week. "It's a recognition that these two markets are the ones they really need to keep an eye on."

In July, De Beers lowered its full-year production goal to 29 million to 31 million carats from an earlier target of 30 million to 32 million carats. At the start of the year, it was planning to mine as much as 34 million carats. "We don't go around worrying about market share," De Beers' Cleaver said.



That's a change from when the company shipped 90 % of the world's diamonds about a decade ago, tightly controlling supply through its system of sales to hand-picked customers, or sightholders, allowed to polish gems and sell them to jewelers or simply offer the rough stones on for a quick profit. While the system still operates, De Beers has squeezed sightholders' margins since Chief Executive Officer Philippe Mellier took the helm in 2011, holding prices at levels that left margins below

the 2.5 % buyers need to break even. It also favors buyers cutting the gems themselves instead of selling on the rough stones to profit from their privileged position as sightholders.

De Beers has since given ground, lowering prices, following reports of threats made by Indian customers in July to halt rough diamond imports. "What we're seeing now is a symptom," Aggarwal said. "They've tried to hold the line as long as possible and the result is more dramatic actions now." *(Bloomberg)*

South African Gold on the Brink With Half of Mines Losing Money

South Africa's gold mines, the deepest and among the oldest in the world, are in big trouble. The four largest producers in the country are losing money on about 35 % of production at current prices, according to company data compiled by Bloomberg. At the same time, higher costs are cutting into profits as electricity bills climb to a record. Workers are also pushing for wage increases, with some threatening to strike if salaries aren't doubled. The nation, whose Witwatersrand Basin has supplied about a third of all gold ever mined, dropped from the top producer to sixth-biggest in just eight years. Now that miners who still crawl through tunnels using hand drills and dynamite have extracted much of the easy-to-dig metal, companies use modern technology to go deeper. That's another expense, especially when bullion prices are near a five-year low. "What you're seeing in South Africa is a major margin squeeze," Srinivasan Venkatakrishnan, chief executive officer of AngloGold Ashanti Ltd., the country's biggest gold miner by market value, said in an interview. "If you do nothing, the future of South African gold mining always heads towards a declining trend."

Output Falls

South African output slid at the fastest pace among the 10 biggest-producing countries in the past decade. Mine supply halved in the period to about 145 metric tons last year, according to the World Bureau of Metal Statistics. The metal has slumped 40 % from its 2011 record to about $1,122 an ounce. At that price, half of mines owned by the nation's top producers are losing money, data compiled from second-quarter financial reports show. Goldman Sachs Group Inc. has said bullion may go below $1,000. The FTSE/JSE Africa Gold Mining Index is near the lowest since 2000, with Gold Fields Ltd., Sibanye Gold Ltd. and Harmony Gold Mining Co. falling at least 20 % this year.

Electricity costs jumped 13 % in April and power prices almost quadrupled since 2007 after underinvestment in new generation left an aging fleet of plants. Companies now face more pressure from workers who want wages to be as much as doubled, partly to account for dangerous working conditions they say haven't changed much since the end of apartheid in 1994. Labor groups representing workers who go as far as 4 kilometers (2.5 miles) underground have rejected what's been deemed a final pay offer.

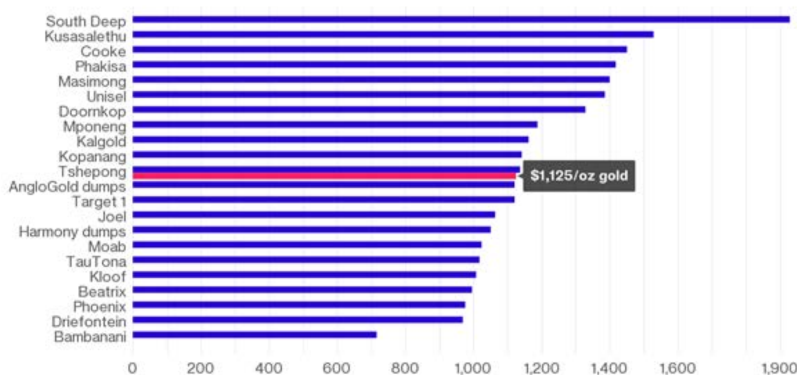
Best Deal

"The unions want to get the best deal they can," said Graham Briggs, CEO of Harmony Gold. "But when you've only got so much to give, then it's up to the union leaders to understand: Where is that point? Where is that limit?" Seven of Harmony's 12 mines are losing money and it will gradually close three of its largest if cost cuts don't make them profitable by year-end, Briggs said.

The weakest ever rand versus the dollar is cushioning South African producers that pay costs in the local currency and receive earnings in dollars. Gold priced in rand is the highest since 2012, making it economical for some producers to keep production going. Still, average local prices this quarter are little changed from the three months through June.

Lower Prices

The industry has had to react before. Prices were lower than they are now in 2008, when the global financial crisis choked credit. AngloGold reported a net loss that year and cut spending while other companies reduced forward sales. Barrick Gold Corp., the world's top producer, suffered a 22 % plunge in profit that year and wrote down the value of its investments. Newer projects, such as Gold Fields's South Deep, are dealing with higher costs. The company has struggled to attract skilled workers to effectively run the country's largest mechanized deep-level bullion mine since buying it for $3 billion in 2006. Production costs there were $1,900 an ounce in the second quarter, the highest among the top four companies.



Too Costly

The industry is stuck in a "time warp," said Bruce Williamson, a former mine engineer who helps manage 2 billion rand at Imara Asset Management in Johannesburg. "Every time they tried to innovate, it would prove too difficult and too costly so they fell back on the low-cost, low-skill model." The problem

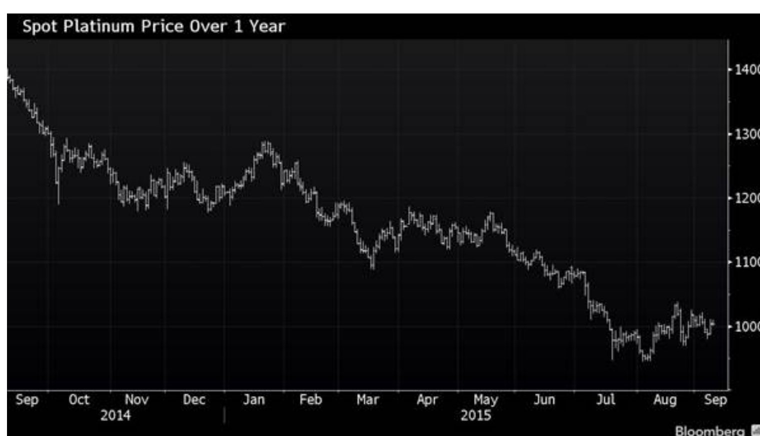
is that low-cost mining is getting more expensive. Remuneration costs jumped 60 % in the seven years to 2014 even as the number of employees dropped 30 %, according to the Chamber of Mines, which represents companies. The two largest unions have rejected an offer to raise basic pay from about 6,000 rand a month and the National Union of Mineworkers has declared a dispute. A mediation process will start Sept. 14 and the NUM has said it can't rule out a strike. Without an agreement, South Africa's gold industry will continue its decline, according to AngloGold's Venkatakrishnan. "What you'll see is companies cutting short the life of mines," he said. *(Bloomberg)*

Sibanye to Pay at Least $331 Million for Amplats Assets

Sibanye Gold Ltd. agreed to buy three platinum mines in South Africa from Anglo American Platinum Ltd. for at least 4.5 billion rand ($331 million) as the biggest producer of the country's bullion seeks to increase its reserves of precious metals.

The deal involves an upfront payment of 1.5 billion rand, with a minimum deferred payment of 3 billion rand, equal to 35 % of cash flow generated by the operations, Sibanye said in a statement. The maximum value of the transaction is 20 billion rand, Johannesburg-based Amplats, as the Anglo American Plc unit is known, said in a separate statement. Shares in both companies rose. Anglo Platinum "will stop losing money on Rustenburg that has been bleeding for a long time," Rene Hochreiter, a Johannesburg-based analyst at Noah Capital Markets Pty Ltd., said by phone. "It might also be a good deal for Sibanye if they get the costs down." The sale allows Amplats, which had considered separately listing the mines, to offload assets in need of investment and focus on shallower, more mechanized operations as platinum fell to a more-than six-year low last month. For Sibanye, the deal will boost future cash flow to pay dividends if Chief Executive Officer Neal Froneman can lower costs and increase production as he has done at the company's four aging gold mines. "Froneman is a very good manager and he's done wonderful work with bad gold mines," Hochreiter said.

Transaction Structure



The structure of the transaction, which includes Amplats paying 800 million rand in capital costs if the mines are cash-flow negative until 2018, means Sibanye will keep its dividend at current levels. "It protects our dividend out of the gold sector," Froneman said in an interview with Bloomberg Television. "Certainly within three years we expect the platinum market to be quite different to where it is today." Anglo, which owns 77 % of Amplats, has been trying to dispose of the Rustenburg mines as it seeks to exit operations that don't return 15 % on capital employed. Amplats climbed 5.4 % to 331.09 rand at 10:27 a.m. in Johannesburg while Sibanye gained 2.5 % to 17.99 rand. The deal will allow Amplats "to transition the portfolio, to focus on the high quality assets, with modernized, low-cost, high-margin production and reduced safety risks with the majority of the production becoming mechanized in time," CEO Chris Griffith told reporters on a conference call.

Payment Options

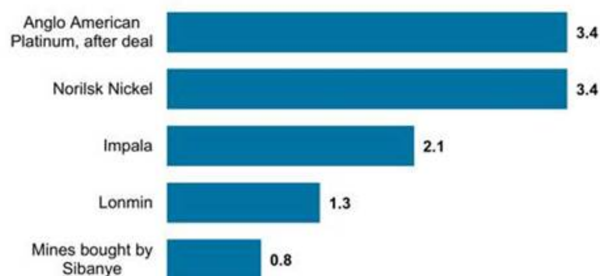
While Sibanye has the option of making the upfront payment in shares, it will probably pay cash as the stock is undervalued, Froneman said. The company will get a third of its production from platinum group metals once the transaction completes in the next 12 months. Its net debt won't exceed earnings after the deal, Froneman said. The operations will produce an average of 800,000 ounces of platinum group metals in the next five years, including 500,000 ounces of platinum, Sibanye said in the statement. They have a net asset value of 7.7 billion rand and while they are not cash flow negative at current prices, they made a loss of 500 million rand in the six months ended June 30. Amplats still plans to exit its Union operation through a sale, and there are a number of interested buyers, Griffith said. *(Bloomberg)*

A Platinum Play That Will Take Time to Pay

it is hard to see Anglo American's sale of a chunk of its South African platinum business as a vote of confidence in platinum

Light in dollars; heavy with symbolic significance. Anglo American Platinum Ltd. has sold a chunk of its South African platinum business to Sibanye Gold for a minimum of 4.5 billion rand ($330 million). This is the culmination of years of efforts to restructure and sell high-cost, labor intensive operations mining a beaten-down commodity in a jurisdiction many miners would frankly rather avoid. And in Sibanye, Anglo has found a buyer with experience improving efficiency at unloved South African mines since its 2013 separation from Gold Fields. But the deal's relevance to questions on the sustainability of Anglo's dividend looks limited. It is hard to take it as a vote of confidence for

platinum, either. Simply in getting this done, Anglo has surpassed expectations. But in a highly structured deal, it isn't clear what Anglo will get and when.
In a blue-sky scenario, Anglo could receive up to 20 billion rand over six years, through an entitlement to 35% of the mines' free cash flow. That compares with Anglo's net debt pile of $13.5 billion. Given required approvals, Anglo won't get its upfront payment of 1.5 billion rand for at least 12 months, some of which could be in Sibanye shares. This adds little comfort in terms of investors' payments: unless commodities prices recover, Anglo may still need to cut its dividend to reduce debt. Meanwhile, the deal's intricate terms reflect vast uncertainty about the outlook for platinum. In the short term, Sibanye can effectively call on Anglo for 267 million rand a year in financing, if the mines are cash-flow negative. Sibanye needs to invest to maintain production. At spot prices buoyed in rand terms by the weakening currency, that means the operations look cash neutral at best to 2020.



No wonder both parties want to hedge their bets. The platinum price, in dollar terms, has fallen 17% this year, despite the insistence of the World Platinum Investment Council that demand is increasingly outstripping supply. Above-ground stocks of the metal, while much reduced, remain an overhang. Meanwhile, strong growth in recycling of catalytic converters from cars is adding low-cost supply. One hope is that Sibanye brings a dose of reality to South African platinum thinking. True, its plans to lower costs and invest in production are hardly good news for struggling competitors like Lonmin. But its cautious tone is welcome in a sector where, according to Barclays, miners like Impala are still running their business on long-term pricing assumptions as much as 80% above spot levels. Sibanye's insistence that consolidation is needed, while merely an aspiration in a politically sensitive sector, at least strikes the right note. Anglo shares jumped: the sale, allied to a recent $300 million deal to shed copper assets, means the miner is making tangible progress. As to whether this proves enough, investors—rather like long-suffering platinum bulls—are still left waiting. *(Wall Street Journal)*

Coal of Africa narrows losses as it moves to fund Makhado project
Coal exploration, development and mining company Coal of Africa Limited (CoAL) reported the narrowing of its losses in the 12 months to June 30, an upcoming extraordinary general meeting to secure preproject funding for its promising Makhado coking coal project and engagement from next month to secure funded black economic-empowerment (BEE) credentials for the greenfield asset. The ASX-, Aim- and JSE-listed company headed by CEO David Brown, reported a significant decrease in losses for the year of $6.7-million compared to $84.1-million last year. The company is working towards a production target of 6.7-million tons of saleable coal product by 2018. The financial results for this year reflected reduced net operating losses and liabilities, resolved legal issues and a strengthened balance sheet. With anticipated cash from Yishun in the next week, as well as the sale of Mooiplaats colliery, the company expects to have a de-risking $65-million (R700-million) on the balance sheet that will provide "ample" working capital plus the preproject funding to ensure a construction start date in the second half of 2016. "We're seeing good regulatory progress being made on Makhado," Brown said in a global conference call in which Creamer Media's Mining Weekly Online took part. Having largely completed its turnaround strategy and being in a position to advance on project development, the company now also has, for the first time, the potential for mergers and acquisitions (M&A) on its radar screen. Given the current market environment, CoAL believes consolidation in the junior space to be appropriate and wants to use its improved position to potentially take advantage of any M&A opportunities that arise. "It's been a very difficult three years and we've done more than survive. We've actually thrived," said Brown, who said he was now focused particularly on securing Makhado preproject funding. The company regards the exploration and development of its prospects in the Soutpansberg coalfield as the catalyst for the long-term growth of the company. No revenue was generated during the year as a result of all the operations on being on care and maintenance, compared with the $3.3-million generated last year by Mooiplaats, the sale of which is expected to be consummated before year-end. *(Mining Weekly)*

OIL & GAS

What's the impact of low oil prices in Sub-Saharan Africa?
Growth picked up in Sub-Saharan Africa in 2014, after moderating in 2013, but remained weaker than during the pre-crisis years. It softened around the turn of the year owing to headwinds from the plunge in the price of oil. Sub-Saharan Africa's oil exporters, which account for nearly half of the region's aggregate output, have been hit hard by the sharp decline in the price of oil. From June 2014 to January 2015, oil prices fell by nearly 50 %, and have remained low despite the recent uptick.

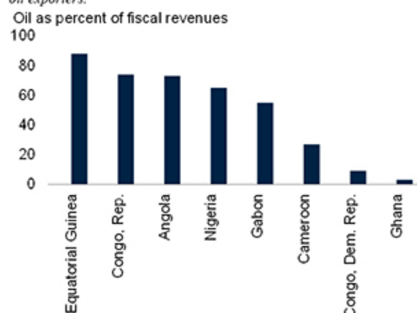
In response, several of the region's oil-exporters have revised their 2015 budgets by adjusting the oil price assumption and cutting spending, especially capital expenditures. Currency depreciations and falling foreign reserves prompted monetary and exchange rate policy adjustments. The Central Bank of Nigeria raised the policy rate, and discontinued its reserve drawdowns to defend the naira. Between June 2014 and February 2015, the Nigerian naira depreciated by more than 20 % against the U.S. dollar. The naira rebounded in March and was stable through May, as successful elections helped improve market sentiment, but has remained weak. Inflation accelerated in the first half of 2015, largely on the back of naira weakness. Similarly, in Angola, the central bank hiked its policy rate. In addition, in early June, it devalued the Angolan kwanza. Several of the region's oil exporters share a common currency, the CFA franc, which is pegged to the euro. With the euro depreciating against the U.S. dollar, the CFA franc has also depreciated against the dollar, helping to smooth adjustment to the oil-price shock for these countries by boosting export earnings in domestic currency.

Public spending cuts, currency weakness, rising inflation, and falling investment point to a weaker outlook for the region's oil-exporting economies. In Nigeria, the region's largest economy, growth slowed markedly in the first quarter of 2015, with real growth turning negative in the oil sector and stalling in the non-oil sector.

In contrast to oil exporters, the oil-price plunge helped lower inflation in oil-importing countries. In Kenya and South Africa, inflation rates quickly moved back within their target range, allowing central banks to keep interest rates steady. However, against the broad-based strength of the U.S. dollar, even the currencies of oil-importing countries came under pressure, adding to inflationary pressures that rising prices of food and public utilities generated. In June, to ease the growing pressure on the Kenyan shilling, the central bank of Kenya raised its policy rate. In South Africa, the region's largest oil-importing economy, growth was stronger than expected in the fourth quarter of 2014, after slowing earlier in the year. This rebound failed to carry into the first quarter of 2015, however. Growth was held back by energy shortages, output contraction in agriculture, weak investor confidence amid policy uncertainty, and the expected gradual tightening of monetary and fiscal policy. Elsewhere, the economies of Guinea, Liberia, and Sierra Leone, the countries most affected by the Ebola outbreak, remained weak as activity in mining, services, and agriculture continued to contract.

Figure 1. Fiscal vulnerability to oil prices

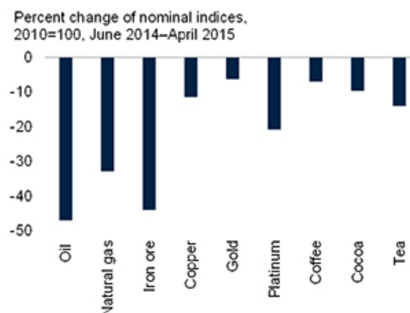
Oil accounts for up to 90 percent of fiscal revenues for the region's oil exporters.



Source: International Monetary Fund country reports. *Note:* Latest available from IMF Article IV reports.

Figure 2. Commodity price declines

Since June 2014 oil prices have declined by more than 40 percent.



Source: World Bank.

The World Bank forecast has the region expanding at a slower pace in 2015, with growth averaging 4.2 %, a downward revision of 0.4 percentage points relative to the January 2015 forecasts. This revision reflects a re-assessment of prospects in Angola and Nigeria, the region's largest oil exporters, because of the lower oil prices, and in South Africa because of ongoing electricity problems. However, growth should remain robust in most low-income countries in the region, driven by investment, consumer spending, and agriculture, although continued weaknesses in the prices of their main exports will tend to offset the benefits of the oil-price decline.

Sustaining high economic growth is a policy priority for most countries in the region. The oil-price shock highlights the need for oil exporters to diversify their economies. This will require policies to remove impediments to private sector activity, and to improve the business environment. For policymakers throughout the region, the fall in oil prices reduces the need for fuel subsidies. In most countries, fuel subsidies have been ineffective in benefiting the poor and vulnerable groups. Although Angola and Nigeria are large net oil-exporters, they import most of their fuel due to limited refining capacity. In Angola, the government ended fuel subsidies as part of efforts to alleviate pressure on the budget. In Nigeria, the ongoing fuel shortage crisis has highlighted the need to overhaul the energy sector, including the inefficient fuel subsidy system. *(World Economic Forum)*

Sahara Plans to Dual List Oil and Gas Unit in London, Lagos

Sahara Group, a Nigerian energy company, plans to raise as much as $1.4 billion through a dual listing of its oil and gas unit in London and Lagos along with a debut dollar bond sale. Lagos-based Sahara, which trades crude oil and owns Nigeria's biggest power plant, wants the money to buy oil blocs in Africa's largest producer as it seeks to ramp up production five-fold to 60,000 barrels a day, said Executive Director Tonye Cole. Sahara is seeking as much as $600 million in the initial public offering, which may take place within a year, and $800 million through a seven-year bond that should be issued by the end of October, he said. "Over the next five years years, our target is to be one of the largest indigenous producers in Nigeria," Cole, 48, who owns a third of Sahara, said in an interview at the company's headquarters in Nigeria's commercial capital. "A lot is dependent on the IPO. We started down that road before oil prices collapsed, but we're still focused on it." Sahara and others including Seplat Petroleum Development Co. and

Shoreline Group are taking advantage of so-called indigenization laws in Nigeria's oil industry that are meant to boost production by local companies. Those groups account for about 20 % of Nigeria's production of nearly 2 million barrels a day.

Dual Listings

Seplat, which pumps about 70,000 barrels daily, became the first Nigerian company to sell its shares in London and Lagos when its completed listings in April 2014. The stock has fallen 69 % in London in the past year as crude prices more than halved, giving the company a market capitalization of 409 million pounds ($624 million). "We're looking to raise somewhere between $500 million to $600 million for about 20 to 25 % of the shares," Cole said, which would value the unit at between $2 billion and $3 billion. Sahara will meet investors in Europe and the U.S. in the next few weeks to discuss the deals, Cole said. He declined to identify the banks working on the IPO or Eurobond sale. Companies from Africa's biggest economy are increasingly looking to sell stock in the U.K. Aliko Dangote, Africa's richest man, wants to list his main company, Dangote Cement Plc, which already trades in Lagos, in London. Interswitch Ltd., which processes bank transactions and owns a brand of debit cards, is also considering a dual listing. Beyond oil and gas production, Sahara, which makes revenue of about $10 billion annually, is expanding its trading and power divisions. It plans to double generation at the Egbin power plant in Lagos to 2,600 megawatts within five years, Cole said. Sahara needs to recoup its debts from the government-owned bulk buyer of electricity before that happens, he said.

Oil-Swap Contracts

Sahara may re-bid for new government oil-swap contracts, also known as offshore processing agreements. The company's OPA, which saw it provide refined petroleum in return for crude, was canceled last month after the state-owned Nigerian National Petroleum Corp. said the terms were "skewed." "There's no one that would ever deny that when the swap, or the OPA, was instituted six years ago that it was a necessity at that point," Cole said. "But we had discussions with the NNPC. We all agreed that it was time to have a review and move forward. I have no problem with it." Sahara will also consider entering into joint ventures with Nigeria's four state-owned refineries, he said. The NNPC is under pressure from President Muhammadu Buhari, who came to power in May promising to revamp the graft-ridden oil industry, to revive the dilapidated refineries and end Nigeria's reliance on imported fuel. *(Bloomberg)*

Eni sees Egyptian gas field investment at $6-10 bln

Eni expects a total investment of between $6-10 billion for the development of the Zohr gas field in Egypt, the chief executive of the Italian oil and gas group told a senate hearing in Rome. "It's too early to make estimates, we are still refining the numbers. I can only say that it's an easy field. The Egyptian energy minister has given an estimate of $6-7 billion, which is a reasonable order of magnitude," Claudio Descalzi said. "I think we will remain within $10 billion for the overall development of the field." He also said that he expected Italian oil services group Saipem to play a big role in the development of the field, without giving details. *(Reuters)*

Sasol 'excited' by South Africa's gas-to-power prospects

Energy and chemicals group Sasol has again indicated a desire to participate in South Africa's upcoming gas-to-power programme, confirming Monday that it had responded to the Department of Energy's recent request for information and that it was also considering investment options along the entire gas-to-power "value chain". Sasol already produces electricity using gas as a feedstock in Mozambique and at its Secunda and Sasolburg energy and chemical complexes in South Africa.

Executive VP Southern African Operations Bernard Klingenberg told Engineering News Online that it was currently in a position to meet about 70% of its internal electricity needs and that it had also entered into power purchase agreements (PPAs) with Eskom for some of that production. But speaking during the group's 2015 results presentation, president and CEO David Constable indicated that the JSE-listed group could consider opportunities outside of electricity production, indicating that it might also play a role in the importation of liquefied natural gas (LNG) and/or the regasification of that LNG. The imported gas, he indicated, could be supplied to gas-to-power independent power producers with plants of around 3 000 MW in size. Klingenberg said it was premature to say for certain whether Sasol would take an equity position in any gas-to-power infrastructure, but confirmed that it was considering various options, describing the opportunities as "very exciting". Constable expected in several organisations and joint ventures to bid to import LNG, as well as to convert the gas into electricity and indicated he expected the procurement processes to begin in earnest during the 2016 calendar year. "We are very keen on that opportunity and improving the power situation in the country and also providing gas for other customers," Constable said. A recent McKinsey & Company study estimated that the development of a natural gas industry could boost South Africa's gross domestic product by between R138-billion and R251-billion by 2030 and create up to 328 000 direct and indirect jobs. The study argued that South Africa should urgently pursue gas to bridge an electricity supply gap of between 6 GW and 10 GW that could arise by 2025 as older coal-fired power stations are decommissioned.

However, the country's Integrated Resource Plan for electricity, which was currently relatively light on gas, would also need to be updated for the country to take advantage of the opportunity. Energy Minister Tina Joemat-Pettersson indicated last week that gas was an "immediate focus" for government and promised that the long-awaited Gas

Utilisation Master Plan, which would offer a road map for South Africa's development of a gas industry, would be published soon. Klingenberg said it was still uncertain where the LNG importation terminal or terminals and regasification facilities would be located, with Saldanha Bay, Coega and Richard Bay all mooted as possibilities. "For Sasol, there is potentially an opportunity to do gas-to-power, but also to bring additional gas into the network to augment supply to the gas industry in South Africa," he said, adding that the LNG price outlook was strongly in favour of importers. Sasol was also hoping to increase gas production out of Mozambique, with some of that additional capacity possibly entering South Africa in the form of either natural gas or electricity. In February, the group submitted a new field development plan for the Pande and Temane gasfields to the Mozambican authorities. If approved, the way could be opened for the development of an integrated oil, liquid petroleum gas and gas project adjacent to the existing production sharing agreement area. In addition, it could trigger an investment into a fifth train at Sasol's central processing facility. *(Engineering News)*

TELECOM

Guinea-Bissau introduces new numbering for fixed and mobile communications

Fixed and mobile telephone numbers in Guinea-Bissau will be changed from seven to nine digits from 1 November, said in Bissau the President of the National Numbering Planning Committee, Luis Seabra. "The change in the numbering plan is essentially based on increasing the digits increase from seven to nine and a change in the codes for mobile and fixed-line networks," said the president of committee set up within the National Regulatory Authority of Information and Communication Technologies (ARN). As part of this change, mobile phone company Orange Bissau will use the 95 code and its counterpart, MTN, will use 96, state company Guinetel will use 97 and the fixed line network will use 44. Users' numbers will not be changed but will now be preceded by the new codes noted the ARN president. Guinea-Bissau has a fixed-line network, which was disabled due to Guinea Telecom's bankruptcy, and three companies providing mobile services, two private companies and a public company that has also been out of operation in the last few years. The international dialling code for access to fixed and mobile networks in Guinea-Bissau is 245. *(Macauhub)*

Smile Raises $365 Million for African Wireless Expansion

Smile Telecoms Holdings Ltd., which offers wireless Internet access in Nigeria, Tanzania and Uganda, raised $365 million in debt and equity financing to develop faster connections and extend broadband services to the Democratic Republic of Congo.

The Port Louis, Mauritius-based company plans to increase the number of its African broadband customers by more than 10-fold to 1 million before 2017, Chief Executive Officer Irene Charnley said in an interview. She declined to disclose Smile's revenue. "Fixed-line infrastructure in Africa is non-existent, especially in countries outside of South Africa," Charnley, a former MTN Group Ltd. executive, said by phone. "We will have national coverage of 4G mobile wireless broadband in each of our markets. The take-up is very, very, very fast."

Mobile-phone and Internet companies are expanding in sub-Saharan Africa to take advantage of growing demand for affordable smartphones, which can be used for banking services and video content as well as calls. MTN, the continent's biggest wireless carrier, increased data revenue 21 % in the six months through June, while total sales fell 4.9 %.

South Africa's Public Investment Corp., the continent's largest money manager, invested $50 million in Smile, according to a statement from the company. The balance came from a consortium of investors led by Cairo-based African Export-Import Bank, which included Lagos-based Diamond Bank Plc, Ecobank Nigeria Ltd. and Standard Chartered Plc. Smile is majority owned by Al Nahla Group of Saudi Arabia.

The carrier will use the funds to expand its mobile-broadband network and have stable voice services across its markets by the year-end. Smile is set to introduce its broadband network in the Democratic Republic of Congo in early 2016.

The company plans to have positive earnings before interest, taxes, depreciation and amortization before the second quarter of 2016 and will probably seek an initial public offering in 2019, Charnley said. Smile seeks to expand into South Africa when the government auctions its 800 megahertz band of spectrum, she said. *(Bloomberg)*

RETAIL

Gabon Named Top Sub-Saharan Africa Country for Retail Growth

Gabon is the most attractive sub-Saharan African country for international retailers to target due to strong economic growth and a stable middle class, according to A.T. Kearney's African Retail Development Index.

The study, which evaluated 48 countries in the region, ranked Gabon ahead of Botswana, Angola and Nigeria, Africa's biggest economy and most populous country. The index, published by the U.S. consultancy, is compiled based on factors including the size of the urban population, business efficiency and risk of investment. "Scale will come to sub-Saharan Africa only when a few things happen, particularly the development of a shopping culture," A.T. Kearney consultants including Mike Moriarty and Jaco Prinsloo said in the report. "The first priority in most markets is for basics and dry goods, but over time fresh supply chains and modern shopping space will be increasingly needed." South

African retailers including Shoprite Holdings Ltd., Woolworths Holdings Ltd. and Pick n Pay Stores Ltd. are expanding on the continent to take advantage of higher economic growth rates than in their home market and rising household incomes. U.S. chain Wal-Mart Stores Inc is also adding new stores in sub-Saharan Africa through its Johannesburg-based unit, Massmart Holdings Ltd. None of the four chains have entered Gabon.
Gabon, a densely forested nation on the west coast of Africa, is expected to see economic growth of 5.5 % next year, compared with an average of 5.1 % for sub-Saharan African countries, according to the International Monetary Fund. About 86 % of the population are urbanized, Kearney said, while its stable middle class is “exactly what is lacking in so many other sub-Saharan African countries,” according to the report.
Gabon’s population of 1.7 million is its biggest downside, Kearney said, deterring retailers seeking larger populations and potentially higher sales volumes. Gabon was ranked as the fifth most attractive country by the consultancy in 2014.
Other countries that make the top 15 list include South Africa, the continent’s industrialized economy, Ethiopia, Ghana and Zambia. Kenya didn’t make the list as the East African country’s urbanization rate remains low, while there’s still some securityrisk following a series of attacks by Islamist militants, according to the report. *(Bloomberg)*

Diego Makes Offer to Increase Stake in Guinness Nigeria

Deal would allow company to have more control over its African business

Diageo PLC said it has approached the board of Guinness Nigeria PLC with a roughly $208 million offer to increase its stake in the listed Nigerian company that houses Diageo’s beer brands in the country. Diageo has offered to increase its stake in Nigerian Stock Exchange- listed Guinness Nigeria—which houses brands like Guinness, Harp and Malt—to 70% from 54.3% as the world’s largest spirits company looks to wield more control over its African business. Guinness Nigeria didn’t immediately respond to a request for comment.
London-headquartered Diageo, which makes Smirnoff vodka and Johnnie Walker whisky, said it has proposed launching a tender offer to buy shares in Guinness Nigeria from shareholders for a per-share price of 175 Nigerian naira (roughly 88 cents) in cash, or a 40% premium to the company’s closing price. The company said it could also look to acquire shares in the market for 175 naira per share or below if a deal is approved. The proposed deal would be subject to regulatory approval by the Nigerian Stock Exchange and the Nigerian Securities and Exchange Commission. The move comes after Diageo in July said it would terminate its partnership with Heineken NV in South Africa, saying it had the necessary scale to grow on its own in the country.
Africa has emerged as a rare bright spot for Diageo, which in July reported a 0.8% drop in operating profit for the fiscal year ended June 30 amid weaker sales in North America, the Asia-Pacific region, Latin America and the Caribbean. In Africa, discounting the effect of acquisitions and currency fluctuations, sales rose 6%.
Liquor-focused Diageo has faced years of speculation as to whether it will eventually sell Guinness, but the company publicly insists that having a beer business in Africa is an essential part of its plan to drive growth in its less developed spirits business on the continent. Nigeria and East Africa, including beer and spirits, made up between 3% to 6% of Diageo’s net sales last fiscal year. Guinness Nigeria reported a 9% rise in net sales for the year ended June 30. *(Wall Street Journal)*

AGRIBUSINESS

El Nino Floods May Cut Coffee Crop in Africa's Biggest Exporter

The evolving El Nino climate phenomenon may cut coffee output in Uganda, Africa’s biggest exporter, and neighboring Kenya by bringing heavier rains to East Africa, industry officials said. U.S. forecasters predict that El Nino, a warming of the equatorial Pacific Ocean, may be the strongest since records began in 1950. The system may bring torrential rains to parts of eastern Africa that could result in “severe” flooding in parts of Kenya, Uganda, Tanzania, Rwanda and Burundi, the United Nations Humanitarian agency said Aug. 21. Coffee-industry authorities in Uganda and Kenya said heavy rains may damage the crop this year. Funguses such as Coffee Berry Disease could become rampant because of excess rain, while farmers may struggle to keep up with weeding and pruning, said Grenville Kiplimo Melli, the interim coffee director at Kenya’s Coffee Directorate. “There is concern because flowering could be destroyed,” Melli said by phone Aug. 28 from the capital, Nairobi. “The rains would also result in diseases for the crop.”

Biggest Exporter

Uganda exported 3.02 million 60-kilogram (132-pound) bags of coffee between October and July, ranking the country as the world’s seventh-largest shipper of the beans. Kenya shipped 616,000 bags in the period, the fourth-highest amount on the continent. Starbucks Corp., the biggest coffee-shop chain, said Aug. 31 it’s begun stocking single-origin Ugandan arabica beans from the eastern Mount Elgon region under the name “Sipi Falls.”
In Uganda, which grows mainly the robusta variety as well as arabica, the industry fears heavy rains may interfere with proper harvesting and drying of the crop, said David Muwonge, deputy executive director of the National Union of Coffee Agribusiness and Farm Enterprises. Bushes blossom best after stress -- several weeks without rain -- followed by showers, he said by phone from the capital, Kampala. The picking of Uganda’s main crop runs from October to February in the country’s central and eastern regions. “It could have a negative impact on high-altitude arabica areas

through landslides," Henry Ngabirano, managing director of the Uganda Coffee Development Authority, said in an interview in Kampala. "Whenever we have too much rain, it impacts on quality because of inadequate drying."

Floods, Landslides

Uganda's picking season for arabica berries stretches from July to February, while the robusta harvest peaks between October and December. Kenya's meteorological department forecasts most parts of the nation will receive above-average rain that could cause floods and landslides during the October-December rainy season. The so-called "short rains" may keep falling well into January over coffee-growing regions around Mount Kenya, it said, a normally dry month when unhulled beans should be out drying in the sun. "Farmers need to be aware of prevalence of disease due to high moisture levels that may cause post-harvest losses," Peter Ambenje, acting director at Kenya Meteorological Dept., told reporters in Nairobi. "The onset of the rains may also interfere with harvesting," he said, referring to the farming industry in general. Tanzania's coffee harvest may increase by 49 % this year to 61,000 metric tons because of a higher crop cycle, said Primus Kimaryo, director of coffee quality at the Tanzania Coffee Board. Production often follows a regular cycle of a lower crop followed by an increase, Kimaryo said. "It will be a bumper harvest," Kimaryo said by phone from the northern town of Moshi. "Tanzania's coffee-producing regions will not be affected. Floods are forecast to hit the coastal areas, which don't grow coffee." Tanzania shipped 601,000 bags of coffee in the October-to-July period, according to the International Coffee Organization. Arabica coffee for December delivery rose 0.5 % to $1.214 per pound on ICE Futures U.S. at 7:47 a.m. in New York. *(Bloomberg)*

How to improve Africa's seed industry

The seed industry in sub-Saharan Africa is informal in nature, with approximately 80% of farmers saving and replanting seeds from year to year. This gives them security of access. But improved varieties – including high-yielding and hybrid crops – will increase productivity and income. To get these seeds into the hands of farmers, a better marketing and distribution system is needed. Local small and medium-sized seed enterprises have a comparative advantage in reaching this underserved market due to their size and market reach. There has been considerable concern over the potential control of Africa's seed sector by large corporations. While such firms continue to operate in most countries, it notable that Africa's seed sector is currently dominated by local start-ups. The firms are well positioned to promote food security and improve livelihoods among marginalised rural communities. They could help grow the fledgling seed industry, but need better access to credit, research facilities and human resources to achieve their full potential.

What's holding back the sector in Africa

The seed industry in sub-Saharan Africa suffers from five levels of bottle necks. The first are political and technical policies. Import procedures in Tanzania, for instance, are cumbersome enough to dissuade seed imports. In Zimbabwe, during the economic crisis, the government banned seed exports.

Secondly, establishing a seed company has a high initial cost, requiring access to credit. The company also needs reliable research facilities and qualified human resources.

Thirdly, the production of seed suffers from a lack of adequate and adapted input, from expensive production costs and lack of production credit, and from poor weather and unfavorable land policies.

Fourthly, poor infrastructure in the value chain, such as poor retail networks or sales points, jeopardise marketing and access to the farmers. And finally, farmers tend to have low demand for seeds. Over the past five decades India has transformed the industry with targeted interventions, showing that major changes are possible with the right approach.

What India did

Millions of small-scale farmers in India live in harsh environments where rainfall is limited and irrigation and fertiliser are unavailable. In these areas many farmers have long grown sorghum and pearl millet. Production from these crops was low, however, and so were returns to farmers. This changed when improved, higher-producing varieties were developed and distributed starting in the 1970s. Since then, a succession of more productive and disease-resistant varieties has raised farmers' yields and improved the livelihoods of about 6 million millet-growing households and 3 million sorghum-growing households. Although public funding was the key to developing this improved genetic material, private seed companies have helped ensure that these gains were spread to the maximum number of Indian farmers.

Three key interventions increased investments in crop improvements during the 1970s. These were the development of efficient seed systems, a gradual inclusion of the private sector in the 1980, and the liberalisation of the Indian seed industry in the late 1990s.

At the beginning of the Green Revolution, India decided to create state seed corporations. Gradually, they replaced state departments of seed production and formed the nascent foundations of a formal seed industry. But the industry was heavily regulated, with limited entry and formation of large private domestic or foreign firms.

In 1971, India began deregulating the seed sector, relaxing restrictions on seed imports. It also allowed the entry of private firms. This, combined with a new seed policy in 1988, spurred enormous growth in private sector seed supplies. Sorghum and pearl millet breeding by private companies began around 1970, when four companies had their own sorghum and pearl millet breeding programs. By 1985 this number had grown to 10. One major reason for this exponential growth was the strong public sector research on sorghum and millet. International agricultural research

centres exchanged breeding material with public and private research institutions. National agricultural research centres and universities also provided breeder seed to private seed companies.

The outcomes

Currently, the Indian market for agricultural seed is one of the biggest in the world. More than 60 private seed companies supply improved pearl millet to small-scale farmers and account for 82% of the total seed supply, while more than 40 companies supply improved sorghum, accounting for 75% of supply. Many of these companies benefit from the availability of public research on improved pearl millet and sorghum and from innovative partnerships that disseminate new materials to the private sector.

The ultimate beneficiaries of this public-private system are the millions of small-scale farmers who grow sorghum and millet. Public research agencies contribute genetic materials and scientific expertise to improve crop varieties when the incentives for private-sector involvement are limited. Private companies then take on the final development of new varieties and seed distribution. In this way, the benefits of crop improvements are delivered directly to farmers, who find them worthwhile enough to support financially.

All three elements of the Indian intervention to improve sorghum and pearl millet hybrids were important. The investments in public-sector plant-breeding and crop-management research were made by the national government, state governments and international agricultural research centres. The Indian government, with the help of donors, made major investments in government corporations that multiplied the seeds of not only wheat, rice, and maize, but also pearl millet and sorghum. New laws allowed small companies to enter the industry. India liberalised the seed sector starting in the mid-1980s. It opened the doors to investment by large Indian firms and allowed foreign direct investment in the sector. This change, coupled with continuing investments in public plant breeding and public-private partnerships, has continued to provide private firms with a steady stream of genetic materials for developing proprietary hybrids. The result is a vibrant and sustainable supply of seed of new cultivars that are drought tolerant and resistant to many pests and diseases.

What Africa has done so far

Since 2003, the Seeds of Development Programme in eastern and southern Africa has aimed to improve access to affordable, quality seed varieties for smallholder farmers. One major focus has been on management training for more than 30 small and medium-sized local seed companies. The programme runs a fellowships for management training. In addition it has a research arm that conducts market research on the seed industry throughout the region. Companies chosen to participate sell seeds that are on average 20% cheaper than larger seed companies and reaching the intended client base. More than 80% of the sales go to smallholder farmers. Seed is to agriculture what microprocessors are to computing. Building the capacity to develop and market quality seed adapted to Africa's diverse environments will shape the continent's agricultural outlook. *(World Economic Forum)*

What is Africa's agriculture potential?

The World Bank projects that agriculture and agribusiness in Africa will grow to be a US$1 trillion industry in Africa by 2030. To promote this outcome, the continent must review its incentive structures. Agriculture averages 24% of GDP across the continent. With post-harvest activities taken into account, agriculture-related industry accounts for nearly half of all economic activity in sub-Saharan Africa. The region holds about half of the world's fertile and as-yet-unused land – and yet it spends US$25 billion annually importing food. It also uses only a tiny percentage of its renewable water resources.

The role of the small players

The potential growth of Africa's food and beverage markets will only be possible with adequate investment in small and medium-sized agribusiness enterprises. Small African firms engaged in agribusiness greatly outnumber the large players. Former Malawian president Bingu Wa Mutharika observed: "In West Africa, 75% of agriculture-related firms are micro or small enterprises, 20% are semi-industrial, and 5% are industrial."

Value chains in many African countries feature an informal chain that serves lower-income consumers and a formal chain that caters for high-income domestic consumers or exports. In many sectors the vast majority of the volume moves through the smaller, less formal businesses. More than 95% of the fruit and vegetables produced in Kenya move through smallholders and small and medium enterprises (SMEs).

Policymakers need to support agribusiness and technology incubators, export-processing zones and production networks. They must also sharpen the skills associated with these sectors.

Banks and financial institutions also play key roles in fostering technological innovation and supporting investment in homegrown businesses. Unfortunately, their record in promoting technological innovation in Africa has been poor. Capital markets have played a critical role in creating SMEs in developed countries. They bring money to the table and also help groom small and medium-sized start-ups into successful enterprises. Venture capital in Africa, however, barely exists outside South Africa.

African countries also need to make a concerted effort to leverage expertise in the diaspora. This cohort provides links to existing know-how, establish links to global markets and train local workers to perform new tasks.

Much is already known about how to support business development. The available policy tools include:

- direct financing via matching grants;

- taxation policies;
- government or public procurement policies;
- advance purchase arrangements; and
- prizes to recognise creativity and innovation.

These can be complemented by simple ways to promote rural innovation that involve low levels of funding, higher local commitments and consistent government policy. For example, China's mission-oriented "Spark Program", created to popularise modern technology in rural areas, had spread to more than 90% of the country's counties by 2005.

What China did for small businesses

There is growing evidence that the Chinese economic miracle is a consequence of the rural entrepreneurship which started in the 1980s. This contradicts classical interpretations that focus on state-led enterprises and receptiveness to foreign direct investment. Millions of township and village enterprises were created in provinces like Zhejiang, Anhui and Hunan. This played a key role in stimulating rural industrialisation. Over the past 60 years, China has experimented extensively with policies and programmes to encourage the growth of rural enterprises. These include providing isolated agricultural areas with key producer inputs and access to post-harvest, value-added food processing. By 1995, China's village enterprises had helped bring about a revolution in the country's agriculture. They had evolved to account for approximately 25% of GDP, 66% of all rural economic output and more than 33% of total export earnings. Most of them have become private enterprises that focus on areas outside agricultural inputs or food processing.

China's initial rural enterprise strategy focused on the so-called five small industries it deemed crucial to agricultural growth:

- chemical fertiliser;
- cement;
- energy;
- iron and steel; and
- farm machinery.

With strong backward linkages between these rural enterprises and Chinese farmers, agricultural development in China grew substantially in the late 1970s and 1980s. This happened through farmland capital construction, chemical fertilisation and mechanisation. This expansion, coupled with high population growth, led to a surplus of labour and a scarcity of farmland.

As a result, China's rural enterprises increasingly shifted from supplying agricultural producer inputs to labour-intensive consumer goods for domestic and international markets.

From the mid-1980s to the 1990s, China's township and village enterprises saw explosive growth in these areas. At the same time they continued to supply agricultural producers with access to key inputs, new technologies and food-processing services. The most successful were those with strong links to:

- urban and peri-urban industries with which they could form joint ventures and share technical information;
- those in private ownership; and
- those who were willing to shift from supplying producer inputs for farmers to manufacturing consumer goods.

China's experience provides a mechanism for enhancing rural access to agricultural inputs such as fertilisers and mechanisation, as well as post-harvest food processing. Rural enterprises may make the most sense in areas where farm-to-market roads cannot be easily established. Along with sparking agricultural productivity, rural enterprises may also help provide employment for farm labourers who have been displaced by agricultural mechanisation.

By keeping workers and economic activity in rural areas, China has helped expand rural markets and limit rural-urban migration. This has also helped create conditions under which it is easier for the government to provide key social services such as health care and education. Township and village enterprises enjoyed government support, but retained a degree of autonomy in their operations.

The way forward

Some non-profit organisations and foundations are experimenting with promoting rural entrepreneurship by donating cows or other livestock to rural communities. Organisations like Heifer International provide cows, along with training about how to raise them and profit from animal husbandry.

But the impact of these programmes is relatively limited. In Malawi, for instance, Heifer International is implementing a programme alongside USAID that is designed to stimulate a dairy industry. But it serves only 180 smallholder farmers.

The lesson from China's experience is that development must be viewed as an expression of human potentialities, not as a product of external interventions. *(World Economic Forum)*

UPCOMING EVENTS

South Africa: Super Investor Africa: 14 – 16 September 2015 - *http://www.superinvestorafrica.com/*

AFRICA ISLAMIC FINANCE FORUM, 17-18 September 2015, Sofitel Abidjan Hotel Ivoire
http://redmoneyevents.com/main/event.asp?IFN=AfricaIslamicFinanceForum2015

Second West Africa Forum for Clean Energy Financing, African Development Bank, Abidjan, Côte d'Ivoire, 17-09-2015
http://www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/WAFCEF-2_Agenda.pdf

7th African Business Awards 23 September, New York, USA
Designed to celebrate excellence in African business, the African Business Awards gala cocktail will be held during the UNs General Assembly and in conjunction with the African Leadership Forum and the UN Private Sector Forum. *www.ic-events.net*

2nd African Leadership Forum (ALF) 24 September, New York, USA
The 2nd ALF will discuss the role of leadership in driving transformative growth and development in Africa. It will be held in conjunction with the African Business Awards and the UN Private Sector Forum. *www.ic-events.net*

London: East Africa Pensions and Sovereign Funds Investment Forum: 22 - 24 September 2015
https://live.ft.com/Events/2015/FT-Africa-Summit-2015

Innovation Africa 2015 – Devolping African Skills for the 21st Century, 30 Sept – Oct 2, Lake Victoria, Uganda
http://innovation-africa.com/2015/

FT Africa Summit 2015 London, 04 - 05 October 2015, at Claridge's Hotel
Sustaining the Momentum in what looks set to be a less benign external environment – with prices falling for many of the commodities African countries rely on for export earnings - will require governments to be more judicious in the way they spend scarce resources and more proactive in providing a competitive environment for business.
https://live.ft.com/Events/2015/FT-Africa-Summit-2015

Dubai: Super Return Middle East - The Largest Private Equity Event in the MENA Region: 4 - 7 October 2015

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

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

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

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

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

EAGLESTONE SECURITIES

Business Intelligence
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