19 December 2014

INSIDE AFRICA

Now is the time to invest in Africa

EAGLESTONE SECURITIES

Eaglestone Securities wishes you a Merry Christmas and all the Best in peace and health for 2015

CONTENTS

In-Depth:

-Bill Gates Says Africa Should Copy Asian Giants' Economic Development, But Will It Work?........2

-Can the Asian Miracle Happen in Africa? 3

-Mozambique: Country Outlook........4

-SOVEREIGN RATINGS........5

IMF, WORLD BANK& AFDB 7

INVESTMENTS 11

M&A 13

BANKING

Banks........14

Markets........15

Trade Finance........20

Funds........21

ENERGY 21

INFRASTRUCTURE........23

MINING 26

OIL & GAS 27

AGRIBUSINESS 32

MARKET DATA........34

UPCOMING EVENTS........35

BRIEFS

Africa
- OPEC cuts 2015 demand forecast for its oil to lowest in a decade

Angola
- Angola launches $1.6bn fund

Cameroon
- Cameroon to spend $1.75 billion to boost economic growth
- Cameroon triples revenues from tax on Chad oil in transit

Ghana
- Fiscal Deficit Target Impossible -Fitch

Kenya
- Kenya's NIC Bank raises $23 mln in rights issue
- Safaricom stock touches record Sh600bn at NSE
- Kenya to scale down 5,000MW generation target
- Kenya offers 2-year bond and re-opened 15-year bond - central bank

Mozambique
- Vale sells stake in Mozambique coal mine to Mitsui for $763 mln
- Gas Project Law Adopted by Mozambique Sets Benchmark, IMF Says

Nigeria
- Lafarge Africa offers to buy out minority shareholders in Ashaka Cement
- World Bank lends $200 mln to Nigeria phone firm for tower deal
- Nigeria central bank limits interbank dollar holdings to 48 hours

Rwanda
- Bank of Kigali records Rwf25.3b at the bourse
- Rwanda to import 30 MW of electricity from Kenya in 2015

Tanzania
- Tanzania's GDP expands by 32% after rebasing

Uganda
- Four firms to build 20 MW solar power plants in Uganda

Zimbabwe
- Total plans $10m Zim investment

In-depth:

Bill Gates Says Africa Should Copy Asian Giants' Economic Development, But Will It Work?

Microsoft's founder and one of Africa's greatest philanthropists, Bill Gates, has suggested that the continent should look to Asia's methods in tackling its economic challenges. Gates, a LinkedIn influencer, wrote on the platform that the development economic models that made huge success stories out of Asian economic giants can also be applied to countries in the continent with a similar result.

The co-founder of Bill and Mellinda Gates foundation, one of the largest private foundations, Bill's article is built on his review of How Asia Works, a book by business journalist Joe Studwell, which focuses on the factors that drove the rapid economic growth in several Asian countries like Japan, Taiwan, South Korea and China.

"I read Joe Studwell's How Asia Works because it claimed to answer two of the greatest questions in development economics: How did countries like Japan, Taiwan, South Korea, and China achieve sustained, high growth and turn into development success stories? And why have so few other countries managed to do so? Clear answers could benefit billions of people living in countries that are poor today but have the essential ingredients to develop thriving economies", Bill Gates wrote.

He described Studwell's book as compelling, saying it delivers clear answers, "not the hedged 'on the one hand, on the other hand' answers that led an exasperated Harry Truman to ask for a 'one-armed economist."

Then he highlights Studwell's answers thus;

1. Create conditions for small farmers to thrive.
2. Use the proceeds from agricultural surpluses to build a manufacturing base that is tooled from the start to produce exports.
3. Nurture both these sectors (small farming and export-oriented manufacturing) with financial institutions closely controlled by the government.

Bill, whose foundation leads several Africa aid initiatives, explains in-depth how these answers can lead the continent to self-dependence and economic growth and development. His explanation is spread across Agriculture, Manufacturing and Finance.

Learning From Asia's Agriculture

Gates asserts that like the Asian countries which Studwell writes about, the rapid agricultural development of African nations requires redistributing land more equitably among the huge farming population in the continent. Such redistribution, he says, will lead to higher yields which will in turn help countries generate the surpluses and savings they need to power up their manufacturing engine. Gates reveals that the book has drawn his attention to land ownership picture of the countries in which his foundation works, given that the focus has been on the role of better seeds, fertilizers, and farming practices.

Adopting Manufacturing Policies

Gates cites Studwell's argument that the successful Asian countries did not simply rely on the invisible hand of market forces for the growth of their industries; "they supplement market forces with the heavy hand of state-driven industrial policy," he wrote. He advocates that like them, African countries should engage in a combination of protectionism (coddling infant industries to give them time to become globally competitive) and then culling losers (cutting off resources to firms that don't succeed in export markets).

Applying Their Finance Model

In Finance, like in manufacturing, Gates also points to Studwell's analysis that rapidly developing countries usually give lip service to free-market principles while actually keeping their financial institutions "on a short leash." Gates explains that this means that they enact policies to protect themselves against "the shocks and whiplash of global-capital flows", and also make sure their financial institutions serve the country's long-term development ends rather than the short-term interests of financiers.

So, Can it Work in Africa?

While he can easily see the "many economic and health benefits" of applying the Asian agricultural model in Africa, Gates is not very much convinced about the manufacturing angle. "The big question for me is: Can African countries become successful export-oriented manufacturing hubs?" he writes. "I do see this potential in countries like Ethiopia and Djibouti. They already have a strong connection with China and ambitious, long-term economic plans. Unfortunately, many other countries on the continent don't have those same success factors, especially landlocked ones with very poor infrastructure."

But he emphasises that helping farmers in African countries grow more food and earn more money would be a big help on its own. *(Ventures Africa)*

Can the Asian Miracle Happen in Africa?

Joe Studwell's book How Asia Works is a great look at the factors that drove the rapid economic growth in several Asian countries. I'd recommend it for anyone who's doing business in Asia. As I wrote in the review I just posted on my blog, which I've shared below, the book also made me think about which parts of the Asian Miracle might apply in Africa, where the Gates Foundation funds a lot of work.

I read Joe Studwell's How Asia Works because it claimed to answer two of the greatest questions in development economics: How did countries like Japan, Taiwan, South Korea, and China achieve sustained, high growth and turn into development success stories? And why have so few other countries managed to do so? Clear answers could benefit billions of people living in countries that are poor today but have the essential ingredients to develop thriving economies.

I'm pleased to report that Studwell, a smart business journalist, delivers clear answers—not the hedged "on the one hand, on the other hand" answers that led an exasperated Harry Truman to ask for a "one-armed economist." I found the book to be quite compelling. Studwell explains economic history in a concise and understandable way. I asked the whole Agriculture team at our foundation to read it because of its especially good insights into the critical role of household farming for economic development.

So what are Studwell's answers to the multi-trillion-dollar question of why some Asian countries developed rapidly and others (Philippines, Indonesia, Thailand) did not? He offers a simple, three-part formula:

1.Create conditions for small farmers to thrive.

2.Use the proceeds from agricultural surpluses to build a manufacturing base that is tooled from the start to produce exports.

3.Nurture both these sectors (small farming and export-oriented manufacturing) with financial institutions closely controlled by the government.

Here's the formula in slightly greater depth:

Agriculture: Studwell's book does a better job than anything else I've read of articulating the key role of agriculture in development. He explains that the one thing that all poor countries have in abundance is farm labor—typically three quarters of their population. Unfortunately, most poor countries have feudal land policies that favor wealthy landowners, with masses of poor farmers working for them. Studwell argues that these policies not only produce huge inequities; they also guarantee lousy crop yields. Conversely, he says, when you give farmers ownership of modest plots and allow them to profit from the fruits of their labor, farm yields are much higher per hectare. And rising yields help countries generate the surpluses and savings they need to power up their manufacturing engine.

Manufacturing: Studwell argues that once countries are producing steady agricultural surpluses, they should start moving to the manufacturing phase of development. He makes a strong historical case that the successful countries do not simply rely on the invisible hand of market forces; they supplement market forces with the heavy hand of state-driven industrial policy. These countries engage in a combination of protectionism (coddling infant industries to give them time to become globally competitive) and then culling losers (cutting off resources to firms that don't succeed in export markets).

Finances: Studwell shows that rapidly developing countries usually give lip service to free-market principles while actually keeping their financial institutions "on a short leash." In other words, they enact policies to protect themselves against the shocks and whiplash of global-capital flows, and they make sure their financial institutions serve the country's long-term development ends rather than the short-term interests of financiers.

I came away from the book with many take-home messages that apply to our foundation's work. I'll highlight two.

First, I appreciated Studwell's thinking about agriculture economics. Drawing on data on crop yields and overall agricultural output, he argues that rapid agricultural development requires redistributing land more equitably among the farming population. To date, I haven't focused as much on the land ownership piece as I have on the role of better seeds, fertilizers, and farming practices. This book made me to want to learn more about the land ownership picture in countries where our foundation funds work.

Second, Studwell provoked me to think hard about whether his three-part formula is as applicable to Africa as it is to Asia. Certainly, the agricultural piece applies well—and has many economic and health benefits. The big question for me is: Can African countries become successful export-oriented manufacturing hubs? I do see this potential in countries like Ethiopia and Djibouti. They already have a strong connection with China and ambitious, long-term economic plans. Unfortunately, many other countries on the continent don't have those same success factors, especially landlocked ones with very poor infrastructure. Helping farmers in those countries grow more food and earn more money would be a big help on its own.

How Asia Works is not a gripping page-turner aimed at general audiences, but it's a good read for anyone who wants to understand what actually determines whether a developing economy will succeed. Studwell's formula is refreshingly clear—even if it's very difficult to execute. (Linkedin Bill Gates Post)

Mozambique: Country Outlook

POLITICAL STABILITY: Following its widely anticipated victory in the presidential and legislative elections on October 15th 2014, the ruling party, the Frente de Libertação de Moçambique (Frelimo), is set to remain dominant in 2015-19. However, the relatively peaceful elections and Frelimo's expected continuity in government have not removed ongoing political challenges. The opposition's frustration with Frelimo's political and economic domination persists, and although the historical opposition party, the Resistência Nacional Moçambicana (Renamo), participated in the polls, it immediately rejected the results, citing fraud. Renamo's demands for the vote to be annulled and for a national unity government to be formed will go unheeded, but the party, which signed a peace deal with the government in September to end an 18-month period of often violent tensions, will maintain pressure on the new administration. The incoming administration will face strong popular mistrust, as many Mozambicans blame Frelimo for its responsibility for the political tensions of 2013 14 and have been disillusioned with the failure of successive Frelimo governments to reduce poverty significantly despite robust economic growth. Frelimo's internal dynamics represent another destabilising factor.

ELECTION WATCH: Frelimo won the national elections on October 15th (although results have yet to be confirmed by the Constitutional Council), benefiting from a well-oiled party machine, strong financial position, opposition fragmentation and influence over state institutions and media. Mr Nyussi, Frelimo's candidate, secured the presidency with 57% of the vote, while the party retained a comfortable--albeit diminished--majority in parliament. Frelimo won 144 out of 250 seats (down from 191 in the previous election in 2009), with 89 going to Renamo (up from 51 in 2009) and 17 (eight in 2009) to another opposition party, the Movimento Democrático de Moçambique (MDM). The result reflects persistent regional disparities, with Frelimo overwhelmingly dominant in southern provinces but opposition support stronger in the centre and north, as well as, increasingly, among younger urban voters. It also marks a dramatic comeback for Renamo and its leader, Afonso Dhlakama, after a decade during which he and his party saw their support wane. Although it increased its parliamentary representation, the MDM did worse than in the November 2013 municipal elections--when it also benefited from Renamo's boycott--and failed to establish itself as Mozambique's major opposition force. The next national elections are due in 2019, and provided that it delivers on key issues, Frelimo is set to be the front-runner.

INTERNATIONAL RELATIONS: The government will aim to diversify foreign relations away from donors, bolstered by Mozambique's natural resources potential. The country is set to reduce its aid dependency through rising mining royalties, in response to stagnating aid flows; the latter reflect economic austerity in some donor economies, as well as growing donor concerns about standards of governance in Mozambique. Ties with Mozambique's main historical partner, Portugal, and its biggest trading partner, South Africa, will remain strong, underpinned by foreign direct investment (FDI) inflows and long-standing commercial and personal links. Investment from Brazil, India, Australia and China will strengthen ties with those countries; the latter is also becoming a major creditor to the Mozambican state. Sizeable gas reserves will attract more foreign investors and new trading partners, especially among Asia's major gas-importing countries.

INFLATION: We already expected inflation, as measured by the consumer price index in the capital, Maputo, to remain subdued throughout 2015-19, but we have slightly lowered our inflation rate forecasts for 2015-18 in line with revisions to our international oil price projections. From an estimated average of 2.5% in 2014, the inflation rate is now slated to pick up to 4.2% in 2015 (previously 4.6%), as robust domestic demand, a strengthening of the South African rand (most non-oil imports come from South Africa) and an anticipated increase in electricity tariffs will offset the effects of declining global food and fuel prices. In 2016-19 inflation will fluctuate around an annual average of 4.1% (previously 4.4%), helped by relatively low international oil prices and mild currency appreciation, which will contain imported inflation, as well as improved food availability. Major disruptions to the local or regional food supply could lead to upward revisions to this forecast.

EXCHANGE RATES: After depreciating from MT30.1:US$1 in 2013 to an estimated MT31.1:US$1 in 2014, the metical is expected to slip further against the US dollar in 2015, to MT32:US$1, as gradual tightening of monetary policy in the US will put downward pressure on the exchange rate. The metical will regain ground during the remainder of the forecast period, supported by rising coal exports and large investment inflows, strengthening to an average of MT30.5:US$1 in 2019, notwithstanding some downward pressure stemming from large fiscal and current-account deficits. A drop in global demand for Mozambique's mineral exports, which could trigger a fall in export revenue or cause the investment boom to stall, represents the major risk to this outlook.

However, exchange-rate intervention by the monetary authorities, resulting from fears over the risk to social stability from imported inflation, is likely to prevent a sharp slide of the metical.

EXTERNAL SECTOR: Mozambique will continue to post large current-account deficits, reflecting the import requirements of investment in mining and LNG. However, following changes to our international oil price forecasts, we have revised our current-account deficit projections. On average the current-account deficit will edge downward as a proportion of GDP throughout the outlook period; it will fall from an estimated 36.8% of GDP in 2014 (previously 37.1% of GDP) to 32.5% of GDP in 2019 (previously 31.6% of GDP). Mozambique's exports will be dominated by raw mining and agricultural commodities, as well as aluminium, currently

the country's prime source of export revenue. Coal will be the major driver of export growth, overtaking aluminium as the country's main export by 2016.
Nonetheless, the sector's performance will remain far below its potential and the government's ambitions, owing to depressed prices and infrastructure constraints. Gas is set to become a major export, but not until beyond the outlook period.
POLICY TRENDS: The authorities' overarching policy goal will be to promote inclusive growth and poverty reduction as the economy moves away from its dependence on aid towards the exploitation of natural resources. Challenges include bridging infrastructure gaps, fostering linkages between the resources sector and the remainder of the economy and enhancing the quality of education, all of which will help to ensure that the benefits of natural resources are widely spread. The government will also strive to boost productivity in agriculture, although progress will be stymied by farmers' limited access to funding, farming inputs, technology and markets. Despite resistance from vested interests, the government will make some efforts to improve the country's framework for private-sector participation. Mozambique rose 15 places to 127th out of 189 economies in the World Bank's Doing Business 2015 ranking, having made it easier to register property and resolve insolvencies. The management of natural resources will create specific policy challenges.
ECONOMIC GROWTH: We expect real GDP growth to accelerate from an estimated 7.3% in 2014 to 7.8% in 2016, driven by coal mining and investment in new transport infrastructure. Communications, industry and financial services will also grow strongly. In 2016 growth will also be bolstered by the launch of construction works on liquefied natural gas (LNG) facilities; Anadarko (US) and ENI (Italy) are making consistent progress with their LNG plans.
However, LNG production is more likely to start around 2020 than in 2018, as targeted by the government. This is because of probable delays in infrastructure development, persistent uncertainty over hydrocarbons legislation and energy companies' concerns about a possible global gas supply glut (due in part to surging output of shale gas). Therefore, and also due to the stabilisation of coal's contribution to output, we forecast a marginally slower rate of economic expansion in 2017-19. Economic performance is nonetheless likely to be below potential and remains subject to significant downside risks. This is in part the result of sluggish growth among trading partners such as Europe and South Africa. Economic slowdown in China and softening demand for global commodities are also likely to hamper growth in key exports, while falling oil prices in 2015-16 may delay some major investment projects, especially as they coincide with an expected tightening in global monetary conditions. Domestic factors, including political volatility and inadequate infrastructure, could also dampen the mining boom. *(Economist Intelligence Unit)*

SOVEREIGN RATINGS

North and South America - Asia

	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
19-12-2014	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
ARGENTINA	Ca	Sdu	RD	NR	Sdu	RD
AUSTRALIA	Aaa	AAAu	AAA	NR	A-1+u	F1+
BRAZIL	Baa2	BBB-	BBB	NR	A-3	F2
CANADA	Aaa	AAA	AAA	NR	A-1+	F1+
CHINA	Aa3	AA-	A+	NR	A-1+	F1+
COLOMBIA	Baa2	BBB	BBB	NR	A-2	F2
INDIA	Baa3	BBB-u	BBB-	NR	A-3u	F3
JAPAN	A1	AA-u	A+	NR	A-1+u	F1+
MACAU	Aa2	NR	AA-	NR	NR	F1+
MEXICO	A3	BBB+	BBB+	WR	A-2	F2
SINGAPORE	Aaa	AAAu	AAA	NR	A-1+u	F1+
URUGUAY	Baa2	BBB-	BBB-	NR	A-3	F3
VENEZUELA	Caa1	CCC+	CCC	NR	C	C
USA	Aaa	AA+u	AAA	NR	A-1+u	F1+

Sources: Bloomberg, Eaglestone Advisory

Region - Africa/Middle East

19-12-2014	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Angola	Ba2	BB-	BB-	NR	B	B
Bahrain	Baa2	BBB	BBB	NR	A-2	F3
Benin	NR	NR	WD	NR	NR	WD
Botswana	A2	A-	NR	NR	A-2	NR
Burkina Faso	NR	B-	NR	NR	B	NR
Cameroon	NR	B	B	NR	B	NR
Cape Verde	NR	B	B	NR	B	B
Egypt	Caa1	B-	B-	NR	B	B
Emirate of Abu Dhabi	Aa2	AA	AA	NR	A-1+	F1+
Ethiopia	B1	B	B	NR	B	B
Gabon	Ba3	BB-	BB-	NR	B	B
Ghana	B2	B-	B	NR	B	B
Iran	NR	NR	NR	WR	NR	NR
Israel	A1	A+	A	NR	A-1	F1
Ivory Coast	B1	NR	B	NP	NR	B
Jordan	B1	BB-	NR	NR	B	NR
Kenya	B1	B+	B+	NR	B	B
Kuwait	Aa2	AA	AA	NR	A-1+	F1+
Lebanon	B2	B-	B	NP	B	B
Lesotho	NR	NR	BB-	NR	NR	B
Libya	NR	NR	WD	NR	NR	WD
Mali	NR	NR	WD	NR	NR	NR
Mauritius	Baa1	NR	NR	NR	NR	NR
Morocco	Ba1	BBB-	BBB-	NR	A-3	F3
Mozambique	B1	B	B+	NR	B	B
Namibia	Baa3	NR	BBB-	NR	NR	F3
Nigeria	Ba3	BB-	BB-	NR	B	B
Oman	A1	A	NR	NR	A-1	NR
Qatar	Aa2	AA	NR	NR	A-1+	NR
Republic of Congo	Ba3	B+	B+	NR	B	B
Republic of Zambia	B1	B+	B	NR	B	B
Rwanda	NR	B	B+	NR	B	B
Saudi Arabia	Aa3	AA-	AA	NR	A-1+	F1+
Senegal	B1	B+	NR	NR	B	NR
Seychelles	NR	NR	B+	NR	NR	B
South Africa	Baa2	BBB-	BBB	P-2	A-3	F3
Tunisia	Ba3	NR	BB-	NR	NR	B
Uganda	B1	B	B	NR	B	B
United Arab Emirates	Aa2	NR	NR	NR	NR	NR

Sources: Bloomberg, Eaglestone Advisory

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

Eurozone

19-12-2014	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Austria	Aaa	AA+	AAA	P-1	A-1+	F1+
Belgium	Aa3	AAu	AA	NR	A-1+u	F1+
Cyprus	B3	B+	B-	NP	B	B
Estonia	A1	AA-	A+	NR	A-1+	F1
Finland	Aaa	AA+	AAA	NR	A-1+	F1+
France	Aa1	AAu	AA	NR	A-1+u	F1+
Germany	Aaa	AAAu	AAA	NR	A-1+u	F1+
Greece	Caa1	B	B	NP	B	B
Ireland	Baa1	A	A-	P-2	A-1	F1
Italy	Baa2	BBB- u	BBB+	P-2	A-3u	F2
Latvia	Baa1	A-	A-	NR	A-2	F1
Luxembourg	Aaa	AAA	AAA	NR	A-1+	F1+
Malta	A3	BBB+	A	NR	A-2	F1
Neherlands	Aaa	AA+u	AAA	P-1	A-1+u	F1+
Portugal	Ba1	BBu	BB+	NR	Bu	B
Slovakia	A2	A	A+	NR	A-1	F1
Slovenia	Ba1	A-	BBB+	NR	A-2	F2
Spain	Baa2	BBB	BBB +	P-2	A-2	F2
United Kingdom	Aa1	AAAu	AA+	NR	A-1+u	F1+

Sources: Bloomberg, Eaglestone Advisory

IMF, WORLD BANK & AFRICAN DEVELOPMENT BANK

Mozambique: AWF supports multi-purpose water storage project to build climate resilience in Limpopo river basin

The African Water Facility announced on December 15 that is has offered a €3.4 million grant to the Government of Mozambique to conduct a feasibility study for the development of a climate adaptation project in the lower Limpopo region. This project will include building infrastructure to protect the Limpopo basin from floods and droughts and will increase food security by boosting agricultural production. Furthermore, the infrastructure to be built could lead to hydro-electric power production for the region.

The project is set to benefit around 572,000 small scale and livestock farmers, fishermen, entrepreneurs and other stakeholders, as well as the 1.4 million people who live in the Gaza province in Mozambique.

“This feasibility study not only lays the groundwork for future investments in Mozambique’s water sector, it is also a vital step towards ensuring that water resources development is done in such way that negative impacts to the environment or the people of the region are avoided or reduced”, said AWF Coordinator Akissa Bahri.

The construction of water storage and flood control infrastructure as a result of the study will greatly increase the region’s irrigation potential and enable Mozambique to adapt to climate change and ensure food security. The potential irrigable area is estimated to be between 150,000 and 300,000 ha, compared to the 25,000 ha currently dedicated to smallholders and 10,000 ha to private investors.

The feasibility study will review options for multi-purpose water storage capacity development, environmental and social impacts, and opportunities for small and medium enterprises in irrigated agriculture, as well as private-public partnership possibilities and financing strategies

The AWF grant will be complemented by a Department for International Development (UK) 400,000 GBP (€506,450) grant through the Climate and Development Knowledge Network to fund technical assistance to the Southern Region Water Administration (ARA-Sul), the agency responsible for carrying out the feasibility study. A further investment of €713,790 will come from the Fund for African Private Sector Assistance, managed by the AfDB, and €369,000 from the Government of Mozambique.

As a country situated downstream of river basins shared among several other nations, Mozambique faces huge challenges due to intensive water development and upstream water use, as well as floods and droughts exacerbated by climate change. Floods in 2013 killed 40 people and caused an estimated USD 250 million in damages in the Limpopo river basin.

Ethiopia grabs first ClimDev Special Fund grant

Ethiopia has sealed a US $1.1 million deal with the newly launched ClimDev-Africa Special Fund (CDSF), to strengthen its climate information and early warning systems for climate resilience development and adaptation – becoming the first African country to benefit from the Fund.

A project document circulated in Lima, Peru, on the side lines of the 20th Session of global climate negotiations (COP 20), states that the Ethiopian project will enhance the building of national capacities in climate monitoring, data analysis, interpretation, forecasting and dissemination to foster the use of climate services in decision-making.

It is the second phase of an ongoing exercise in the upgrading and expansion of climate monitoring and data rescue activities to strengthen the provision of hydro-meteorological and climate services for climate resilience development in Ethiopia. It follows an initial project that was launched through assistance from United Nations Economic Commission for Africa's Climate Policy Centre in 2013 (ECA/ACPC).

The current project is aligned with most national development strategies in Ethiopia, including the Climate Resilience and Green Economy Strategy. Ethiopia's National Economic Development Plan acknowledges that climate change will impact negatively on the country's economy and hinder the prospects for achieving some of the MDG targets.

The implementation of major projects in the agricultural and infrastructural sectors requires high quality climate data to achieve cost effectiveness and sustainability, which can be enhanced through the outcomes and the outputs expected from the current project.

Ethiopia's development strategy aims at achieving rapid economic development through aggressively promoting agricultural investments and boosting industrial growth and government authorities recognize the fact that climate change is a real threat as well as an opportunity for Ethiopia, and has thus considered both adaptation and mitigation issues. The plan declares the government's commitment to build a fully climate resilient green economy by 2025.

It is expected that with the improved service delivery system through the project, cost recovery systems will be put in place for those users who are ready to pay for the service, thereby bringing an additional source of income for the government's budget. The National Meteorological Agency has committed to make the necessary financial arrangements which will ensure the sustainability of the results of the project, beyond its current life cycle.

It would be recalled that Ken Johm, Coordinator for Special Initiatives in the Agriculture and Agro-Industry Department at the African Development Bank (AfDB), officially launched the operational phase of CDSF during the 4th last Conference on Climate Change and Development in Africa (CCDA IV) held in October in Marrakech, Morocco.

For Fatima Denton, Coordinator of the African Climate Policy Centre (ECA/ACPC) and Director of Special Initiatives Division, "this fund represents a parallel track funding for countries in Africa who are keen to implement adaptation and mitigation projects and have been waiting anxiously for the 'fast start' finance of the Green Climate Fund to deliver on their implementation goals."

The ClimDev Special Fund (CDSF) housed in the AfDB is a demand-led Fund that pools resources to finance investment activities on the ground across Africa for the generation and use of climate information for climate-resilient development. Grants are provided to projects in line with the ClimDev-Africa Programme's goal, purpose and results areas and are implemented by national and regional organizations at all levels on the continent.

This Clim-Dev Africa programme is implemented under the auspices of the African Union Commission (AUC), the African Development Bank, and the United Nations Economic Commission for Africa and intends to strengthen the policy response to climate change. The three partners in the ClimDev-Africa Programme consider climate change to be a serious threat to Africa and are engaged at the highest levels of their respective institutions in tackling it. They fear that climate change threatens to undermine all the development and progress that Africa has made so far, including in the area of poverty reduction and the attainment of the Millennium Development Goals.

AfDB promotes renewable energy investment in Swaziland

The African Development Bank (AfDB) will issue a grant of US $990,000 to finance three studies under an energy sector support programme in Swaziland. The objective of the programme is to provide technical assistance to Swaziland aimed at promoting investment in the electricity supply industry to expand reliable energy supplies and enhance the country's electricity access rate. The Bank and the Government of Swaziland/Swaziland Electricity Company (SEC) will jointly finance the project, with the Bank's funding representing 93.1% of the total project cost.

Specifically the project involves the production of a hydropower plant prefeasibility study that will provide a basis for decisions around future hydropower development; a review and analysis of solar and wind resource data and capacity building to promote the development of wind and solar energy resources; and updates to the Energy Policy and the National Energy Policy Implementation Strategy to provide a fresh policy framework for efficient development of the energy sector.

"We know that there is significant scope to develop renewable energy sources in Swaziland – firewood, wood-waste, bagasse, hydropower and renewables like solar and wind. With this project we hope to find ways to harness that potential and address some of the primary challenges around limited energy access such as low energy resources, limited investment in power generation and excessive reliance on imported power. This will in turn attract private sector

investment in the sector," said Alex Rugamba, Director of the AfDB's Energy, Environment and Climate Change Department.

The three studies at the heart of the energy sector support programme will provide critical information and guidelines for investors interested in engaging in the renewable energy sector. The expected outcomes of the project include increased power generation capacity with the participation of the private sector; increased electricity generation from wind and solar; and reduced reliance on imported power. Over the long term, this should lead to more sustainable supply and use of energy for the benefit of all citizens of the country.

The main concerns for the sector relate to security of supply, increasing rural electrification, the potential tariff increases due to the country's dependency on imported energy from the SADC region and the imminent shortages of power. Currently available energy services are not sufficient to meet the needs of Swaziland's population. As of 2013, the country's overall electrification rate was estimated at 55% of which urban households accounted for 65% and rural households 45%. Swaziland consumed a total of 1,347 GWh of which 240 GWh (18%) was supplied through Swaziland Electricity Company, 284 GWh (21%) from sugar companies largely for own use and 822 GWh (61%) from imports mainly from Eskom of South Africa and EDM of Mozambique.

Integrity in AfDB Projects: AfDB debars and fines China First Highway Engineering Co. Ltd

The AfDB imposes a three year debarment on China First Highway Engineering Co. Ltd. following admission of fraudulent and collusive practices in an AfDB-financed project. In addition, the bank levies a financial penalty of USD 18.86 million to support anti-corruption projects on the continent.

The African Development Bank Group (AfDB) on December 15, 2014, announced the conclusion of a Negotiated Settlement Agreement with China First Highway Engineering Co. Ltd. (CFHEC). Ensuing from investigations conducted by the AfDB's Integrity and Anti-Corruption Department (IACD), CFHEC admitted to fraudulent and collusive practices in tendering for an AfDB-financed contract in the Democratic Republic of Congo. As part of the settlement agreement and in accordance with the Bank's Sanctions Procedures, the AfDB debars CFHEC for a period of three years with conditional release. The debarment period may be reduced to 24 months if CFHEC complies with all conditions of the agreement. Additionally, AfDB imposes on the company a financial penalty of USD 18.86 million which flows into the support of projects and initiatives preventing and combating corruption in the Bank's Member Countries on the African continent. The AfDB also reprimands China Communications Construction Company Ltd. (CCCC), CFHEC's parent, for one isolated incident of lack of oversight regarding a subsidiary's bid for an AfDB-financed project. CCCC, however, is taking necessary remedial actions to prevent a recurrence of any such type of mistake. Under the settlement agreement, CCCC commits to maintain an effective compliance program for it and its affiliates and to cooperate with IACD.

"There is no such thing as 'too big to sanction'. Global companies involved in development projects need to ensure that their dealings with the African Development Group are clean. Beneficiaries of AfDB-financed contracts have to adhere to the highest ethical standards", says Anna Bossman, Director of IACD. "Corruption and other sanctionable practices result in social pollution and we expect companies found to have engaged in wrongdoing to contribute financially to the clean-up".

In 2012, CFHEC submitted a bid for a contract in the context of the AfDB-financed Batshamba-Tshikapa Road Improvement Project in the Democratic Republic of Congo. In an effort to make CFHEC's project performance experience appear more substantial, the company fraudulently represented that it had been awarded another Bank-financed contract in the past. In addition, CFHEC engaged in a collusive practice by sharing preparation of bids with a competitor.

The debarment of CFHEC qualifies for cross debarment under the April 2010 Agreement for Mutual Enforcement of Debarment Decisions entered into by the African Development Bank Group, the Asian Development Bank, the European Bank for Reconstruction and Development, the World Bank Group and the Inter-American Development Bank Group.

About the Integrity and Anti-Corruption Department

The Integrity and Anti-Corruption Department of the African Development Bank Group is responsible for preventing, deterring and investigating allegations of corruption, fraud and other sanctionable practices in Bank Group-financed operations.

For more information visit: http://www.afdb.org/about-us/structure/integrity-and-anti-corruption/

African Development Bank staff and the general public can use IACD's secured hotlines to report sanctionable practices within the Bank or operations financed by the Bank Group.

The AfDB is integrating trade facilitation into its project activities

Recent multinational transport projects financed by AfDB have a growing facilitation component to them. Some examples include:

- T he Ndende-Dolisie Road and Libreville-Brazzaville Corridor Transport Facilitation Project.
- T rans-Saharian Highway Project: Alger – Chad – Niger.
- Multinational (Malawi-Zambia): Nacala Road Corridor Development Project - Phase IV.

- Namibia: The New Port of Walvis Bay Container Terminal Project.
- Mozambique: Nacala Road Corridor Project - Phase III.
- Central African Republic: Transport Facilitation Program on the Douala-Bangui and Douala-N'Djamena Corridors.
- Burundi/Rwanda: Project to Develop Roads and Facilitate Transport on the North-South Corridor - Phase III.
- Togo/ Burkina Faso: Road Rehabilitation and Transport Facilitation on the Lome-Cinkanse-Ouagadougou CU9 Corridor.
- Gambia/Senegal: Trans-Gambia Corridor Construction of the Trans-Gambia Bridge and Cross Border Improvement.
- Zambia/Botswana: Kazungula Bridge Project (SADC North - South Transport Corridor Improvement).
- Mali/Senegal: Road Development and Transport Facilitation Project: The Southern Bamako-Dakar Corridor.
- Burkina Faso/Niger: Transport Facilitation in the Ouagadougou – Dori-Tera-Niamey Corridor.

In addition, through the Africa Trade Fund the AfDB is supporting a number of Trade Facilitation projects, such as the Namanga OSBP Soft Infrastructure Project. This involves the provision of technical and capacity support to Kenya and Tanzania to reform and modernize trade facilitation along the Kenya/Tanzania frontier at the Namanga Border Post. This includes the provision of computers, ICT networking equipment, and other operational facilities to the OSBPs at the Namanga Border Posts; inter-agency training for border officials; and support to the East African Community Secretariat to develop OSBP regulations to facilitate the operationalization of the OSBPs. *(AFDB- African Development Report2014)*

DRC - ADB $ 108 million to rehabilitate the Mbuji Mayi Tshikapa-axis and rural infrastructure

The Board of Directors of the African Development Bank Group (AfDB) has approved the December 17, 2014, a donation of some US $ 108 billion, taken from the African Development Fund (ADF) for the Democratic Republic of Congo (RDC).
The project involves the construction of the axis Tshikapa Mbuji Mayi, specifically the Tshikapa-Kamuesha section (87 km) and rehabilitation related agricultural and rural infrastructure, in Kasai Occidental province. This province is strongly enclave due to the advanced state of deterioration of the road network.
The primary sector - namely agriculture, livestock and mining - is at the heart of Western Kasai economy, and mining of diamonds alone accounts for 12.4% of this sector. Rural infrastructure linked to the National Highway No. 1 (RN1) promote local development and facilitate trade and movement of people and goods, under the proper conditions. The direct impact area of the project has an estimated population of 1,750,000 inhabitants, 892,000 women (about 51%).
Thanks to the project, to be implemented over five years, will be terminated at the opening of Kasai Occidental province by linking to that, neighbor, Bandundu and city province of Kinshasa. Will also see improved food security, availability of agricultural products and capacity building support services, vocational and rehabilitation training facilities and the communities at the base.
Rehabilitation interventions initiated on RN1 respond to the strategy of the Congolese government, focused on the progressive development and asphalting of the roadways of countries mentioned above. The project is a continuation of the interventions of the Bank and other donors (European Union and World Bank), already engaged in the development of the RN1 and support the development of the rural sector, and the effects on the economy are substantial.
RN1 is a major corridor, known to play a full role main corridor transit and domestic trade and inter-region between Central Africa, East Africa and Southern Africa.
Strategic partner of the DRC, the intervention of the Bank is required to support the country's development efforts and poverty reduction.

Mano River Union: ADB is involved to improve transportation and roads

The Board of Directors of the African Development Bank Group (AfDB) has approved the December 18, 2014, the granting of various loans to Côte d'Ivoire, Guinea and Liberia, taken from the resources of the ease of transition support (FAT) and the African Development Fund (ADF). These loans are intended to finance a development of roads and transport facilitation program within the Mano River Union. With the ADF, so it is US $ 33,413,000, 11,774,000 and 37,525,000 accorded respectively to the Ivorian government, Guinea and Liberia. As for using the ADF, it is US $ 108,079,000 that are granted to Côte d'Ivoire, 32222000 to Guinea and Liberia 75.050 million.
The program focuses on the development and asphalting of roads Danane-Lola (87.35 km), Liberia Bloléquin Toulépleu-border (65 km), Taboo-Prollo (28 km), Karloken-Fish Town (80 km) and junction Harper-Cavally (16 km). All of these roads, which are 276.35 km, are still in the ground, with only 6 m wide, with crossings books in makeshift wood for the most part and prove impractical in certain periods. In fact, the landlocked regions, the number of road checks and inappropriate crossings are fragile factors that fuel the successive crises that have hit the region over the past twenty years. However, traffic on these roads is to increase, given the economic potential of the area and the efforts to put an end in the three countries recurrent crises that have long characterized them. Also, to anticipate this densification of traffic, it is necessary to improve the quality of service roads and ensure that they are passable in all seasons. Similarly, we need to reduce border controls. All this requires to develop and asphalt roads and set up border crossings for joint inspections.
The program will be implemented from June 2015 to June 2019, will benefit carriers, users, but also to agricultural producers and 2.83 million people who populate the target area - particularly disadvantaged groups.

Because of its experience and expertise gained in the implementation of regional infrastructure projects, the Bank has been designated as the lead donor for NEPAD infrastructure. In addition, this program is a continuation of the support of the Bank in the transport sector in Liberia, which includes the paving of the road Fish Town-Harper, a project approved in October 2013. Finally, ADB has taken initiative to set up a high-level Panel on fragile states, which has developed an action plan with recommendations.

INVESTMENTS

Econet Wireless Launches Funeral Assurance Scheme in Zimbabwe

The quest for sustained mobile-driven innovation in Africa has yielded interesting results in recent times. Mobile banking has received widespread acceptance across the continent and this is spurring similar innovations powered by the mobile technology. One recent innovation is the funeral assurance scheme launched by Econet Wireless in Zimbabwe.
Dubbed EcoSure, the scheme replaces an earlier unsuccessful initiative, EcoLife, which was terminated in 2012. This innovative scheme has been enabled by the popularity of mobile services in the southern African economy and fueled by ongoing efforts by mobile operators to tap into the banking and insurance sectors in Zimbabwe via the provision of technology platforms that enhance financial inclusion and serve the uninsured and unbanked.
The service, according to Godwin Mashiri, Eco Sure General Manager, offers affordable and readily accessible funeral cover as registration can be done via mobile phones. The service offers two pay out options in the event of death, either through nominating a relative who will receive the money in their EcoCash account or through a chosen service provider.To enable an effective roll out, Econet Wireless has partnered with 7 service providers including big brands such as Nuffield, Doves, Fidelity and the top three service providers from Bulawayo, an industrial city in Southwestern Zimbabwe. Still engaged in negotiations with other service providers, the firm has employed 500 agents who will be responsible for facilitating claims.
Econet discontinued EcoLife, its first venture into the insurance sector, in 2012. The service had amassed a whopping 1.2 million customers before its termination, thus indicating the potential for success of a similar business. The service had allowed Econet's subscribers to get free life cover on minimum airtime of only $3 per month. No monthly premiums were required unlike conventional insurance schemes.With this new service, Econet hopes to grab a significant share of Zimbabwe's growing insurance industry. BusinessMonitor reports that gross premiums have gone up by 350 % over a four year period ending 2014. With $500 million expected to be realized by the end of the year, its return to the insurance business may be a very timely move. *(Ventures Africa)*

Angola economy: FSDEA plans hotel fund

Angola's sovereign wealth fund details plans to invest in infrastructure and hotels.
In its third-quarter investment update for 2014, Angola's sovereign wealth fund, the Fundo Soberano de Angola (FSDEA), announced that it would be investing US$1.1bn into a dedicated infrastructure fund that will "focus on equity investments in energy, transport and large industrial developments" both domestically and in the Sub-Saharan region. The FSDEA also said that it would be allocating US$500m in equity capital to a Hotel Fund for Africa, to "fulfil the significant undersupply of international-standard hotel management capacity in the continent".
According to the e-mailed statement, the FSDEA's balance now stands at US$4.95bn, although no detailed account sheets were provided and none appear to be available on the fund's website. This type of opacity-coupled with the fact that the fund is led by José Filomeno dos Santos, the eldest son of the Angolan president-is unsettling for many investors, despite the FSDEA's repeated statements that it is fully committed to transparency and good governance.
The FSDEA has also set up a dedicated research unit to help to develop an Angola-focused "investment intelligence hub". At present there is a shortage of high-quality data analysis, and to some extent even data, so this unit could be very useful.
However, economic analysis needs to be impartial if it is to have real value, and there are likely to be question-marks over this given that the FSDEA is a government entity.
A sovereign wealth fund can be a very useful tool for a resource-rich country that persistently registers surpluses. However, owing to the falling price of oil (a major revenue source) and other spending pressures, Angola is set to record a fiscal deficit of around 7% of GDP in 2015. Countries such as
Ghana and Nigeria have created parallel stabilisation funds that can be drawn on at times when there are pressures on foreign reserves, and the IMF has repeatedly called on the Angolan government to create a similar mechanism. Thus far, however, the FSDEA's function appears to be purely focused on investment. (Economist Intelligence Unit)

Document On Investment Opportunities in Great Lakes Presented

At least twenty-four regional projects, from 403 identified, were considered strategic and became part of the summary of Investment Opportunities (IOB), which is being discussed in Luanda, in the Regional Consultation Conference of the Private Sector in the Great Lakes Region.

This information is contained in a document presented to the delegates to the Conference on Investment Opportunities in the Private Sector, which states that the remaining projects will consist of a database in line with the Great Lakes region regularly updated.
According to the summary, are factors that make the Great Lakes region attractive to investors, the existence of a governance structure and an improved business environment, a young, urban and unemployed population, a growing attention to the development of infrastructure and the abundance of natural / mineral resources in agricultural land and water.
It notes that there is on the continent almost 200 million young people, a population that is expected to double by the year 2045, and a Gross Domestic Product (GDP) estimated at about 1.1 trillion dollars.
In terms of exports, the continent has a growing number of trade partners, with a total export valued at about 215 billion dollars.
The summary also indicates that there should be accelerated regional efforts to attract more investments in the private sector, develop and deliver post-investment support for certain strategic projects selected, including the promotion of opportunities for small and medium enterprises.
The program manager and African facilitator of the United Nations Development Programme (UNDP), Tomas Sales, said when presenting the summary that it still lacks contributions, suggestions and improvements, since it is a document to be submitted to next conference for approval.
The regional consultation launched offers a unique opportunity for Ministers responsible for investment policy and decision makers in the region to convene and discuss with other interested regional investment opportunities and agree on where, how and when to carry out private sector investment conference, to mobilize investment for job creation and shared economic development. *(Angop)*

Morocco making a name for itself in aeronautics sector

Morocco holds a strategic position on the African continent. Companies often choose to set up first here to gain access to other markets in Africa. Indeed, its geographic proximity to Europe, its political stability and a cheap workforce constitute a powerful advantage. This is especially true for the aeronautics sub-contracting market. However, there is still a long way to go to be among the top performers in this sector. The Moroccan aeronautics sector posted annual growth rates of 15% to 20% between 2008 and 2013. Today over 100 companies in the aeronautical sector are set up in Morocco, in total employing over 8,000 people.
Among them are key international players like Bombardier, Airbus, Boeing and Dassault Aviation. The sector is generating a turnover of around €800m (about US$1bn) which comprises 5% of Morocco’s total exports and is one of the top priority sectors of the ‘industrial emergence’ plan.
Factories are expanding and companies recruiting, driven by global growth and substantial orders. The sector is likely to increase twofold by 2020, according to the Moroccan Space and Aeronautical Industries Group.
Improved training needed
Nevertheless, in order to become a heavyweight player in the sub-contracting market, Morocco will need to manufacture more complex components and improve its current training deficiencies to meet the needs and high production rates imposed by global aircraft manufacturers.
Indeed, several countries are competing in the sub-contracting market such as Mexico, India and Malaysia. Some of these countries offer cheaper labour for instance.
Consequently, Morocco has to produce more complex parts and by improving the local supply chain (i.e. licensing local distributors). The less back-and-forth between Moroccan and foreign plants takes place, the better in terms of time and money-saving. Even though the aeronautics sector’s development looks promising, there are still gaps in training since the growth spurt started only in 2004. To be a key player and to attract global manufacturers, a significant high-skilled pool of personnel is required. This applies mostly to machinists and technicians since Morocco already has engineers specialised in aeronautics. The aeronautics sub-contracting market has a real potential. Morocco has already managed to attract the key global players, but it seems many of these companies are not yet planning to produce entire aeroplanes here. For this to happen, Morocco needs to overcome its training deficiencies and create more added-value in the aeronautics sector. (How we made it in Africa)

Pharma chains on the way

While pharmacy chain stores are a common sight on the high streets of the US, UK or Japan, they are few and far between in most African countries. However, Kenyan firm Haltons is seeking to replicate the success of its counterparts in the industrialised world, following an undisclosed investment by private equity fund Fanisi Capital last year
There are currently thousands of unregistered and unofficial pharmacies across the continent, offering a piecemeal supply of branded, generic and fake medicines. The Active Pharmaceutical Ingredients (API) are sometimes adulterated to make them go further; others contain no active ingredients at all. The emergence of a big national chain that targets low income families could therefore offer a great deal of confidence to consumers. Fanisi has also invested in Rwandan pharmaceutical wholesaler Sophar. In a statement, the company explained: “Sophar’s core business

involves the importation and marketing of branded pharmaceutical drugs within the Rwandan market. "With a unique semi-cooperative structure and successful business model shareholders are the main customers – the company is set on the path of faster growth in product range, geographic reach and distribution capability." Similarly, private equity firm Catalyst Principal Partners bought a stake in Kenya's Mimosa Pharmacy in August jointly with Africa Chemist and Beauty Care (ACBC), a Mauritius-based pharmaceutical chain. The managing director of Catalyst, Biniam Yohannes, says: "The sector has evolved rapidly over the last decade, with increased consumption of pharmaceutical and personal care products in formal retail channels. Our investment will further fill the gap between the consumer demand and market supply, with the aim of building the business into a world-class pharmacy retail chain of regional scale." One barrier that will take many more years to overcome is the urban-rural divide in Africa. The lion's share of drug sales on the continent are made in urban areas and the provision of pharmaceuticals and indeed medical treatment of any kind is limited in more remote areas. Two thirds of all drug sales in Angola, for instance, are made in the capital Luanda. While reliable pharmaceutical retailing would be a breakthrough in Africa's big cities, there is little prospect of it emerging in rural districts within the next generation. t priority, above that given to patent applications in almost every other industry, with the possible exception of mining. *(African Business)*

M&A

MMI Acquires South African Brokerage Firm For $10.3m

MMI, the JSE-listed financial services firm, has acquired 100 % of brokerage firm, Imara S.P. Reid, for R120 million ($10.3 million) in cash, it emerged.

MMI has acquired Imara because the brokerage firm is a well-established mid-sized stockbroker with over 70 years of experience in the South African stock broking market. "Imara provides a full range of broking services from traditional trade execution to full service stockbroking in local equities, derivatives and fixed interest instruments as well as trading and settlement access to Africa and international markets," MMI said as it gave the rationale for the acquisition. "Its mainstream brokerage is complemented by portfolio management for individuals and a fully integrated internet service which includes real-time information, charting and online trading," it added. The deal will provide MMI with a platform to further develop its private client wealth management offering and will ensure that Momentum Wealth is able to provide its clients with an attractive private investments value proposition, including stockbroking and share portfolio management. The deal will also provide MMI with the ability to service the needs of retail and corporate client bases and a reduced on third party brokers for execution services which will reduce external brokerage flow generated by asset management. The implementation of the deal is subject to the fulfilment of suspensive conditions that are usual for a transaction of this nature, including the approval by the JSE the Financial Services Board (FSB) and the competition authorities. *(Ventures Africa)*

National Bank Of Canada Acquires 9.5% Stake In Mauritius Bank

National Bank of Canada (NBC) has bought a 9.5 % stake in Mauritius-based AfrAsia Bank Limited, its first foray into Africa, as it focuses on exploiting opportunities offered by emerging markets.

"We are pleased to partner with AfrAsia Bank and have the opportunity to use our expertise and resources to contribute to its development," said Louis Vachon, President and Chief Executive Officer of National Bank of Canada. "This investment will be the first by National Bank of Canada in Africa. We believe its fast-growing and emerging economies offer attractive market opportunities."

The investment also represents a major vote of confidence in AfrAsia's business model, financial standing and unique positioning in regional and international markets, which have also been validated by other investors such as the Singaporean private equity firm, Intrasia Capital and French partner PROPARCO.

The bank's growth plans and strategic vision is led by the founder shareholder GML, a Mauritian conglomerate.

"Since inception, AfrAsia Bank's vision has been to bring change and innovation to Mauritius banking, and to grow regionally as well as internationally. Over the past seven years, we have been consolidating our presence locally while reinforcing our footprint through our representative offices in South Africa and in London, and our associate company in Zimbabwe," said Arnaud Lagesse, Chairman of AfrAsia Bank. "With numerous representative offices, subsidiaries and partnerships, through which it can serve clients in the United States, Europe and other parts of the world, National Bank of Canada is a valuable shareholder that can further help with US connections as well as relations with European markets."

AfrAsia Bank's total assets at the end of June 2014 were recorded at $1.56 billion. By offering tailor-made and innovative banking and investment solutions, with expertise in the local and international financial sectors, AfrAsia Bank aims to grow from having clients in 104 countries to becoming one of the biggest players in Africa and expanding in European as well as American markets. "We have continuously invested in developing our bank to become a significant player in the region, Africa as well as internationally. We are honoured to partner with such a renowned financial institution as National Bank of Canada. This partnership will give us an impetus for further growth and reinforce the position of AfrAsia Bank in international markets," said James Benoit, CEO of AfrAsia Bank. He

added that regardless of prevailing market conditions and challenges, the bank's strong performance has been truly encouraging. This, he said has attracted world-class shareholders. "With National Bank of Canada, we will continue to deliver on our corporate philosophy to build bridges between Africa, Asia and the rest of the world while using Mauritius as an International financial centre," Benoit said.Also commenting on the deal, Karen Leggett, Executive Vice-President – Marketing and Corporate Strategy at National Bank of Canada described AfrAsia Bank's business model, broad diversification of activities and growth potential as the key assets that encouraged NBC to invest in the bank. "Growing trade between Africa and the rest of the world, notably Asia, is fuelling investments across the African continent and AfrAsia Bank is well positioned to benefit from this trend. We look forward to being a part of its future," Leggett added. *(Ventures Africa)*

BANKING

Banks

Portuguese Montepio Banking Group Acquires Controlling Stake In Mozambican Bank

Portuguese-based Montepio Banking Group has acquired a significant 44.537 % share in Mozambican bank, the Banco Terra. The Portuguese banking outfit now share equal control with Dutch investor Rabo Development bank, with the remaining shares split among a number of smaller investors. "Besides Montepio, Rabo Development Bank of the Netherlands holds an equal share of 44.537 %, the remaining capital being split between the Norwegian Investment Fund for Developing Countries (8.409 %) and GAPI (2.517 %)," said Montepio in a statement.
Banco Terra is a commercial bank that provides banking products and services to rural and peri-urban areas of Mozambique. The company primarily focuses on the needs of small and medium enterprises' customers with businesses operating in food, agriculture, services, and others related to manufacturing. Its deposit products include current and savings accounts. Its lending portfolio comprises working capital finance; overdraft facilities and bank guarantees; long-term funding for capital expenditures; interbank transferences by SWIFT; consumption, car, and housing loans; and funds to institutions providing micro finance, as well as public employee loans for bicycles and motorbikes. The Bank, which was founded in 2007 and has its base in Maputo, Mozambique, also supports various sectors of the food value chain including commercial farmers and start up ventures.*(Ventures Africa)*

Mozambique becomes Africa's preferred banking hub

Foreign retail banks show preference for Mozambique as the location for their African operations in 2014.
Greenfield investment monitor fDi Markets has recorded Mozambique as the preferred location in Africa for foreign retail banks to establish operations during 2014. The east African country has attracted three separate international banks which opened 16 branches during 2014. This represents 20.78% of Africa's total so far during the year and a substantial increase from the single project recorded in Mozambique during 2013. As fDi Markets has two months of data to record for the remainder of 2014, this figure could increase yet further. Africa as a whole looks set to arrest the stagnation recorded in Greenfield retail banking investment present since 2012. fDi Markets tracked 80 such projects during 2012, a reduction of 31.03% from 2011. Investment in the sector then seemed to stall, with 80 projects also recorded in 2013. As 77 projects have already been recorded during 2014, it would appear likely that FDI in this sector will expand in 2014. Jobs created have already surpassed 2013 levels by 18.45%, with the average number of jobs created per project increasing from 19 to 23. Inter-Africa FDI has remained the main source of retail banking investment during 2014, although dropping by 22.22% compared with that tracked during 2013. Companies originating from Western Europe and the Middle East have met this shortfall, with both regions increasing their share by 35% and 50%, respectively. *(AFDB)*

Cross-border banking

Cross-border banking activities led by African banks are on the rise on the continent. Cross-border banking is a main feature of African financial systems, due partly to progress in regulatory reforms and the appetite of large banking groups to do business beyond borders. In recent decades, some large African banking groups have widened their regional footprint compared to foreign banks, making financial services the dominant sector for intra-African Foreign Direct Investment (FDI). Financial services accounted for around 50% of intra-African greenfield FDI projects between 2003 and 2014, and four large African banking groups are present in at least 18 countries, with Ecobank in 32 countries. By contrast, only 18% of incoming FDI projects originating outside Africa were in financial services, and the largest foreign banking group, Société Générale, is present only in 17 countries (see Table).
Cross-border banking has been a visible form of regional financial integration in Africa. Large South African banks (Standard Bank Group, Barclays Africa Group) are increasingly widening their presence outside of South Africa and are represented through subsidiaries in the western, eastern, southern and central parts of the continent, Moroccan Banks (Banque Marocaine du Commerce Extérieur - BMCE and Attijariwafa Bank) are increasing their footprint in western, northern and central parts while large Nigerian Banks (United Bank for Africa, Access Bank, Guaranty Trust Bank Plc) are going east and central and the pan-African Bank, Ecobank is serving roughly two-third of African

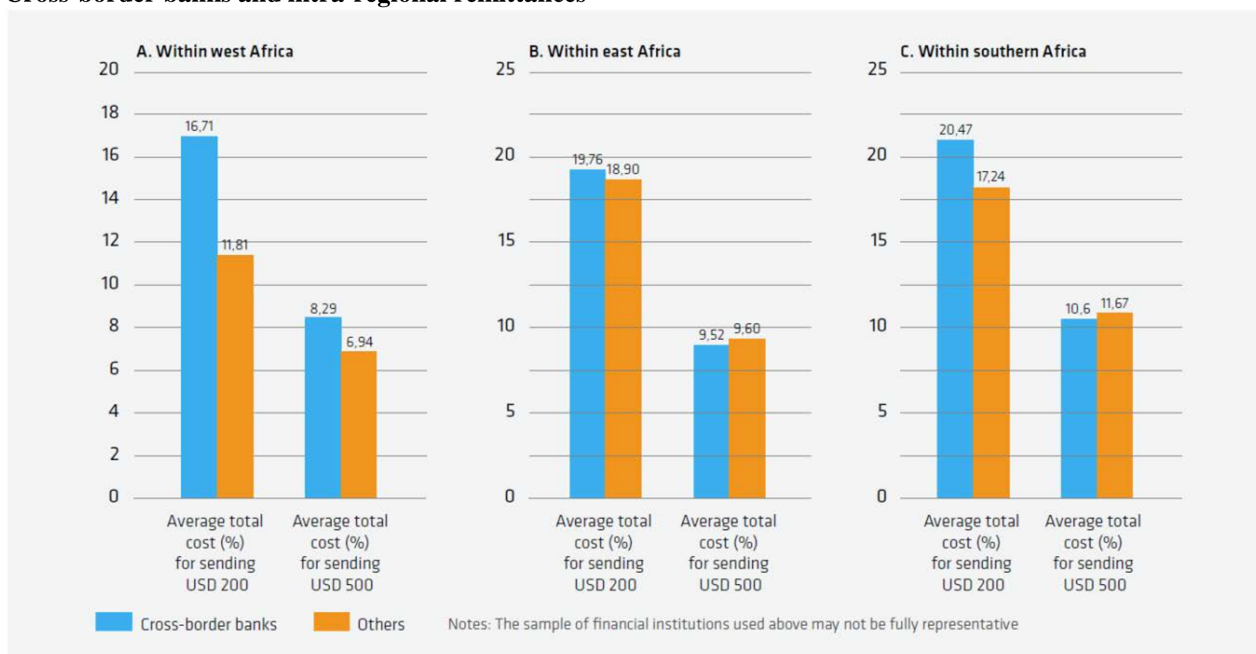
countries (see Figure). These trends have been largely influenced by financial liberalization, favorable regulation changes in both home and host countries (Beck, 2014), limited business opportunities in domestic markets, and positive demonstration effects from outside Africa (Lukonga and Chung, 2010).

Major cross-border banks in Africa

	Name	Location of headquarters	Majority ownership/ largest minority shareholder	Number of African countries
International	Société Générale	France	France	17
	Citigroup	USA	USA	15
	Standard Chartered	UK	UK	14
	BNP Paribas	France	France	13
African	Ecobank	Togo	South Africa	32
	United Bank for Africa (UBA)	Nigeria	Nigeria	19
	Standard Bank Group (Stanbic)	South Africa	South Africa	18
	Banque Marocaine du Commerce Extérieur (BMCE)	Morocco	Morocco	18
	Banque Sahélo-Saharienne pour l'Investissement et le Commerce (BSIC)	Libya	Libya	14
	Attijariwafa Bank	Morocco	Morocco	12
	Banque Centrale Populaire du Maroc (BCP)	Morocco	Morocco	11
	Barclays Africa Group	South Africa	UK	10

Source: Adapted from Beck et al. (2014).

Cross-border banks and intra-regional remittances



Source: Authors, from the World Bank's database on remittances prices (www.remittanceprices.worldbank.org).

(AFDB- African Development Report2014)

Markets

The African Development Bank and Bloomberg to collaborate on an African Bond Index

New index family to bring transparency to most liquid African bond markets

The African Development Bank (AfDB) through the African Financial Markets Initiative (AFMI) and Bloomberg on December 9 announced an agreement to collaborate on building the AfDB's AFMISM Bloomberg® African Bond

Index (ABABI), a new family of African bond indices that, once launched, will be calculated by the independent, global index provider, Bloomberg. "This collaboration comes at a time when African countries are increasingly looking to domestic capital markets to source financing for economic development," says Stefan Nalletamby, the Director of the Financial Sector Development Department of the AfDB. 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 AFMI through its work with AfDB and Bloomberg will provide investors with a tool with which to measure and track the performance of Africa's bond markets. *(AFDB)*

Angola issues debt to execute State Budget for 2015

The proposed Angolan State Budget for 2015, approved in Luanda, includes a deficit of 1.031 billion kwanza (US$10.114 billion), to be covered using external and domestic financing. According to the government, which submitted the proposal approved, "the internal and external indebtedness, necessary to ensure the implementation of ongoing projects, represents about 35 % of total resources, 18 % domestically and 17 % externally." The need to resort to bank loans and national and international credit lines to finance investment projects in the public sector, is the result of a drop in tax revenue for 2015, according to Angolan news agency Angop. Drawn up as financial support for the 2013-2017 National Development Plan, the approved budget includes estimated revenues of 7.25 billion kwanza (US$71 billion). Tax revenues (excluding finance disbursements and sale of assets) are expected to encrypt at 4.18 billion kwanza, amount equivalent to 31% of gross domestic product. Of that amount, 60.96 % is from oil revenues, representing 18.9 % of gross domestic product (GDP) and 39.3 % from the non-oil sector, representing 12.1 % of GDP. *(Macauhub)*

Danger ahead for African sovereign bonds?

Lifted by yield-seeking foreign capital, African sovereign bond markets have boomed. However, as the market faces a possible cool-down, new research suggests that a downturn could be more sudden, and more intense, than previously thought

Recent history Over the last three years, African sovereign borrowing has rocketed. As 2014 draws to a close, sub-Saharan Africa has issued nearly $7bn worth of sovereign bonds this year to international markets. This already tops the full-year figure for 2013, itself a boom year. Prior to 2013, this year's figure tops any other annual figure by a factor of two. African governments are borrowing cheaply. Entering international debt markets for the first time in 2012, Zambia borrowed $750m in 10-year bonds at 5.6%, a rate lower than that available to Portugal, Greece, or even Spain at that time. Zambia's debt issue was reportedly oversubscribed by a factor of 15. Non-sovereign borrowing has grown too. In 2013, bank lending to sub-Saharan Africa reached $138bn, beating the 2007 high of $118bn. With this boom has come volatility. Following the global financial crisis, the US government bought large volumes of domestic bonds to keep interest rates low and prevent the economy from collapsing. This led to investments flowing into the higher-yielding emerging market bonds, including from Africa. Then, in 2012, the US announced that it would begin tapering down its acquisition of US bonds. This suggested that the US economy was strong enough not to need state support and that yields on bonds would rise, drawing investments away from emerging markets and to the US. By early 2013, the US's 'tapering talk' swept the froth from global emerging markets, but left most of sub-Saharan Africa less depressed than Morgan Stanley's 'fragile five' – Brazil, India, Indonesia, South Africa and Turkey. However, in 2014, the continent's debt markets rebounded for a while. From April 2014 to July, cash flowed back into African sovereign and corporate bonds, pushing markets back up toward their pre-taper highs. Now, however, African debt is looking fragile. In mid-October, the IMF cut its 2014 forecast for sub-Saharan African GDP growth from 5.5% to 5%, and bond yields are drifting upwards.

Complex global conditions It is hard to say whether the African bond markets are now facing a real downturn, or are simply wavering as they rise. There are reasons for confidence about the future. A growing glut of Eurozone savings continues to stoke demand for African debt, as European investors take their cash out of Europe in search of yield abroad. And many African countries are showing dynamic business growth, giving them excellent reasons to borrow. But global threats abound. The IMF has warned African governments to be "cautious about not overloading the countries with too much debt". Commodities markets have dipped, with oil prices plumbing lows not seen since 2010. These low prices harm developing economies. This October, for instance, Nigeria ceased exporting oil to the United States. Eurozone weakness and slowing Chinese growth will also reduce demand for African exports further. The US Federal Reserve has finished its tapering of QE, and may now be considering rate rises and Ebola is still a major news story indiscriminately depressing Africa's prospects. On the whole, global conditions are becoming less favourable for Africa. They offer few reasons to think that volatility will moderate. The crucial question for many African sovereigns, and for investors, is whether this volatility endangers the sustainability of current high borrowing levels. The process would obviously be painful. Recent research has suggested, however, that a downturn might also become significantly more abrupt than is currently expected by many bullish holders of African debt. Decision-making among fund managers In a paper published this September, the Bank of International Settlements (BIS) revealed that fund managers overseeing emerging market investments are more inclined toward 'pack behaviour' than previously known. If correct, a flight out of, say, Ghanaian Eurobonds and into US Treasuries could be more like a stampede than a trickle. ('Pack

behaviour' is when fund managers behave like a herd and react collectively). For Africa, this issue is particularly worrying. Because African markets are not widely understood, the vast majority of foreign-held African securities are bought and sold not by private investors, but by professional fund managers. Their collective movements matter a great deal. Instead of investing the smart money, selling high and buying the 'hot potato' stocks or bonds dropped by a panicked market, the BIS argues that managers are often all buying, or all selling, at the same time.

The BIS argues that this is more than a case of "animal spirits", in which investors buy and sell together according to collective euphoria or panic. Indeed, the problem derives from managers' reliance upon benchmarks. In the emerging market funds investigated, the BIS discovered widespread dependence on the same set of benchmark indices, which themselves also exhibit similar behaviours. Two JP Morgan indices, for example, are used to guide 38% of all actively managed bond fund investments. In the BIS's words, "The low share of activism, the high concentration in the use of benchmarks and the strong correlation between benchmarks introduce a high degree of similarity in the behaviour of asset managers investing in EME [emerging market economy] assets." Explaining the potential seriousness of this phenomenon, the Financial Times' senior investment columnist John Authers has warned that: "Following the BIS arithmetic, a 1 percentage point reallocation of assets by the largest 500 managers, which manage $70tn between them, would result in additional portfolio flows of $700bn to EM. This is larger than the gross outflows from EM during the 2008 crash ($246bn), or the $368bn inflows documented by the IMF in 2012." The implications of such a large shift would be acute. African markets are relatively shallow: African buyers of African debt are growing in number, but are far from abundant. A large volume of sellers might not find a correspondingly large pool of willing local buyers.

Over a dozen African governments have issued Eurobonds since 2007. These bonds, denominated in Euros or dollars, require the debtor to have ready access to a stream of hard currency. If investors were to turn tail, selling the issuing country's currency, hard currency would become too expensive for the afflicted government to acquire, and it would risk falling into default. Avoiding a race for the door African debt markets, therefore, are in an environment of low investor activism, rising foreign ownership of African securities, and record highs in sovereign borrowing. Taken from the worst angle, the picture begins to look akin to, and in certain respects worse than, that of East Asia prior to the crash of 1997. Alternatively, like the US in 2007, Africa could be seen as a market awash with foreign savings that could find no outlet at home. Then it was Chinese savings and American sub-prime; now it may be European savings and African sovereign debt. Parallels are never direct, however, and it would be wrong to say that this worst-case scenario for Africa is in any way guaranteed. Some facts are reassuring. Most of Africa's new sovereign debt has been raised with 10-year instruments, and will not come due for many years yet. Most African countries, furthermore, are also borrowing from a relatively low base, thanks to earlier debt forgiveness. And African growth, meanwhile, continues to outstrip that of the developed world, and many other developing markets to boot. It remains conceivable that higher African sovereign borrowing will prove to be sustainable. But if African debt markets are rising on an unsustainable, easy-credit boom, then borrowers and lenders both face a particularly hazardous climb-down. If the market is going to dip calmly, the sell-off must begin before US rate hikes get under way. Thankfully, recent disappointing figures from the US may have bought investors some time. They need it: the alternative to a slow sell-off of African debt – a crash – could be sudden and painful, and the after-effects prolonged. *(African Business)*

Capital markets development

Capital markets in Africa remain under developed. Some countries have tried to establish national capital markets and move away from a bank-concentrated financial system (Beck et al, 2011), and the stock markets in Africa whose number has risen from 5 in 1990 to 29 now represent 38 nations (Gatebi, 2014). Yet, inspite of the rapid economic growth in recent years,the development of domestic capital markets in many African countries has been disappointing in terms of market capitalization and number of listed securities.

The total market capitalization of stock exchanges in Africa has remained low, representing less than 2% of the world total (see Figure 1). The Johannesburg Stock Exchange (JSE) accounts for about 65% of the total African market capitalization, while most of Africa's stock exchanges are very small and highly fragmented. Levels of liquidity in African capital markets are extremely low, except in the JSE and the Egyptian Exchange. The thinness and illiquidity in Africa's domestic capital markets have seriously undermined their ability to attract portfolio investments and mobilize financial resources. Integrating stock exchanges at a regional level would better harness capital markets' potential for supporting sustainable and inclusive growth.

Capital markets could contribute more to inclusive growth. With Africa's conducive economic environment and high returns and improvements in capital market access, foreign investors are moving away from low-return developed countries to explore African markets. Leading stock markets are emerging, to play a critical role in the financial integration process, while facilitating allocation of resources and investments within sub-regions and across the continent. Equity markets in South Africa and Nigeria are among the largest in the world relative to their economies. As reported by Gatebi (2014), the JSE has evolved into a modern securities exchange with fully electronic trading, clearing and settlement in equities, financial, interest rate and commodity derivatives and bonds as well as FX products. Leading capital markets are also innovating through the development of new financial services to meet the investors' demand. A recent Eurobond issuance by Kenya secured bids amounting to USD 8 billion and was oversubscribed by USD 6 billion.

Total market capitalization and listed companies

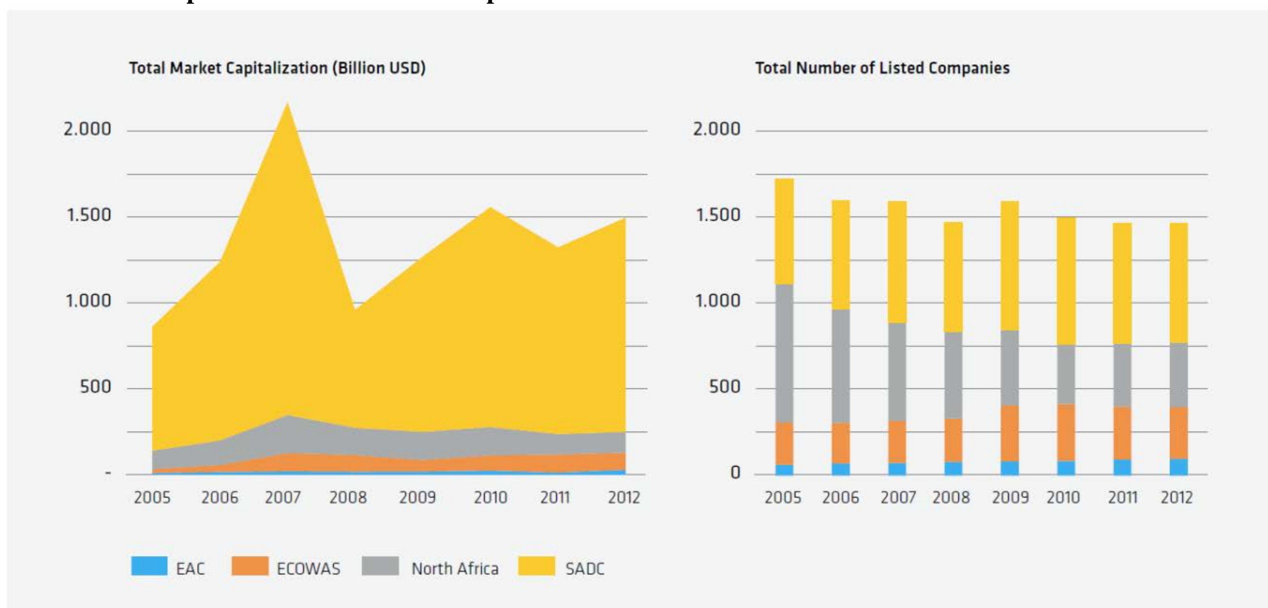
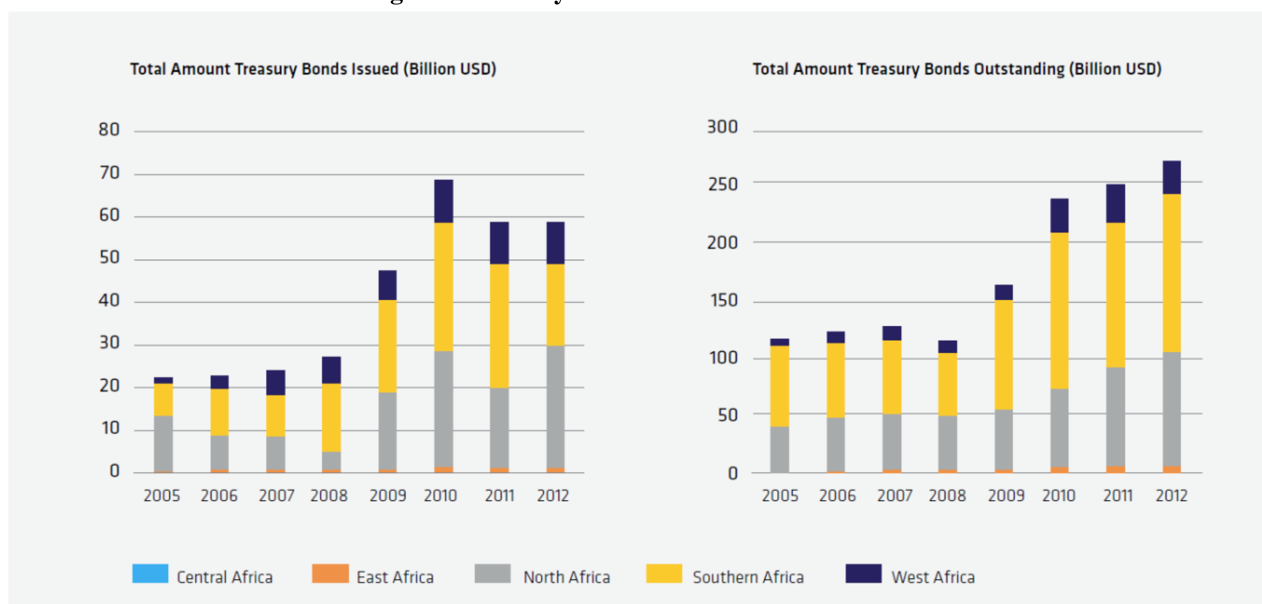


Figure 1

While these developments provide some hope for capital markets, more is needed at the regional level to reap the benefits of financial integration. Regional capital markets may be more efficient than national ones in collecting and processing information from different sources, and reflecting this information in prices for the benefit of a larger set of investors. The process would promote deeper capital markets, a single pool of liquidity, and a greater range of financial services and products, while offering investors the opportunity to share risks across countries. Several initiatives are emerging at the regional level to tap the benefits of financial market integration in Africa, including the establishment of regional stock exchanges, allowing cross-listing in the regions (Beck et al, 2011), and the creation of platforms and technologies to facilitate development of the capital markets. African RECs play an important role in supporting regional capital market integration through the establishment of supra-national markets; the cooperation of their existing markets; and the establishment of integrated regional capital markets and regulatory bodies. Moreover, government initiatives at both national and regional levels have been launched to create an enabling environment for cross-border transaction and trading of bonds.

Total amounts of medium and long term treasury bonds



Overview of selected capital markets in Africa (2014 Q1)

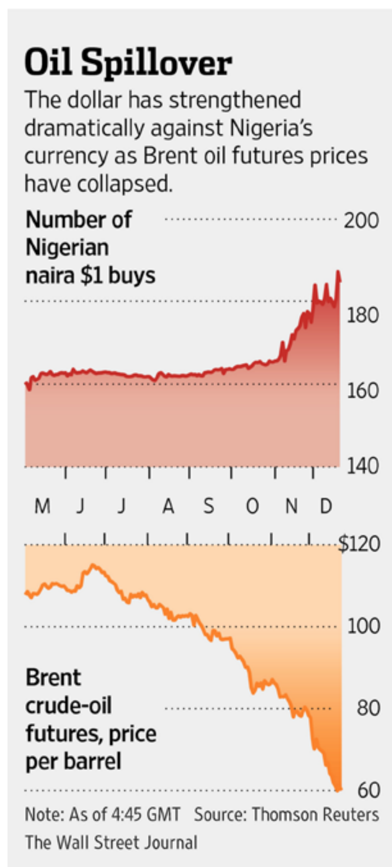
	BRVM	Casablanca Stock Exchange	Egyptian Exchange	Johannesburg Stock Exchange
Market Capitalization (USD million)	39,246	169,443	605,269	3,016,770
Number of Listed Companies	73	75	237	385
Average Number of Traded Companies per Month	54	72	218	360
Total Valued Traded (USD million)	100	998	11,245	610,218
Total Volume Traded (million)	32	28	18,562	15,244
Total Number of Transactions	9,231	41,658	2,327,625	11,404,419

Source: Authors' calculations using information from African Exchanges (Issue2, July 2014).

(AFDB- African Development Report2014)

Nigeria's Central Bank Restricts Currency Trading to Prop Up Naira
Economic Turmoil Aggravated by Strikes in Oil Sector and by Hospital Workers

Tumbling oil prices are exacting a heavy toll on Nigeria, Africa's largest economy and one of the world's most dependent on crude. The central bank imposed new foreign-exchange controls aimed at stopping a 15% plunge in the naira this year. The bank is barring dealers from depositing their currency-trading funds overnight, preventing them from after-hours trading and placing bets for or against a single currency at the close of a trading session. The move is temporary, according to Olakanmi Gbadamosi, director of the central bank's trade and exchange department. Any infraction, he said, will "attract appropriate sanctions, which may include suspension from the foreign-exchange market."



Africa's biggest crude exporter has proved acutely vulnerable to falling oil prices in recent weeks. Its government, which earns 80% of revenue from oil, is heading toward a costly presidential election in February, and is also spending

around $6 billion a year battling the Islamic insurgency Boko Haram, which kidnapped at least 191 women and children from a northeastern village.
As crude prices fall, investors and economists worry the country could run out of budgetary room to finance those commitments.
“There are a lot of people who are afraid,” said Bismarck Rewane, managing director of advisory firm Financial Derivatives Co. in Lagos. The new central bank controls, he added, would likely have little impact. “At this point, everything depends on the oil price,” he said.
The global benchmark for crude has fallen to less than $60 a barrel recently from more than $100 earlier this year.
The naira’s oil-fueled decline, combined with uncertainty over how Nigeria’s government will scale back spending, helped stoke a series of strikes this week. Government hospital workers are protesting poor working conditions, and state radio broadcasters are on strike citing low wages.
Most critically, Nigeria’s oil workers have been on strike since the 16th December. They want the government to lower the price of fuel, which is subsidized, and to fix mountainous roads which they say have claimed the lives of truck drivers. They also want parliament to pass a bill that would reform the country’s petroleum sector which has stalled since 2008.
Most gas stations in Nigeria had shut down, forcing drivers hoping to head home for Christmas to face long lines to fill their tanks.
“We may be stranded,” said Uzochukwu Madumere, a civil servant trying to drive to his hometown this week.
Nigeria’s plight resembles that of Russia, another big oil exporter whose economy has been stung by falling crude prices as well as Western sanctions. The government of President Vladimir Putin has been forced to jack up interest rates to stem a sharp selloff in the ruble.
Nigeria’s naira slipped to 187.45 against the U.S. dollar on 18th December, according to FactSet data, an all-time low. It has fallen almost 5% in December.
The central bank has tried to halt the slide through increasingly broad measures. Last month, it raised its key lending rate 100 percentage points to 13% and devalued the currency to 168 against the dollar from 155.
Wednesday’s (17th December) measures are unlikely to stop the fall, said Ayo Salami, chief investment officer at Duet Group Asset Management, which oversees about $5.5 billion.
“It might help to support the naira in the next day or two, but the naira’s fortune is so strongly linked to oil, that unless that market stabilizes, the currency will continue to depreciate,” he said. Like other action that the central bank has taken in recent days, this “smells of desperation,” Mr. Salami added.
The government has recently tried to diversify the country’s economy beyond commodities, but oil and natural gas still account for around 96% of Nigeria’s export revenue.
Earlier this month, Nigeria’s finance ministry trimmed its budgeted Brent crude oil forecast to $65 a barrel from $73. The central bank has also repeatedly intervened in currency markets by selling U.S. dollars in a bid to prop up the naira. So far, however, that has offered limited respite.
The Nigerian all-share stock index fell 2.8% on 18th December taking declines so far this year to nearly 30% and so far this month to more than 16%. *(Wall Street Journal)*

Trade Finance

Mozambique exports US$1billion in goods to China in 2013/2014

The Chinese ambassador to Mozambique said in Maputo that in the last two years Mozambican exports to China reached US$1 billion making China Mozambique’s third largest trading partner right behind South Africa and the European Union.
Li Chunhua also said that the volume of trade between Mozambique and China had seen growth in recent years, rising from US$1.64 billion in 2013 to US$2.942 billion in the first 10 months of this year.
The diplomat, who was speaking at the opening of a photo exhibition on bilateral relations since 1975, also noted that areas of cooperation had been extended to sectors such as public health, culture, education and the social economy for agriculture, infrastructure, energy, transport and communications, production of building materials, vehicle assembly and tourist facilities.
The ambassador, cited by the Mozambique News Agency (AIM), also noted that cooperation between Mozambique and China led to the implementation of 26 construction projects, training of over 1,000 Mozambicans and granting of loans for 17 infrastructure projects.
There are currently 60 Chinese companies operating in Mozambique. *(Macauhub)*

Sonangol obtains Chinese loan

On December 12th Sonangol signed a US$2bn loan deal with China Development Bank (CDB).
Although the CDB has extended credit worth several billion dollars to the Angolan government bilaterally, this is the first time that the Asian institution has given a loan directly to Angola's state oil company, Sonangol. At the signing ceremony in Beijing, Sonangol's chairman, Francisco de Lemos José Maria, said that the money would be allocated to

various activities including oil exploration, refining, logistics and social housing projects. The loan period will be ten years, but no details were given about terms or interest rates.
Sonangol Empresa Publica (EP), which as the parent company of the Sonangol Group has more than a dozen subsidiaries, usually posts annual profits of at least US$2bn. There is speculation that given tumbling international oil prices and technical problems that served to depress domestic output earlier this year, the company could be in for some leaner results. The CDB loan may therefore be a way of plugging some liquidity gaps, or at least providing some cushioning to allow the continuation of capital projects. One such expenditure is the commissioning of two new oil tankers from the South Korean shipbuilders Daewoo Shipbuilding and Marine Engineering. The vessels, priced together at US$140m, are due for delivery in 2017.
A statement about the CDB loan, posted on Sonangol's website, also announced that construction of the country's long-planned second refinery at Lobito would begin in 2015. Although this is a positive development, the site has been under preparation for some years, meaning that construction work is long overdue.
Angola badly needs more refining capacity: it currently import around 50% of its refined oil requirement. A second refinery will add value to the country's export basket, while Lobito's position on the Atlantic coast, and links to the Democratic Republic of Congo (DRC) via a newly rehabilitated railway, should put the country in a good position to sell fuel to its African neighbours. *(Economist Intelligence Unit)*

Funds

World Bank, Others To Finance $100m Zimfund

The World Bank Group is set to partner with six donors to contribute more than $100 million to the Zimbabwe Reconstruction Fund (ZIMREF) next year, a surprising turn of events geared towards a rapprochement following years of intense disagreements. The six donors include the European Union, United Kingdom, Germany, Norway, Denmark and Sweden.
Revealing this development, World Bank Country Director for Zimbabwe, Malawi and Zambia, Ms Kundhavi Kadiresan, said ZIMREF will expand the bank's support to include investment projects and channel some financing directly through Government systems. This, in turn, allows the flexibility to facilitate some of the pressing reforms in the area of parastatals by carrying out a thorough due diligence audit over management systems.
Patrick Chinamasa, Finance and Economic Development Minister, providing more insight on how the funds will be utilized said, "Under ZIMREF there is going to be $15 million to be made readily available next year. It is giving me the discretion to use the money to carry out these audits. We will start naturally with the strategic ones. The audit is not just with respect to parastatals but also with respect to local authorities because between them the State enterprises and the local authorities are a pain and an albatross around the neck of the fiscus," he said.
Mr Chinamasa also said that the Government will, over the next couple of months, start "a conversation" with the World Bank on Zimbabwe's arrears to the financial institution. The Government had taken a fundamental step in facilitating this renewed relationship by increasing its payments to the bank according to current fiscal capacity, this was a feature in this year's National Budget.
The bank is expected to help explore options that can accelerate the resolution of the debt owed by Zimbabwe without compromising efforts to reduce poverty. "Over the last few months, the World Bank and the Government of Zimbabwe have renewed efforts toward finding a resolution of the outstanding arrears to the bank. The World Bank will also support the Government's efforts to design a Zim-Asset programme of economic policies and institutional reforms that will boost inclusive growth and accelerate poverty reduction," said Ms Kadiresan.
Early this month the World Bank Executive Board approved the Kariba Dam rehabilitation project and financed its development with about $75 million from the International Development Association, co-financing of $25 million was acquired from the Government of Sweden. In addition, the African Development Bank (AfDB) will contribute $75 million and the European Union will pump in $100 million, thus bringing the entire financing package to $300 million. Agreeing to finance the Kariba project is another indicator of a renewed relationship between Zimbabwe and the World Bank as the dam is situated just between Zambia and Zimbabwe. *(Ventures Africa)*

ENERGY

Mozambique imports an increasing amount of electricity

In the year 2000 Mozambique spent about 13.2 million meticais (US$407,000) on purchasing electricity, which increased to 262 million meticais (US$8 million) in 2013, according to a report by the Centre for Public Integrity (CIP) published in Maputo. According to the CIP, in 2005 the state electricity company EdM imported 19.2 gigawatts of electricity per hour having and this rose to 86.5 gigawatts/hour in 2011, an increase of over 400 % in a period of five years. These imports have increased EdM's debt by last June to US$115 million, for the supply of electricity and other goods since 2008, of which US$50 million was owed to the Cahora Bassa Hydroelectric facility. The Centre for Public Integrity also found that the quality of energy in Mozambique was poor and "energy tariffs are among the highest in the region" even though the country is the second largest energy producer in southern Africa.

The poor state of repair of energy transmission and distribution infrastructure due to a lack of maintenance and overload of the entire system due to the increasing number of consumers exceeds the amount of electrical current available, which contributes to continued supply restrictions, said CIP researcher Borges Nhamirre. *(Macauhub)*

Government of Mozambique approves construction of Chemba I and II hydroelectric project

The government of Mozambique has approved the Chemba I and II hydroelectric project, costing an estimated US$2.55 billion, said the government spokesman and Deputy Minister of Foreign Affairs and Cooperation in Maputo.
Henrique Banze said after the meeting of the Council of Ministers that this project was scheduled to start in 2015 and "will be instrumental in improving the quality of life of the population of Manica, Tete and Sofala, the three provinces covered." The minister also said that Chemba I will have the capacity to produce 1,000 megawatts of electricity and Chemba II to produce 400 megawatts of electricity and stressed that both would help to attract more enterprises, because there will be greater availability of energy." *(Macauhub)*

Vestas Gets Biggest Wind Order as Africa Market Accelerates

Vestas Wind Systems A/S (VWS) won an order to supply what the company says will be Africa's biggest wind-power plant in a sign that clean-energy investments are picking up on the poorest continent.
Vestas received an order from Lake Turkana Wind Power Ltd. for 365 of its 0.85-megawatt turbines, it said in a website statement. That's the most machines the Copenhagen-based company has sold to a single plant. The project benefits from wind conditions that are among "the best in the world," Chief Sales Officer Juan Araluce said.
"This is the first time that the industry is able to articulate such a complex deal in Africa," Araluce said by phone. "This will ease future projects and I'm sure it's the first of many to come in Africa." He declined to disclose the value of the order.
The project, to be built about 1,200 kilometers (746 miles) from the port city of Mombasa, would generate enough power to meet about 15 % of the nation's electricity demand. While about 420 kilometers of transmission lines will have to be built to connect it to the grid, the plant will save East Africa's biggest economy about 150 million euros ($186 million) in fuel imports each year, Vestas said.
Desert, Lake - "Eastern and southern Africa are key markets for Vestas, and the Lake Turkana project will establish Kenya among the continent's wind-energy leaders," Christoph Vogel, president of Vestas Central Europe, said in the statement. The combination of desert and lake climate results in strong and steady winds, with an average speed of 11.3 meters per second, Araluce said. Vestas is confident it can announce more deals in Africa in the next two years, he said.
Sub-Saharan Africa may this year add about 1.8 gigawatts of renewable-energy capacity, excluding large hydroelectric power plants, Bloomberg New Energy Finance said in August. Investment in countries including South Africa, Kenya and Ethiopia is estimated at $5.9 billion, and may reach $7.7 billion in 2016. Lake Turkana had been delayed by about three years because of difficulties in securing financing. Africa to Add More Renewable Power in 2014 Than in Past 14 Years Kenya Project Gets Record $870 Million for Wind Power in Africa. *(Bloomberg)*

South Africa to announce 1 000 MW of renewable energy contracts

South Africa will announce a series of renewable energy projects that will add 1 000 MW of power into the country's constrained electricity grid, sources close to the deals told Reuters.
Africa's most advanced economy is in the midst of a severe power crisis because of the government's failure to build any major new power stations since the end of apartheid in 1994. It is also committed to introducing renewables into its mix of power generation, 95% of which is coal at the moment. The so-called "Window 4" of its renewable energy bidding rounds has invited bids for a range of renewable projects such as wind, photovoltaic, biomass and small scale hydro-electric. "We will reveal the names of the projects that are successful and also the megawatt for each project and the size of the plants we are going to build," a government source said. Another non-government source familiar with the bidding said the following firms were strong contenders: Johannesburg-based BioTherm, Italy's Enel Green Power, Canada's Sky Power, European operator Mainstream Renewable Power and South Africa-based Mulilo.
All projects should be constructed within two years, and by 2017 their first power should be feeding into the grid, the government official said. Contracts were signed with 15 companies to also provide 1 000 MW of renewable energy in the so-called "Window 3" round. South Africa invited bidders to submit proposals to build coal-fired power plants and signed 15 renewable energy deals as it strives to end chronic electricity shortages. The power crisis has seen South Africa's rand plummet to a six year low as investors worried about the certainty of electricity supply. The government appointed Deputy President Cyril Ramaphosa, a respected businessman, to oversee the turnaround strategy for struggling state utility Eskom, that only has enough funds to operate until January next year. *(Engineering News)*

Africa's highest producing' solar plant connects to national grid

The 216-GWh-producing Sishen solar photovoltaic (PV) plant in the Northern Cape has officially connected to the national grid and will have the highest level of electricity output of all the operational solar PV plants in Africa, says Spanish stakeholder Acciona Energía.

The Sishen plant is 51% owned by Acciona and 29% owned by construction group Aveng, while broad-based black economic-empowerment company Soul City and a local community trust own 10% . The plant will produce electricity equivalent to the consumption of around 100 000 South African households a year and has a peak capacity of 94.3 MW and 74 nominal MW. The 250 ha facility has 470 solar trackers that support 319 600 PV modules and will send its output to State-owned power utility Eskom, through the power grid, under a long-term purchase and sale contract.
"The start-up of Sishen is a major milestone for us, as it is the biggest PV plant built by our company in the world and our first renewables facility in South Africa, a country in which we expect to increase our presence considerably. We are pleased to be contributing to compliance with South Africa's objectives of achieving a more sustainable energy system, and creating jobs and added value in the country in the process", says Acciona Energía CEO Rafael Mateo.
The Sishen plant would also prevent the emission of 208 000 t of carbon dioxide produced by coal-fired power stations. Aveng Group CEO Kobus Verster said in a statement that Sishen was a significant milestone for Aveng and that it demonstrated the group's ability to be involved across the energy and infrastructure value chain, including development, investment, financing and construction. "As a group we have consistently demonstrated our capability of developing infrastructure that is integral to the backbone of economies. The experience gained to date in developing and constructing projects under the Renewable Energy Independent Power Producer Procurement Programme in South Africa, places Aveng in a favourable position to grow its order book across the power and renewable-energy sector in South Africa and other selective markets," he says. *(Engineering News)*

South Africa Sees Progress in Quest For Nuclear Power

The South African Presidency has announced that Africa's second largest economy has reached a "critical milestone" in its plans to build new nuclear power stations providing as much as 9600MW of electrical power. This means the stage is now set to start the preparations for the procurement process that would be undertaken in line with the country's legislation and policies.
"This marks significant progress for the government in its engagements with various prospective nuclear vendor countries as part of the process towards the implementation of the expansion in the nuclear new build programme. Intergovernmental framework agreements have been signed with Russia, France, China, South Korea and the US, marking the initiation of the preparatory stage for the procurement process," the Presidency said in a statement.
Guidelines for the expansion of nuclear power to ensure energy security based on a sustainable energy mix have been set out in the National Development Plan, the Nuclear Energy Policy, the Nuclear Energy Act and the Integrated Resource Plan (IRP) adopted in 2011.
"These agreements set out potential frameworks of co-operation that each country foresees where or how they can participate in South Africa's new nuclear build programme. The nuclear vendor parade workshops entail vendor countries presenting their nuclear technology offerings. The conclusion of this vendor parade marks a significant milestone in the government pre-procurement phase for the roll-out of the nuclear new build programme," the presidency added.
The vendor parade was created as a platform to enable government officials and academics assess the capabilities of the vendor countries especially with respect to how they could meet the 9.6GW target. The parade workshop was a part of the technical investigations and due diligence carried out by the government before making a procurement decision.
The nuclear build programme is an integral part of the energy mix geared at ensuring energy security for the country. The programme is expected to kindle massive infrastructure development, and stimulate the local economy.
"The nuclear new build programme will create a massive infrastructure development, thus stimulating the economy and enabling the country to create thousands of high-quality jobs for engineers, scientists, artisans, technicians and various other professions, develop skills and create sustainable industries, and catapult the country into a knowledge economy," the statement concluded.
Critics of the project believe it is too expensive for the state to undertake at this time, saying the entire project will cost the country upward of R1 trillion ($86.1 billion). Concerns also exist about the safety of such plants citing the legendary Fukushima incident of 2011. *(Ventures Africa)*

INFRASTRUCTURE

Gangelas mini hydro plant in Angola starts operating in January

Operating tests on a mini-hydro plant, installed at the Gangelas dam, in the municipality of Chibia, in Angola's southern Huila province, will be conducted in January, according to Angolan news agency Angop.
According to Angop the reservoir already has an acceptable amount of water for the tests, but the level is expected to increase until January, which will make testing easier.
The mini-hydro plant will have a generation capacity of 1.2 megawatts and will consume 6.5 cubic metres of water per second. Refurbished in 2009, the Gangelas dam has a reservoir of up to 3.5 million cubic metres of water with two 24-kilometre channels and an irrigated area of 6 hectares of arable land. *(Macauhub)*

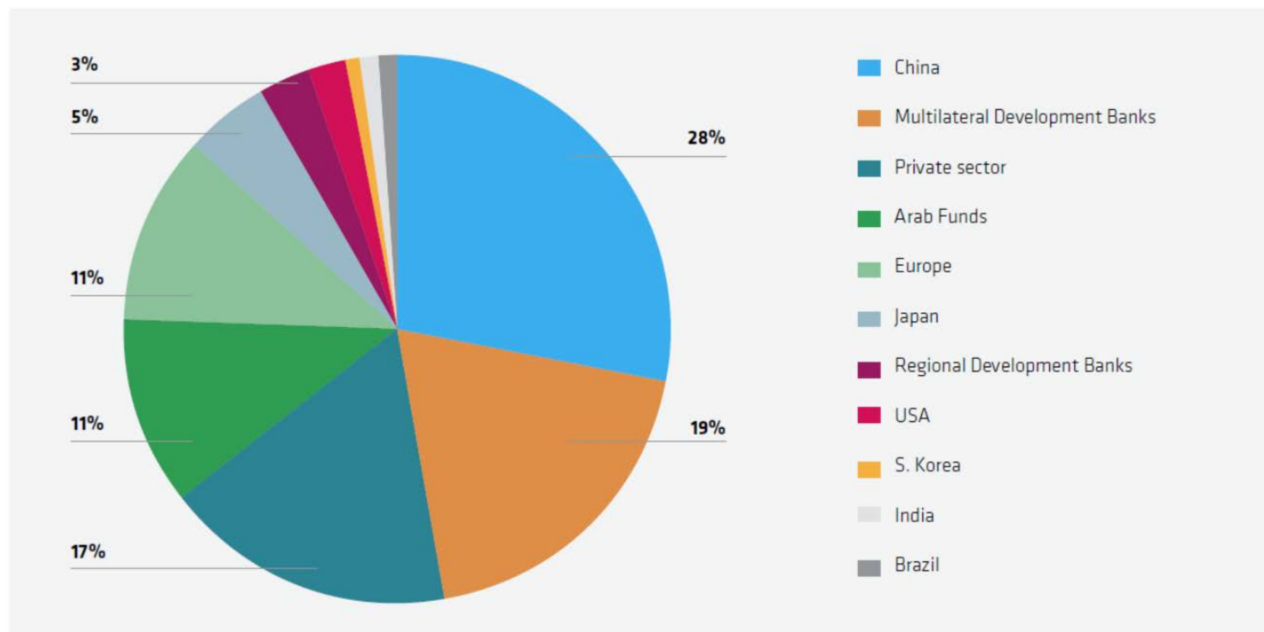
Financing on the rise

Regional infrastructure poses special challenges for financing, because of markedly higher funding needs, and higher transaction costs arising from the scale of investments, multiplicity of players and complex risk factors. The regional infrastructure financing need has been estimated at USD 360 billion, the amount required to develop the priority regional infrastructure in order to sustain an average economic growth rate of 6% between 2012 and 2040 (the estimated capital cost of PIDA's long-term implementation through 2040). The PIDA Priority Action Plan alone, counts 51 regional programs unbundled into 433 projects with a total cost of USD 68 billion to be mobilized from 2012 to 2020. Since current spending on Africa's infrastructure already falls short of the amount required to develop a critical mass of infrastructure to meet current needs, these financing needs will not be easily met.

Mobilizing resources for regional infrastructure implies important challenges besides the large gaps in project preparation. Resource mobilization is also constrained by weak political commitment to regional infrastructure projects by cooperating countries. This can been seen in the lack of coherence between the regional integration aspirations of countries expressed at REC level and subsequently articulated in regional infrastructure development plans, and budget allocations at country level. It is also observed in the slow pace at which regional protocols and agreements are implemented nationally; and the persistent lack of harmony in policy, legal and regulatory environments that has hindered timely financial close following project preparation. Failure to obtain necessary approvals and to resolve all political issues surrounding the project has at times been the main obstacle to a well-structured and bankable project coming to market. Financing cross-border projects often requires strong governance and capacity for contract enforcement in cooperating countries than national projects. Multiple currencies also complicate regional infrastructure operations, particularly on the revenue side, and related currency risk. Untested or poorly-understood governance structures may also impede finance from capital markets.

Current statistics suggest that despite these challenges, the volume of financial commitments into Africa's infrastructure development is increasing. Unfortunately, there is no publicly-available data source that shows trends in regional-level infrastructure financing. Still, it is estimated that commitments for infrastructure development in general reached USD 89 billion in 2012. The largest share (47%) was committed by African governments, followed by Chinese investors who surpassed traditional partners and now account for 15% of total commitments (ICA, 2013). The profile of financiers, excluding African governments, is presented in Figure.

External infrastructure financing in Africa



Source: ICA Data (2013).

In recent years, African governments have increased their investments to address the huge gaps in infrastructure, which arise from investment backlogs and growing demand. These investments have also been aimed at assisting with commodity extraction, unlocking structural bottlenecks to growth, and sustaining economic activity during the global economic crisis. For example, the South African government is currently financing a ZAR 827 billion (roughly USD 8 billion) infrastructure program for the period 2013 to 2016, funded from fiscal funds and from the balance sheets of its state-owned enterprises.

The governments of Cape Verde, Kenya, Ethiopia, Namibia and Uganda are also investing substantial shares of national budgets into infrastructure. Overall, African governments are making pro-growth investments, with transport and energy collectively accounting for two-thirds of their national budget allocations. Chinese investment in African infrastructure grew more than five-fold between 2006 and 2012. A large share of Chinese investments were in Africa's transport sector, but the portfolio is increasingly diverse. The Chinese share of investments in transport sector decreased

from 80% in 2010 to 45% in 2012, while the energy portfolio grew from 13% of total commitments in 2010 to nearly 39% in 2012 (ICA, 2013). Infrastructure developed with Chinese financing includes national projects with strong regional integration effects such as export generating power plants (for example, Gibe III in Ethiopia) and airports (for example, the new international airport in Luanda, Angola).
Chinese investments in African infrastructure are led by state-owned entities: the China Exim Bank, the China Development Bank through its China-Africa Development Fund, and the Ministry of Commerce. A much smaller share are foreign direct investments. China's engagement in Africa is often supported by strategic partnerships negotiated between African governments and the Chinese government, offering concessions to develop infrastructure in exchange for natural resources. Resource-backed concessional lending in particular has received special attention given its unconventional character and sensitivities surrounding resource extraction on the continent. *(AFDB- African Development Report2014)*

Financing Africa's massive projects

It is an audacious US$4.8bn project undertaken by one of the world's poorest countries. At the construction site in the Benishangul region of Ethiopia near the Sudanese border, some 8,500 workers are labouring tirelessly every day to build the gigantic Grand Ethiopian Renaissance Dam. When completed in 2017, the dam will generate 6,000 megawatts of electricity for domestic consumption and export.
On the surface, the 558 ft tall dam – Africa's biggest hydropower project – belies Ethiopia's financial muscle. The GDP per capita in Ethiopia is only $475. The late Prime Minister Meles Zenawi, who laid the foundation stone in 2011, said the dam would be built without begging for money from donors. Since then, construction has progressed steadily using money from local taxes, donations and government bonds. Ethiopians abroad and at home contributed the first $350m, with government workers contributing amounts equivalent to a month of their salaries.
Semegnew Bekele, an Ethiopian construction engineer working on the dam, told The Guardian, a British newspaper: "Ordinary people are building an extraordinary project." Development experts now showcase the dam as proof of an innovative approach to project financing. "Approximately $450m has been raised from Ethiopians to help build the dam and I think the target is probably a billion dollars," says Zemedeneh Negatu, managing partner at Ernst & Young Ethiopia, a financial consulting firm.
Ethiopians, private companies and even other countries such as Djibouti are buying bonds. In addition, the Ethiopian Electric Power Corporation, a state-owned utility, is investing its own revenue and the money it is borrowing from state-owned banks. Economists warn that using private sector finance to pay for the dam could slow Ethiopia's economic growth in the future. But the government counters that this will be offset by selling electricity to countries in East Africa, a region with improving economic growth.
Ethiopia's recipe for financing the dam from bonds and taxes is being touted as a model for other African countries. This East African country uses a computerised system to track and collect taxes, making evasion difficult. The government regularly carries out awareness campaigns to explain taxation and publicise what collected taxes are funding such as the dam.

Dismantling tax havens

Ethiopia's financing approach, including taxes, is just one of the emerging ways of funding projects in Africa. Other countries on the continent are working towards similar initiatives. Africa currently collects about 27% of its GDP in taxes, which is insufficient to fund infrastructure such as roads, bridges, schools and hospitals.
At the Ninth African Development Forum in Marrakesh, Morocco, last October, Prime Minister José Maria Pereira Neve of Cape Verde explained that Africa could receive more tax revenues with "good governance and transparency in the management of public finances". Many of the 700 delegates at the conference, which was organised by the UN Economic Commission for Africa (ECA), including some African heads of state, private sector and civil society representatives, discussed innovative ways of financing Africa's projects. They urged African governments to laser-focus on tax havens where some multinational companies keep their money.
Tax havens, which are places where taxes are markedly low, are a part of the broader problem of illicit financial flows (IFFs) from Africa, an issue that has lately drawn scrutiny. In 2013, for instance, ActionAid, an international non-government organisation focusing on poverty, launched a global campaign to stop Barclays, a British bank, from promoting tax havens in Africa. By "helping your clients set up operations in tax havens like Mauritius, you are part of a system that is draining vital public funds out of the continent each year," ActionAid warned the bank. Barclays denied it encourages business set-ups in tax havens.

Magnets for investors

Africa loses between $50bn and $148bn annually to IFFs, according to a 2013 ECA report titled: The State of Governance in Africa: The Dimension of Illicit Financial Flows as a Governance Challenge. Tracking and stopping "illicit financial flows is not just a moral imperative, it is a good input for transformative policies," said Carlos Lopes, ECA's executive secretary, in an interview with Africa Renewal held at the conference. IFFs include under-invoicing, over-pricing, double duties, disguised profits and the use of tax havens.
In tones that were at times urgent and angry, some speakers at the Marrakesh conference maintained that while Africa could still accept aid and encourage foreign direct investments, these should not be the main sources of finance. Africa's vast natural resources such as gold, platinum, diamonds, chromite, copper, coal, cobalt, iron ore and uranium –

12% of the world's oil reserves and arable land and forests – will continue to be magnets for investors. The rate of return on investment in Africa today, even adjusting for real and perceived risks, is higher than in any other developing region, according to an ECA report.

Private equity firms forage

Lopes is optimistic about Africa's private sector investment prospects. "Africa might have finally found a way to whet the appetite of private equity investors," he says, adding: "The reality is that Africa cannot rely on development aid for its transformation agenda, so its appetite is moving towards private investment and domestic resource mobilisation." The message sounds good except that, again, tax loopholes are spanners in the works. In response, Lopes is arguing for an African common market to harmonise disparate regulatory systems and discourage companies from exploiting both the loopholes and the tax havens.

Private equity funding, which is when rich individuals or institutions inject capital into a company and acquire equity ownership, can be lifelines for companies gasping for cash. Yet, ten years ago, it wasn't even well known in Africa, according to the ECA. But in the second quarter of 2013 alone, 164 firms secured $124bn private equity capital, according to Preqin, a firm that tracks private equity trends.

The African Development Bank (AfDB) states that between 2010 and 2011, investment deals in Africa increased from $890m to $3bn. In 2012, institutional investors injected $1.14bn in Africa-focused private equity funds, according to African Private Equity and Venture Capital Association, an organisation that promotes private investments in Africa. For example, Ethos Private Equity, a South African firm, alone received $900m from equity funds.

The AfDB has also jumped on the private equity bandwagon, launching a pan-African facility to support the development of women fund managers. Geraldine Fraser-Moleketi, the bank's special envoy on gender, told Africa Renewal that the idea is about looking at "innovative policies because current models are not inclusive." Africa's approximately one billion population and a combined consumer spending power that will rise to over $1.3tr by 2020, according to McKinsey, a global management consulting firm, makes the continent a tantalising prospect for private equity funders.

Pension funds pool money from workers to be paid upon retirement and are particularly useful for long-term investments. During tough financial times, pension funds can be handy to augment infrastructure expenditure, financial experts believe. David Ashiagbor, a consultant with the AfDB's "Making Finance Work for Africa" project, says Africa's pension funds currently hold $380bn in assets, thanks to a decade of economic growth. Even then, only very few countries, including South Africa, have pension systems that are broad-based, relatively transparent and protect beneficiary rights. Another problem is that many pension funds lack credibility due to poor services to beneficiaries and mismanagement of funds, according to 27four, a South African firm that consults on managing retirement funds. Consequently, not every African country can rely on pension funds for projects.

Growing investments at home

Despite Africa's socioeconomic challenges, Lopes remains optimistic. "I am also a realist," he says, identifying three megatrends in Africa's favour. "The first is the demographic one. It is true the rest of the world is aging and Africa is getting younger. The second is the hard commodities in Africa once you take out oil and gas. The third is Africa's reservoir of productivity through unused arable land."

Cristina Duarte, Cape Verde's finance and planning minister, who has announced her candidacy for the AfDB's presidency, says Africa must keep trying to grow investment at home, adding: "How can we convince others to invest in our continent and in our development if we are not doing the same to the full extent of our ability?" Still, the current project financing picture in Africa is mixed: Ethiopia's fast-moving dam construction is a success story compared with a trans-West African highway that is yet to be completed 40 years after it was conceived. At the Marrakesh Development Forum, however, the palpable feeling was that Africa is entering a new dawn of innovative financing. *(How we made it in Africa)*

MINING

Angola Sees 2017 Gold-Output Start in Plan to Cut Oil Reliance

Angola sees production from two gold mines being developed in the country's north starting in 2017, helping diversify the economy of Africa's second-biggest oil producer, Minister of Geology and Mines Francisco Queiroz said.

About $600 million has been invested in exploration for the metal at Mpopo in the southern Huila province, Queiroz said an in interview in the capital, Luanda. Development is also taking place at Chipindo in the northern exclave of Cabinda, he said. Both projects are public-private partnerships, Queiroz said, without naming the companies.

Angola, recovering from a 27-year civil war that ended in 2002, is looking for ways to cut its reliance on oil, which the government counts on for more than three quarters of revenue. Crude is trading near a five-year low, raising concern that the country's budget deficit will increase, according to the International Monetary Fund.

"Given the uncertainty regarding financial resources, diversifying our economy is a must," Queiroz said. "Investing in our mining industry will help us cope with such uncertainties."

The only gold production taking place in Angola is illegal artisanal output by individuals in Cabinda province, he said. "We are starting up a licensing process so that miners can do it legally, according the mining code."

Angola is the world's fourth-biggest diamond producer by value and plans to invest in Zimbabwe's gem industry through Sociedade Mineira do Catoca Sarl, whose shareholders include the government's Endiama EP and a unit of Brazilian construction company Odebrecht SA. Exploration for copper at the Mavoio project in the northern Uige province will start soon, and the country wants to make investments in bauxite, used to extract aluminum, in Guinea Bissau and in neighboring Namibia's iron industry through state-owned Ferrangol EP, he said. *(Bloomberg)*

World's Largest Gold Miner Suspends Zambia Operations Over New Tax Law

Canadian mining giant, Barrick Gold Corp, said it will suspend operations at its Lumwana copper mine in Zambia because of the passage of a new tax plan that eliminates corporate income tax, but imposes a 20 % gross royalty on revenue without considering profitability. The current royalty rate is 6 %, the new rate will kick in on January 1.

The company had threatened such a move if the law was passed. "The introduction of this royalty has left us with no choice but to initiate the process of suspending operations at Lumwana. Despite the progress we have made to reduce costs and improve efficiency at the mine, the economics of an operation such as Lumwana cannot support a 20 % gross royalty," Kelvin Dushnisky, Barrick's co-president, said in a statement. Barrick said it has planned a major workforce cut beginning in March, following the legally required notice period. It added that the transition to care and maintenance will be completed in the second quarter of 2015. With no modification to the new royalty plan, Barrick said it expects to record an impairment charge related to Lumwana in the fourth quarter of 2014. The mine's current net carrying value is about $1 billion.

According to Reuters, "last year the company booked a $3.8 billion impairment charge to write down the value of the asset due to higher costs and reduced profitability amid a pullback in metal prices. Barrick, the largest gold mining company in the world, acquired the Lumwana mine, located in Zambia's Northwestern province, through its $6.3 billion acquisition of Canadian copper miner Equinox in 2011. According to the Toronta-headquartered Barrick, the mine supports nearly 4,000 direct jobs in the area and produced 138 million pounds of copper in the first nine months of 2014. *(Ventures Africa)*

OIL & GAS

SACOIL To Develop $6bn Gas Pipeline Linking South Africa With Mozambique

South African-based independent African oil and gas company SACOIL Holdings is set to construct a 2,600km long gas pipeline worth $6 billion. The pipeline will link the South African gas fields with that of Mozambique, fostering a growing regional integration. "The project intends to harness the commercial potential of the natural gas reserves discovered in the Rovuma sedimentary basin in the Mozambican province of Cabo Delgado, and involves construction of a 2,600km costing an estimated $6 billion,"said SACOIL Holdings in a statement. SACOIL Holdings said it has established a joint development agreement with Mozambican public institutions; National Institute for Management of State Holdings (Igepe) and South Africa's Public Investment Corporation SOC Limited (PIC). They wil perform the technical and commercial feasibility study for the project. "Power productions at thermal power plants, as well as the supply of gas to industries, domestic consumption and vehicles are some of the objectives that will be evaluated by the feasibility study, which will outline the potential of natural gas as clean energy to reduce carbon emissions and associated environmental effects," the group added in the statement. An Oil and Gas Journal released in January this year raised Mozambique's proved natural gas reserves to 100 trillion cubic feet (Tcf), up from 4.5 Tcf the previous year, placing the country as the third-largest proved natural gas reserve holder in Africa, after Nigeria and Algeria. According to the International Monetary Fund (IMF), coal and natural gas production could potentially increase Mozambique's economic growth rate by two percentage points annually over the next decade. *(Ventures Africa)*

Will new markets see Angola through oil slump

Can Angola defy the downturn in oil demand and continue to profit from its abundance of fossil fuels? One analyst thinks it can – with a little help from a more diverse range of overseas investors.

The end of Angola's civil war in 2002 precipitated its rise as one of the world's fastest growing economies. Frenzied oil exploration along the vast western seaboard by international oil majors including American firm Chevron and UK-based BP, alongside a real estate boom fuelled by the government's post-war reconstruction plan, pushed Angola's GDP up by an average of 17% a year between 2003 and 2008, according to the African Development Bank (AfDB). By 2014, Angola's capital Luanda was crowned as the world's most expensive city by the consulting firm Mercer, as investors piled in to stake a claim in its commodities-fuelled growth.

Yet the government's inability to develop sufficient road, rail and air links across the country, and its slow progress in removing bureaucratic barriers to foreign business, means Angola's days of sky-high growth may be at an end. Moreover, the weak performance of oil in global markets – crude oil prices have fallen by 25% since June, and OPEC expects international demand will drop from 30 million barrels per day to just 28 million in the first quarter of 2015 – led the International Monetary Fund to predict that Angola's GDP will grow by only 3.9% this year.

Indeed, data from greenfield investment monitor fDi Markets shows that after experiencing a rapid influx of FDI between 2003 and 2009, foreign investment into Angola has gradually tapered off. While the country attracted 16 greenfield projects in 2003 and peaked at 52 projects by 2009, FDI has been in decline and in 2013 the country attracted just 17 projects.

Another level

Yet Manuel Reis, a founder of the financial advisory firm Eaglestone, says that while the Angolan economy has been partially affected by its troubled business environment, the economic slowdown is more indicative of normalised growth rates as the country develops from a low economic base to become a middle-income country. “Angola is very expensive and the bureaucracy can be complicated,” says Mr Reis. “It is not a common African country. What that means is you cannot have the same mindset when doing business in Angola that you would when you are operating elsewhere in the continent, because you are playing at a different level.”

Increasing interest from commodities businesses operating outside fellow Lusophone countries Portugal and Brazil reveals that far from losing its appeal for international investors, Angola is seen as a key destination for firms interested in developing their presence in sub-Saharan Africa. Pointing to the move by investment promotion agency Invest In Poland to highlight Angola as one of four top African destinations in its Go Africa Programme for Polish businesses, Mr Reis identifies a growth in interest among eastern European investors.

The Go Africa Programme, which was launched at the start of 2014, aims to create a forum for knowledge and co-operation among African businesses and Polish entrepreneurs who are interested in doing business in the continent. Alongside Algeria, Nigeria and South Africa, Angola was noted as a key destination for new entrants in the region.

For Mr Reis, this proves that Angola’s economic growth in the coming years will be driven by newer economic partners. “I have seen new firms from new geographies increasing their interest in Angola,” he says. “Countries in eastern Europe are looking for growth and they are looking to Angola for this. For example, Poland is set to have its first conference in November on Angola and people there are very interested in the country.”

Gas powered

Despite the slowdown this year in international demand for oil, Mr Reis maintains that the Angolan government’s success in diversifying its economic partners and shoring up its foreign exchange reserves to prevent capital account shortages mean that in the short term it will have the financial capacity to absorb any shocks. Moreover, while GDP growth may not reach the pre-2008 peaks of 17%, the AfDB predicts it could reach 8.8% next year, well above the global average rate of 4% that the IMF has forecast for the international economy in 2015.

While oil is expected to remain the country’s economic mainstay – it accounts for 97% of Angola’s exports and 80% of state revenues – the government’s investments in higher value-added production, and its decision to develop its liquefied natural gas (LNG) industry, mean Angola will become a key player in the global commodity markets.

The 2012 decision by the state to create a $10bn LNG facility in the Soyo region in north-west Angola was part of its push to diversify its commodity exports. The facility, which was created as a joint venture between Sonangol, Angola’s government-owned oil and gas firm, and Chevron, BP, ENI and Total, gathers, processes, sells and delivers 5.2 million tonnes of LNG per year as well as propane and butane. Although Brazilian oil and gas firm Petrobras is the facility’s main customer, Mr Reis says this site will be important in the government’s efforts to diversify its trade partners, as it seeks to export LNG to other commodity-hungry countries aside from Brazil.

Refinement plan

Elsewhere, the government’s move to construct a new oil refinery in Lobito on the western seaboard of Angola will be significant in enabling the country to shift into more value-added midstream and downstream oil refining. Although completion of the new refinery is not expected until 2018, it will have a processing capacity of 200,000 barrels per day and this will enable the country to command higher prices for its oil exports, while also reducing the cost of locally refined energy for its citizens.

“Although Angola has not been very successful in diversifying beyond its natural resources, it has taken significant steps forward in professionalising its oil and gas industry,” says Mr Reis. “This has been part of an overall governmental framework. For example, 10 years ago, it was hard to find gas stations in Angola. You had to drive for an hour to get the fuel, and limited distribution networks created fuel shortages. That does not happen any more, as the country has done much to move into midstream and downstream beneficiation.

"I see a lot of excitement about Angola from different parts of the world. New entities, from private equity investors to oil majors, are still asking about Angola. I do not foresee any decrease in investor appetite for the country. My outlook is very positive – otherwise I personally would not be doing business in Angola.” *(FDI Intelligence)*

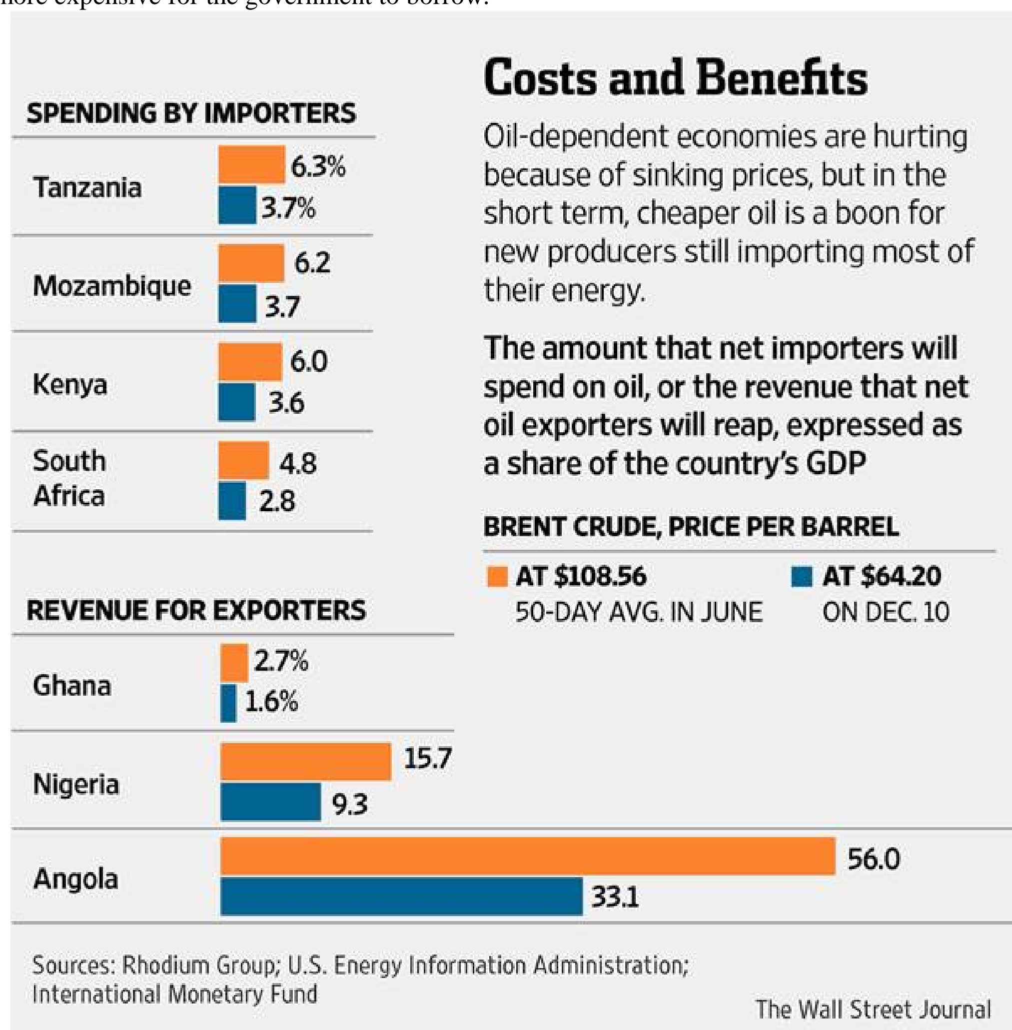
Fall in Oil Prices Threatens Africa’s Economic Growth

Drop in Cost of Crude Depresses Currencies, Energy Revenues

Plunging oil prices are threatening Africa’s economic ascent.

Recent oil and gas discoveries were hailed as a godsend for African nations aspiring to middle-income status. But billions of investment dollars are moving into projects just as crude prices have tumbled, raising fears that some may be put on hold.

Total SA, Exxon Mobil Corp. and other companies are at work on a $16-billion oil project in Angola that will be profitable only if oil prices average more than $70 a barrel, Citigroup analysts estimate. The price of Brent crude closed at a new five-year low on Thursday18th December, falling nearly 1%, or 56 cents, to $63.68 a barrel.
Anadarko Petroleum Corp. and Eni SpA have spent more than $5 billion developing natural-gas fields in Mozambique that threaten to become much less profitable if global supply expands too rapidly. Ugandan officials say they fear lower oil prices could deter companies, including Tullow Oil PLC and China's Cnooc Ltd. , from following through on plans to invest up to $15 billion to develop the country's oil fields.
Cheaper fuel will help many African countries suppress inflation by keeping energy import costs down. But the continent's biggest economies have staked their futures on robust prices for oil and gas. Pumping high-price crude has generated rapid economic growth and spending that spilled across borders.
Now, those flows are set to slow sharply. Capital Economics says falling commodity prices will cut growth across sub-Saharan Africa by one percentage point next year, to around 4%, the slowest rate since the late 1990s.
"It's bad for all of Africa," said Jack Allen, an economist at the research firm.
Nigeria is a case in point. Africa's top economy and crude producer has grown 7% a year for the past decade. As retail and telecommunications companies have taken off, the oil industry has shrunk to a more balanced 14% of economic activity.
But Nigeria's government revenue hasn't evolved with its economy. Oil still fuels more than 70% of the budget, leaving public institutions dependent on the ebb and flow of global energy prices. As Brent crude prices fell below $70 a barrel this month, Nigeria's naira currency plummeted to record lows.
Nigeria's Finance Minister Ngozi Okonjo-Iweala says the drop in oil prices could drag economic growth down by a percentage point to 5.3% in 2015.
Earlier this month, the central bank raised interest rates to draw back investors as the currency fell. The higher rates will now make it more expensive for the government to borrow.



Now Ms. Okonjo-Iweala is scrounging for new revenue to hold elections in February and fight the Islamist insurgency Boko Haram. She plans to raise taxes on yachts, private planes and sparkling wine. She has said she may even impose a mansion tax—small steps toward filling a big hole.
"Undoubtedly, it's going to be tough times," she said in an interview.

Cheaper oil is also complicating nearby Ghana's efforts to dig out from deep trade and budget deficits. Ghana's cedi currency was tumbling even before oil prices started dropping. In August, the country requested a bailout from the International Monetary Fund that could be worth around $500 million.

To meet the IMF's terms, Ghana is taxing oil at the pump, which Ghanaians won't notice, since the tax is being rolled in as prices fall. But the long-term picture is murkier. Ghana is set to nearly double oil production from around 100,000 barrels a day to 190,000 by 2016—output the government hoped would finance road, power and port expansions to help the economy grow. Now it isn't clear where that revenue will come from.

"We are woefully short," said Sydney Casely-Hayford, a financial consultant and former adviser to Ghana's treasury.

Countries along Africa's Indian Ocean coast fear oil and natural-gas projects that have drawn more than $25 billion to the region over the past five years could look less attractive as energy prices fall.

Officials in Mozambique are speeding up legislation backing natural-gas projects by Texas-based Anadarko Petroleum and Italy's Eni. The Anadarko project alone could add more than $30 billion to the country's gross domestic product by 2035, according to Johannesburg-based Standard Bank Ltd.

"The recent fall in oil prices seems to be increasing the sense of urgency to close the deal," said Paul Eardley-Taylor, Standard Bank's head of oil and gas for southern Africa.

The head of Anadarko's business in Mozambique didn't respond to requests for comment, and an Eni spokesman declined to comment. Exxon Mobil referred questions about the Angolan project to Total, its partner in the development, which also declined to comment.

A Tullow Oil spokesman in London said the company has no plans to change its investment plans in Uganda or elsewhere in Africa. "We believe that such fluctuations in the oil price do not fundamentally change the value of these projects," said spokesman George Cazenove.

East African neighbors Kenya and Tanzania have signed exploration and extraction deals with Tullow as well as Statoil AS A, Exxon Mobil and others on the heels of substantial discoveries. But until those projects start pumping fuel, both countries remain net energy importers.

That's not a bad spot to be in as oil prices are sinking. Many governments spend billions of dollars a year subsidizing fuel prices for their citizens. High oil prices can push up inflation and the portion of meager incomes that many Africans devote to the fuel they depend on for transport and cooking.

Citing the global oil-price slump, Tanzania cut the price of gasoline, diesel and kerosene last week by about 7%.

But for countries banking on large oil projects, such benefits will be wiped out if prospective investors pause or retreat from exploration and production plans. "With decreasing oil prices, companies will now have to examine the opportunity costs even more so with respect to new frontier markets," says Ahmed Salim, a Dubai-based senior associate at Teneo Intelligence consultancy.

Falling prices for oil and other commodities are hurting African economies in other ways, too.

South Africa's central bank said that falling fuel prices cut the country's import bill in the third quarter. But slack demand from China and Europe is pushing down the price of many minerals and crops, in addition to oil. That dragged down South Africa's gold and iron exports from the previous quarter.

As a result, South Africa's current-account deficit was wider than expected, sending South Africa's currency to a six-year low as investors retreated from the slowing economy. Persistent weakness in the rand undermines any lift from cheap oil, said Nico Bezuidenhout, acting chief executive of South African Airways. "You've got the break on the fuel price," he said. "But the currency has gone to the dogs." *(Wall Street Journal)*

Disputed Somaliland's oil laws heighten stakes in volatile region

The self-declared state of Somaliland has ambitious plans to regulate its nascent oil sector. However, it is a step that could heighten tensions throughout the Somali-speaking region.

Like other East African states such as Tanzania and Kenya with lucrative new oil discoveries, Somaliland is developing resources laws in preparation to reap the benefits of expected - although as yet unconfirmed - petroleum deposits.

But analysts warn that access to oil could bring the question of autonomy from the internationally recognised state of Somalia to a head. Though technically still part of Somalia, Somaliland has existed as an unofficial state since unilaterally declaring independence in 1991.

The question of autonomy remains charged, although an uneasy status quo and Somalia's weak central government have allowed Somaliland to operate more or less independently for over two decades. Access to oil finds, however, could shift the calculus of the official Somali government in Mogadishu in favor of quashing the autonomy claim for good.

Internal expectations could also destabilise Somaliland, an oasis of relative calm since 1993 within the fractious Somali ethnic triangle that includes Ethiopia and Kenya.

Both countries have large populations of ethnic Somalis, with whom the state has fraught relations. Ethiopia stands accused of human rights abuses against its restive Somali citizens in the eastern Ogaden region, while Kenya is trying to stamp out a fresh wave of attacks by the Somalia-based terrorist group Al Shabab.

Copies of three June 2014 draft bills seen by the writer address petroleum regulation and revenue allocation in Somaliland. They show that Hargeisa, Somaliland's unofficial capital, is planning to establish a sovereign wealth fund, and has firmly rejected using Somaliland petroleum to subsidise fuel for its citizenry. The bills, designed by Norwegian law firm Simonsen Vogt Wiig, are still being held within the energy ministry and have not been presented to Cabinet yet.

The reaction of the internationally recognised state of Somalia to Somaliland's efforts towards developing its own petroleum legislation has been muted so far, largely due to infighting that has paralysed the government in Mogadishu for months.

Instead, Mogadishu has ramped up development of a parallel oil sector, and has aimed its threats at oil companies.

The Federal Government of Somalia (FGS) in Mogadishu has made it clear it considers contracts signed with Somaliland void.

In September, it said companies that signed deals with regional governments were "adding fire to conflicts" and "destroying the international community's effort to build the peace and the security of the country".

It singled out Norwegian oil explorer DNO International, which signed a production sharing agreement with Somaliland in April 2013, and threatened to lodge a complaint with the United Nations Security Council.

Somalia expects to finish a seismic study of the country by the end of this year, in order to start a licensing round next year. The FSG hopes to be producing hydrocarbons offshore by 2020 from a total national reserve that's estimated to be as high as 110 billion barrels of oil - a figure equivalent to Kuwaiti oil reserves.

The FGS is also talking to oil companies about reviving concessions abandoned under force majeure in 1991, when the country disintegrated into civil war following the ouster of dictator Siad Barre.

However, Africa Oil's thwarted attempts to explore a concession partially in Somaliland, yet awarded by the Puntland government, indicate the challenges Mogadishu faces if it wishes to enforce Chevron's or ConocoPhilips' old concessions granted in the same area.

"Somaliland has already concessioned out those areas...If Mogadishu moves actively to grant a concession, a new concession, in territory that is in Somaliland - that will be a really robust signal from them of intent," Chatham House fellow Jason Mosely explains.

In October, the UN Monitoring Group on Somalia and Eritrea warned of security risks from rival claims over oil licences, unless the competing authorities create a joint approach to resources management.

Yet Somaliland's foreign minister Mohamed Bihi claimed in a July interview with the author that oil had not come up in the Turkey-sponsored talks between Somalia and Somaliland, indicating that dialogue between the two countries on the issue could be moving more slowly than developments on the ground.

Internal frictions

If oil management is being marked as a source of future conflict between regional Somali authorities, several internal controversies already flaring within Somaliland indicate how divisive the topic could be on a larger scale.

Public opposition to a perceived lack of transparency and participation in Somaliland's oil sector is building as disputes over land use, alleged oil payments and local employment have tainted the sector since its inception two years ago.

In 2013, Anglo-Turkish explorer Genel Energy suspended its operations citing security concerns, after problems with a local community escalated.

Oil is also feeding the cause of separatist a movement Khaatumo state. The group claims territory in Somaliland and Ethiopia and is agitating to become an autonomous state under the FGS, and sees the oil blocks within its territory as potential bargaining chips.

According to Mr Mosely, although the movement's roots precede Somaliland's oil finds "it would be accurate to say that oil certainly did not make anything any easier".

From the perspective of the separatists, Hargeisa's lack of grassroots consultation on oil exploration deals is compounding a view that the distant capital has no right to claim the region's resources wealth, let alone govern over Khaatumo-claimed land.

And the Somaliland government's refusal to submit the four already-signed production sharing agreements for Parliamentary approval is exacerbating friction with the legislature.

"In the absence of transparency, alternative scenarios come into being and anyone who fails to be transparent is obviously hiding something," Ibrahim Jama, an MP from the eastern Sanaag region, says.

He claims the constitution requires all international agreements to be scrutinised by Parliament, a detail energy minister Hussein Abdi Dualeh disagrees with. Mr Dualeh claims responsibility for resources is vested in the state, so it is up to the government to decide how to manage them.

"We do not want to have a food fight over who owns what," he says.

Aggravating these problems will be the Somaliland government's limited ability to implement the ambitious laws it has drafted. The possible outcome could be continuing public disputes between separatists, diaspora activists and the government, and the growing mistrust of grassroots communities residing in Somaliland's oil rich eastern territories.

Dominik Balthazar, a fellow at the United States Institute for Peace (USIP), doubts whether Somaliland has the bureaucratic capacity to implement the proposals, or the economic size to resist over-focusing on hydrocarbons, causing other sectors to wither.

"It is not necessarily the question of whether Somaliland can establish such institutions, it has proven in the past that it can," he says."[But it is] currently not in the best of positions to bear the political and economic shocks the commercial production of hydrocarbons is likely to be accompanied with."
Oil finds have heightened the stakes in the Somali region, with possible destabilising consequences if the issue is not addressed head on. Mr Mosely argues that Somaliland and the government in Mogadishu must cut a deal not only to clarify basics like concession ownership, but to prevent violent clashes between regional authorities and private actors.
“Eventually you have got to deal with the fact that none of the entities...are really competent jurisdictions to grant concessions in an international sense,” he says.
“Somaliland does not exist, internationally… and [the government in Mogadishu] is the sovereign entity for which responsibility to grant these concessions, in international law terms, rests.” *(This is Africa)*

AGRIBUSINESS

CONSTRUCTION OF THE VEGETABLE PROCESSING FACILITY

The Government of Mozambique has received Financing from the African Development Bank in various currencies towards the cost of Baixo Limpopo Irrigation and Climate Resilience Project (BLICRP). It is intended that part of the proceeds of this loan will be applied to eligible payments under the contract for the Construction of the Vegetable Processing Facility
The Baixo Limpopo Irrigation Scheme Public Enterprise (Regadio do Baixo Limpopo EP) now invites sealed bids from eligible bidders for execution of Construction of the Vegetable Processing Facility at Baixo Limpopo Irrigation Scheme, Xai-Xai, in Gaza Province, Mozambique.
The works consist of Construction of the Vegetable Processing Facility. *(AFDB)*

IFAD finances agriculture and artisanal fisheries in Mozambique

The International Fund for Agricultural Development (IFAD) has granted over US$46 million to Mozambique this year for fisheries and agriculture, Mozambican daily newspaper Notícias reported.
The money is part of funding of US$213 million to be paid by IFAD by 2020.
The government of Mozambique and staff from IFAD met in Maputo to analyse the use of funds in seven projects that are currently underway.
Agricultural projects are being carried out in northern Mozambique, in Zambezia and Limpopo while those linked to promotion of artisanal fisheries are located in the provinces of Cabo Delgado, Maputo, Sofala and Manica. *(Macauhub)*

Bridging the microfinance gap for smallholder farmers

Microfinance is widely known for the incredible speed with which it has scaled to reach hundreds of millions of people, and the positive effect it has had in reducing poverty.
However, what many people do not know is that most of these microfinance institutions are located in urban and suburban areas, and they largely target the urban and suburban poor. As a result, the largest group of poor people in the world - smallholder farmers - are largely financially excluded.
While 55 % of Africa’s population is engaged in agricultural livelihoods, only approximately 1 % of bank lending across the continent goes to the agricultural sector. In sub-Saharan Africa, 38 % of adults living in cities report having a formal bank account, compared with only 21 % of adults living in rural areas.
Smallholder farmers represent two tremendous opportunities: a market opportunity for any financial institution looking to grow their client base, and an impact opportunity for all financial institutions that have a social mission. The total amount of debt financing available to smallholder farmers in the developing world is approximately $9bn. This amount meets less than 3 % of the estimated total smallholder financing demand, which is calculated to be $450bn globally.
Farmers comprise the largest and poorest group at the bottom of the pyramid, so financial tools for farmers have very high impact potential. Sustained growth in the agriculture sector has proven 2 to 4 times more effective at reducing poverty and improving livelihoods than growth in other sectors. Recent research shows this can be as high as 11 times in sub-Saharan Africa. The uniform profession of farmers also means that providing financial services to farmers is a highly replicable business.
Perceived risk and lack of expertise are the most significant reasons that more banks and microfinance institutions have not yet started offering agriculture finance products. Compared to urban lending, which microfinance institutions are familiar with and have developed expertise in, rural lending feels quite risky. Most banks and microfinance institutions do not have internal expertise on agriculture, and are unsure how to structure loan products that would both meet the needs of farmers and mitigate the risk they take on by lending to them.
Further, operating in rural areas poses infrastructural and logistical challenges. Margins will be lower than when serving urban clients, and financial institutions will have to build out either physical or human infrastructure to reach remote rural areas. Currently, significant distances between bank branches represent a major barrier to rural financial inclusion.

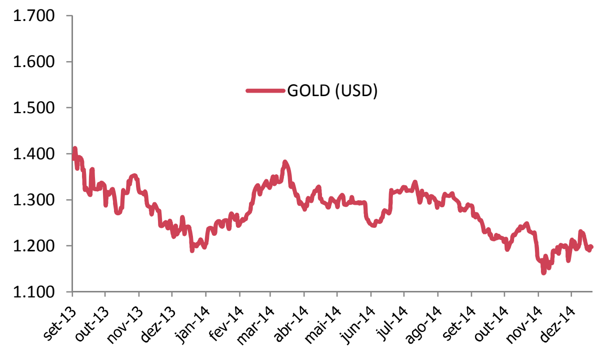
For example, in Tanzania, where there are less than 0.5 bank branches per thousand square kilometers, 47 % of all unbanked persons cite distance from a bank as a primary reason for not having an account.
There is a small but growing movement of financial institutions that have figured out how to overcome these challenges and lend to smallholder farmers. Institutions like Opportunity International, Vision Fund, Microensure, as well as One Acre Fund, all offer products to smallholder farmers that successfully address their financial needs.
The Initiative for Smallholder Finance recently published a briefing on direct-to-smallholder finance in which they note that over 150 finance providers currently offer direct-to-farmer finance. To help facilitate the entry of more financial institutions into the sector, the Consultative Group to Assist the Poor (CGAP) is conducting research to better understand the financial needs of smallholder farm families.
Through our work at One Acre Fund, we have discovered some basic principles that reduce the risk of lending to smallholder farmers, while increasing the income impact that those farmers realise from their loans. We currently serve 200,000 smallholder farmers in East Africa, and have a repayment rate of 98 %.
We have found that lending to farmers is most effective when we lend seed and fertiliser instead of cash. Providing assets to farmers ensures that the loan is utilised for the intended purpose, and overcomes the challenge of limited access to seed and fertiliser close to the homes of our clients. We also offer a completely flexible repayment schedule to accommodate the irregular cash flow of most smallholder farmers.
Finally, we pair our loans with agriculture trainings, so that farmers can maximise the income impact of the seed and fertiliser that they use. These principles allow our clients to see at least a 50 % increase in farm income per acre, as well as ensuring that One Acre Fund is repaid.
One Acre Fund is just one of a small number of organisations that has figured out how to successfully lend to smallholder farmers. With a global financing gap of $441bn, we need thousands of financial institutions to step in and start serving this market. Farmers are 70 % of the world’s poor. Agriculture microfinance is our best tool to significantly reduce global poverty - and it is also a promising business opportunity.
Stephanie Hanson is senior vice president of policy and partnerships at One Acre Fund. *(This is Africa)*

MARKET INDICATORS

19-12-2014

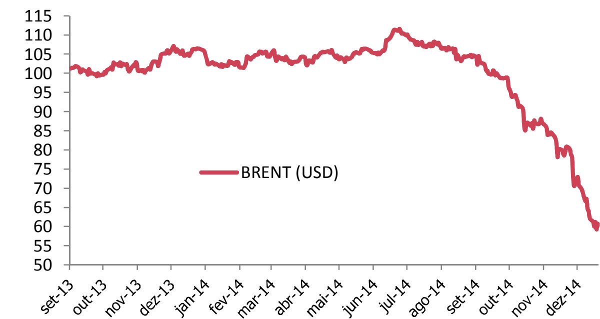
STOCK EXCHANGES		
Index Name (Country)	**19-12-2014**	**YTD % Change**
Botswana Gaborone Domestic Index (Botswana)	9.504,15	26,55%
Bourse Régionale des Valeurs Mobilières (Ivory Coast)	248,51	49,18%
Case 30 Index (Egypt)	8.399,89	53,78%
FTSE NSE Kenya 15 Index (Kenya)	203,62	61,92%
Morocco Casablanca Stock Exchange CFG 25 (Morocco)	20.521,95	7,20%
Nigerian Stock Exchange All Share Index (Nigeria)	30.306,51	7,93%
FTSE/JSE Africa All Shares Index (South Africa)	49.386,71	25,83%
Tunindex (Tunisia)	5.110,99	11,60%

Source: Bloomberg and Eaglestone Securities



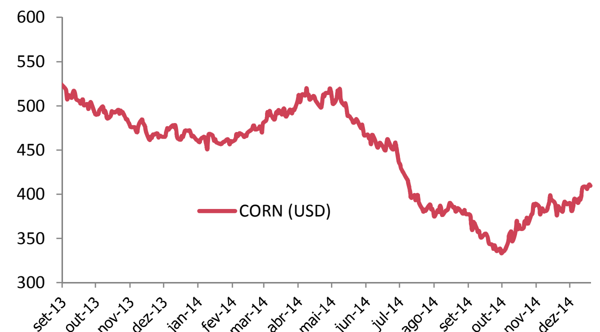
METALS		
	Spot	**YTD % Change**
Gold	1.197	-28,53%
Silver	16	-47,28%
Platinum	1.198	-22,21%
Copper $/mt	6.315	-20,38%

Source: Bloomberg and Eaglestone Securities



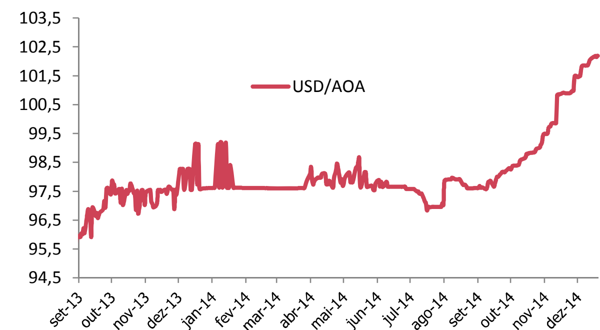
ENERGY		
	Spot	**YTD % Change**
NYMEX WTI Crude (USD/barril)	56,0	-39,94%
ICE Brent (USD/barril)	60,7	-44,02%
ICE Gasoil (USD/cents per tonne)	562,5	-38,57%

Source: Bloomberg and Eaglestone Securities



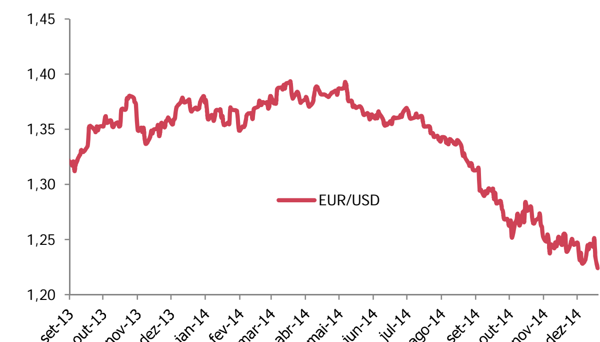
AGRICULTURE		
	Spot	**YTD % Change**
Corn cents/bu.	409,5	-41,52%
Wheat cents/bu.	641,3	-18,60%
Coffee (KC) c/lb	175,8	19,84%
Sugar#11 c/lb	15,1	-23,61%
Cocoa $/mt	2987,0	32,52%
Cotton cents/lb	60,4	-20,42%
Soybeans c/bsh	1036,3	-25,94%

Source: Bloomberg and Eaglestone Securities



CURRENCIES	
	Spot
KWANZAS	
USD	102,195
EUR	125,069
GBP	159,702
ZAR	8,822
BRL	38,510
NEW MOZAMBIQUE METICAL	
USD	34,035
EUR	41,657
GBP	53,190
ZAR	2,938
SOUTH AFRICAN RAND SPOT	
USD	11,593
EUR	14,191
GBP	18,119
BRL	4,368
EUROZONE	
USD	1,22
GBP	0,78
CHF	1,20
JPY	146,32
GBP / USD	1,56

Source: Bloomberg and Eaglestone Securities



UPCOMING EVENTS

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

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

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

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

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

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

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

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

This document has been prepared by Eaglestone Advisory Limited which is authorised and regulated by the Financial Conduct Authority of the United Kingdom and its affiliates ("Eaglestone"), and is provided for information purposes only.

The information and opinions in this document are published for the assistance of the recipients, are for information purposes only, and have been compiled by Eaglestone in good faith using sources of public information considered reliable. Although all reasonable care has been taken to ensure that the information contained herein is not untrue or misleading we make no representation regarding its accuracy or completeness, it should not be relied upon as authoritative or definitive, and should not be taken into account in the exercise of judgments by any recipient. Accordingly, with the exception of information about Eaglestone, Eaglestone makes no representation as to the accuracy or completeness of such information.

This document does not have regard to specific investment objectives, financial situation and the particular needs of any specific recipient. Recipients should seek financial advice regarding the appropriateness of investment strategies discussed or recommended in this document and should understand that the statements regarding future prospects may not be realised. Unless otherwise stated, all views (including estimates, forecasts, assumptions or perspectives) herein contained are solely expression Eaglestone's research department.

This document must not be considered as an offer to sell or a solicitation to buy any investment instrument and distribution of this document does not oblige Eaglestone to enter into any transaction. Nothing in this document constitutes investment, legal, tax or accounting advice. The opinions expressed herein reflect Eaglestone's point of view as of the date of its publication and may be subject to change without prior notice

This document is intended for is made to and directed at (i) existing clients of Eaglestone and/or (ii) persons who would be classified as a professional client or eligible counterparty under the FCA Handbook of Rules and Guidance if taken on as clients by Eaglestone and/or (iii) persons who would come within Article 19 (investment professionals) or Article 49 (high net worth companies, trusts and associations) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2001 and/or (iv) persons to whom this communication could otherwise be lawfully made in the United Kingdom or by respective home jurisdictions regulators for non UK countries. None of the investments or investment services mentioned or described herein are available to "private customers" as defined by the rules of the Financial Conduct Authority ("FCA"). It should not be disclosed to retail clients (or equivalent) and should not be distributed to others or replicated without the consent of Eaglestone. Eaglestone name and the eagle logo are registered trademarks.

Additional information is available upon request.

LONDON-28 Dover Street- T: +44 20 7038 6200

LUANDA-Rua Marechal Bros Tito n° 35/37 - 9th Floor B- Kinaxixi, Ingombotas-T: +244 222 441 362

LISBON-Av. da Liberdade , 131, 6th Floor- T: +351 21 121 44 00

CAPE TOWN-22 Kildare Road Newlands 7700- T: +27 21 674 0304

MAPUTO-Rua dos Desportistas Edificio JAT 5, 4th Floor -T: +258 82 055 17 04

AMSTERDAM-Herengracht 450-454 1017 CA - T: +31 20 240 31 60

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
Caroline Fernandes Ferreira
(+351) 211 214 430
caroline.ferreira@eaglestone.eu

Research
Tiago Bossa Dionísio
(+351) 211 214 431
tiago.dionisio@eaglestone.eu

Guido Varatojo dos Santos
(+351) 211 214 468
guido.santos@eaglestone.eu