INSIDE AFRICA

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20 January 2014

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Contents

IN-DEPTH:

- Can Africa sustain its growth? 2
- Africa: Leveraging the Continent's Resources to Finance Vital Infrastructure – Kaberuka 3
- SOVEREIGN RATINGS 4
- African Development Bank 7

INVESTMENTS 8

BANKING
- BANKS 9
- MARKETS 10
- DEALS 11
- FUNDS 11
- TECH 12

ENERGY 13

MINING 14

OIL & GAS 14

INFRASTRUCTURE 16

AGRIBUSINESS 18

TRADE 21

MARKETS INDICATORS 24

UPCOMING EVENTS 25

Africa

- South Sudan peace talks anticipated
- Libya's El Sharara field lined up for restart
- Africa vulnerable to Fed Reserve tapering: IMF

Angola

- Angola's inflation brakes to 7.69% y/y in December

Côte d'Ivoire

- Ivory Coast Sees Soaring Oil Output Rivaling Ghana by 2019

Ghana

- Drop in Ghana's currency spurs cocoa smuggling to Ivory Coast
- Brighter prospects for cocoa in 2014
- Airtel Insurance set to boost insurance penetration in Ghana
- Ghana 91-day bill yield rises to 19.4085%

Kenya

- Kenya, IMF discuss new lending 'insurance' to cushion economy
- Kenya delays energy bill until June

Nigeria

- Nigeria's 47% stock market returns, best in Africa in 2013
- Oando Says It Raises $1.6 Billion for Conoco Assets Acquisition
- Ecobank Moves to Strengthen Corporate Governance
- Five Dangote's cement plants to be completed in 2014
-

Tanzania

- Ophir Energy: Dry hole at Mlinzi Mbali, offshore Tanzania
- Tanzania year-on-year inflation falls to 5.6% in December

Zambia

- Zambia Plans Sovereign Wealth Fund to Stimulate Investment
- Zambia gains from USD 90m loan
- KCM outlook dependent on expansion
- BancABC increases capital security
- Zambeef shares increase on AIM

Zimbabwe

- Zimbabwe mining royalties, dividends to fund new SWF

In-depth:
Can Africa sustain its growth?

Sub-Saharan Africa grew at a rate of 5% in 2013, and is expected to grow by 6 % next year.
Impressive data, but unless this growth is accompanied by deeper economic transformation, the continent will face challenges in sustaining it for much longer. If the proceeds of the natural resources boom are not invested and allocated towards skills enhancement, technological development, infrastructure, productivity and diversification, the effects on incomes will be short-lived.
The financial sector must support this transformation. There has been success in Africa both in implementing new financial regulation and attracting new sources of private capital flows. For example, there was $5bn in sovereign bond receipts in 2013 alone. But major challenges remain to ensure the proceeds are allocated efficiently towards infrastructure programmes.
So what could be done to help sustain Africa's growth through financial sector development? The DFID-ESRC Growth Research Programme and ODI have recently asked some of the brightest academic thinkers and practitioners on the continent and beyond, to provide their views, and the results provide insight to the challenges faced. Here are four key challenges for those in control of African economies in 2014:

1. **Find the right size, depth and pace of financial sector development whilst preventing banking crises**

According to the governor of the Bank of Ghana, the financial sector is like a "double edged sword", and requires robust financial policies and regulatory frameworks to work. My colleague Professor Stephany Griffith-Jones believes "we cannot carry on assuming that more finance is necessarily better, lessons we have already painfully learned in the West". Rapid increases and very high levels of private sector credit can destabilise economies anywhere.
Nonetheless, financial sector development is still very low in African countries, meaning that the the industry is not yet a drag on growth. That said, any rapid increases should be watched. Private sector credit in Ghana was 14 % of GDP in 2010, 18 % on average in sub-Saharan Africa, and 30 % in Kenya. This contrasts with many developed countries, where it exceeds 100 %, with bloated financial sectors providing part of the problem.

2. **Inclusive finance: Ensure regulation that does not exclude 'the missing middle'**

Financial sector support to the real (i.e. productive) sector of the economy remains weak in many African countries, with corporate lending at the short end. There is a lack of adequate competition that has led to inefficient pricing of financial assets. The high costs of finance can impede investment and innovation, limiting the possibility of economic transformation. Furthermore, there is much less attention to providing credit to the small and medium sized scale business sector, sometimes called the 'missing middle'. The financial sector is also often dominated by large, international banks providing credit to either the government or large multinationals, but SMEs frequently get left out in the cold. Efforts to increase financial sector development have not always helped – the Nigerian banking reforms of 2004, for example, led to an increase in private sector credit but did little to help the availability of long term credit for real sector development or for small businesses. This all shows that there is a real need for inclusive finance for sustained growth. Perhaps African countries can learn from the ASEAN case where development banks helped to provide inclusive finance and growth.

3. **Reduce interest rate spreads**

A high interest rate spread – the gap between the central bank rates and the lending rate – is also a major problem for many sub-Saharan countries. A high spread means higher costs of credit, in turn stifling investment. This is particularly evident in Ghanaian banking, where lack of competition, efficiency and a high interest rate spread are obvious. Despite the recent financial sector reforms, the spread, instead of narrowing, has been either stagnant or growing. More countries could perhaps learn from the Kenyan example, where financial sector efficiency has increased. Additional solutions such as improving the collateral process, credit information and other targeted interventions could help further.

4. **Develop financial mechanisms that can channel long-term finance**

A strategic financial sector is important for allocating long-term savings to long-term development needs. Infrastructure financing needs in Africa amount to nearly $100bn a year. Increases in sovereign bond receipts and domestic resources mobilisation are promising but not yet enough. The presence of large natural resource rents can be a boon to the region, which is why it's crucial to think about the mechanisms that can ensure the availability of long-term finance. An important debate will need to be had on the role of development banks or similar co-ordinating institutions, such as sovereign wealth funds, which can match the supply and demand of finance.
The challenge for African countries to fix the financial sector for sustained growth and structural transformation is a big one. It must grow in depth, but governments also need to regulate the financial sector to prevent banking crises; implement appropriate regulation that does not leave whole segments, such as the SME sector, excluded; reduce interest rate spreads by improving efficiency, reducing costs and incentivising innovation; and finally improve strategic dimensions by co-ordinating mechanisms that can mobilise and allocate long-term finance for priority sectors. There are already some promising examples in African countries, but valuable lessons could also be learned from other regions.

Dirk Willem Te Velde is the head of the International Economic Development Group at the Overseas Development Institute, and research leader for the DFID-ESRC Growth Research Programme.

Africa: Leveraging the Continent's Resources to Finance Vital Infrastructure – Kaberuka

Interview

Donald Kaberuka has ambitious targets for his second and final five-year term as President of the African Development Bank. At the Bank's annual luncheon earlier this month, he pinpointed security, peace, stability and job creation as 2014 goals for Africa and the multilateral institution he has led since 2005. His legacy would appear secure: the Bank has a triple-A designation from international credit rating firms and has tripled its capital base since 2010. Now Kaberuka - who served as Rwanda's minister of finance from 1997 to 2005 - is spearheading an ambitious initiative, the Africa50Fund, designed to leverage capital from Africa's own institutions to attract substantially greater global private equity to finance the continent's vast infrastructural needs.

This week in Abuja, Kaberuka is receiving the "African of the Year" award from the Nigerian newspaper, Daily Trust, which cited "his innovative idea … to speed up the financing of infrastructure in the continent." Announcing the choice in November, Dr. Salim Ahmed Salim, a former Tanzanian prime minister and Organisation of African Unity secretary-general, who chairs the selection panel, praised Kaberuka for "bringing to fruition the idea of domestically financed development." When the award was announced at the African Media Leaders Forum in Addis Ababa, AllAfrica's Tami Hultman and Reed Kramer interviewed Kaberuka about the Bank's plans and priorities.

Excerpts:

Why have you focused on infrastructure as a top priority for the Bank?

To put it simply, the current needs of infrastructure in Africa are about U.S. $92 billion a year. At the moment we can monetize from all sources only half that amount - about $50 billion. To mobilize the balance, we decided that we should use the limited amount of public resources available to leverage additional resources in the capital markets. But to do that, we will have to build a vehicle with an equity base based on Africa's own pools of savings. And on those bases we go into the market to raise money.

So how is that vehicle, the Africa50Fund, designed to work?

Africa50 is about transformational, commercially viable projects of regional significance. It's about using Africa's own savings to leverage the private sector, and it is a tool to make a whole range of projects in the PIDA program - the Priority Infrastructure Development for Africa - bankable and commercially viable.

These pools of savings are currently invested in the U.S. and Europe. They are looking for a good return, they are looking for liquidity, and they are looking for security. Africa50 seeks to provide those three. Maybe do even better on the returns. At the moment, because of the QE [quantitative easing, the monetary policy pursued by the U.S. Federal Reserve Bank, which lowers interest rates] and the financial markets, the return is not particularly attractive. I think we can provide a better return. I think we can provide the liquidity. I think we can provide security, at the same time building Africa's transformational infrastructure.

How can Africa50 deliver a higher return and also finance infrastructural development?

I don't want to walk you through all the sophisticated financial engineering which you have to do, but I'll just give you an example. Many of these economies are growing at 6 percent. And everywhere on the continent, the maritime ports have become a huge constraint. There's almost almost no port on the Atlantic or the Indian [Ocean] belt, apart from Durban, which have enough capacity to cope with the growth in the economies. So the demand is there. We are going to go there and expand the port capacities. It's a commercially viable business. We charge a price. and we shall be able to provide a return to the investors. Let me tell you, in the 1990s, if you told someone that IT-related infrastructure, communications, the mobile phone - that was a good return, they would've thought you were crazy! That is where the returns have been very, very interesting. Our analysis at Africa50 is that energy is the next revolution, and next are maritime ports, railways, highways and airports.

And how do you mobilize sufficient capital to finance all the needed infrastructural development?

We have started with African-owned institutions, including equity provided by the African Development Bank. We'll go to African central banks who are now holding half a trillion dollars of reserves. We are not naïve enough to think that central banks will invest all of their reserves in an instrument like this, because the reserves have an economic purpose. So we will be targeting them, and we're looking at sovereign wealth funds for equity. As the project pipeline increases, we are going to market and scale up progressively.

We keep hearing about the high growth rate of African economies - but that it too often is "jobless growth". How do you address that?

I think "jobless growth" is not a good definition, although it describes the phenomenon. You have to look at three things. One is the sources of growth, the drivers of growth. In most cases, the drivers of growth are in services and extractives. The biggest employer on the African continent is agriculture. That is not where the source of growth is. So the plain-vanilla solution is basically to do everything we can to invest as much as we can in agriculture and small businesses. That's where the jobs are created, not in the extractives.

The second thing, which is simple math, is that you have an economy growing at nominal rates of six-and-a-half percent and a population increasing at three and a half percent, as we saw when we were recently in the Sahel. In Niger it is four percent. It means you are growing at basically three percent. And if inflation is running at two percent, it means your real growth is one percent. So there is the issue of population increase and drivers of growth, and those

two combined have created a huge bout of inequalities, which itself is becoming a break on growth. So we need to tackle inequalities directly. We need to try to return some of the revenues from natural resources into agriculture, into small businesses, which is where jobs are created.

But I must say to you, whether you are a small garage owner in northern Nigeria or a woman owning a boutique in the city or you own a cement factory, it is power cuts for half a day for three days a week which eat into your margins, which eat into your possibilities of creating jobs. So this focus on infrastructure is precisely the starting point for creating jobs. You cannot create jobs unless the country has energy which is available, affordable and sustainable.

Finally, we need to rethink safety nets. We need to figure out how to provide a safety net to poor people, whether it is by transferring some money from oil and gas revenues, by removing wasteful subsidies and better targeting them to the poor. All these things can be done. So - tackle inequality, tackle sources of growth, and figure out how to remove some of these barriers to growth like energy.That's how jobs are created.

What do you hope will result from the recent high-level focus on the Sahel after your November visit to Mali, Niger, Burkina Faso and Chad, along with UN Secretary-General Ban Ki-moon and World Bank and African Union and European Union leaders?

The Sahel region is a crucible of the challenges Africa faces. In 1973, the Sahel region faced a huge drought problem. There was a lot of suffering there. Nowadays suffering is the result of security-related problems. When you take the security challenges of the Central African Republic and the Sahel and you add climactic problems, you see clearly the link between development, security, and the climate.

Our visit was the first time that leaders of the United Nations, the African Union, World Bank, the European Union and the African Development Bank go together through four nations to learn, to listen, to see how we can help. All of us came back energized by what we saw and determined to rally behind the countries in the Sahel region. The challenge is enormous. We think the response should be appropriate. We have committed to action, and we each play complementary roles. Ban Ki-moon is very much leading on the security side. The AU is leading on the political side, and we the financial organizations rally behind them with the financial packages for reconstruction of the Sahel, for job creation, for integration - to give hope to the region.

What is the AfDB role?

The Sahel goes from Somalia to Mauritania, so in this case the concentration is on five core countries. We've already committed up to $2 billion in those five countries. What I have announced is new money equivalent to $1.9 billion for the next three years. And on top of that, we shall commit an additional $500 million for the 'greater Sahel', which means the five core countries plus two additional countries, to execute programs of regional integration and cooperation. The essence of the AfDB's program is "resilience" - building the capacity of the region to resist climatic shocks or man-made crises like this one. We shall do infrastructure, and we shall do water management and programs of economic integration across the region. *(AllAfrica)*

SOVEREIGN RATING

Eurozone						
	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
20-01-2013	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	Caa3	B-	B-	NP	B	B
Estonia	A1	AA-	A+	NR	A-1+	F1
Finland	Aaa	AAA	AAA	NR	A-1+	F1+
France	Aa1	AAu	AA+	NR	A-1+u	F1+
Germany	Aaa	AAAu	AAA	NR	A-1+u	F1+
Greece	Caa3	B-	B-	NP	B	B
Ireland	Baa3	BBB+	BBB+	P-3	A-2	F2
Italy	Baa2	BBB u	BBB+	NP	A-2	F2
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	Ba3	BB	BB+	NR	B	B
Slovakia	A2	A	A+	NR	A-1	F1
Slovenia	Ba1	A-	BBB+	NR	A-2	F2
Spain	Baa3	BBB-	BBB	P-3	A-3	F2

Sources: Bloomberg, Eaglestone Advisory

20-01-2013	Region - Africa/Middle East					
	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Angola	Ba3	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+
Gabon	NR	BB-	BB-	NR	B	B
Ghana	B1	B	B	NR	B	B
Iran	NR	NR	NR	WR	NR	NR
Israel	A1	A+	A	NR	A-1	F1
Jordan	B1	BB-	NR	NR	B	NR
Kenya	B1	B+	B+	NR	B	B
Kuwait	Aa2	AA	AA	NR	A-1+	F1+
Lebanon	B1	B-	B	NR	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	Baa1	BBB	BBB	P-2	A-2	F3
Tunisia	Ba3	NR	BB-	NR	NR	B
Uganda	B1	B	B	NR	B	B
United Arab Emirates	Aa2	NR	NR	NR	NR	NR

Sources: Bloomberg, Eaglestone Advisory

AAA' and 'AA' (high credit quality) and 'A' and 'BBB' (medium credit quality) are considered investment grade. Credit ratings below these designations ('BB', 'B', 'CCC', etc.) are considered low credit quality, and are commonly referred to as "junk bonds".

20-01-2013	North and South America - Asia					
	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
USA	Aaa	AA+u	AAA -	NR	A-1+u	F1+
CANADA	Aaa	AAA	AAA	NR	A-1+	F1+
MEXICO	Baa1	BBB+	BBB+	WR	A-2	F2
BRAZIL	Baa2	BBB	BBB	NR	A-2	F2
ARGENTINA	B3	CCC+u	CC	NR	Cu	C
URUGUAY	Baa3	BBB-	BBB-	NR	A-3	F3
COLOMBIA	Baa3	BBB	BBB	NR	A-2	F3
INDIA	Baa3	BBB-u	BBB-	NR	A-3u	F3
CHINA	Aa3	AA-	A+	NR	A-1+	F1+
MACAU	Aa3	NR	AA-	NR	NR	F1+
JAPAN	Aa3	AA-u	A+	NR	A-1+u	F1+
SINGAPORE	Aaa	AAAu	AAA	NR	A-1+u	F1+
AUSTRALIA	Aaa	AAAu	AAA	NR	A-1+u	F1+

Sources: Bloomberg, Eaglestone Advisory

Kenya: Eurobond Prospects Remain High – Analyst

KENYA's Eurobond will be successful as investors' appetite for frontier market is high, investment analyst Old Mutual has said. In its 2014 economic analysis released, Old Mutual chief investment analyst Peter Anderson projects that the Eurobond is likely to achieve full subscription adding that the country's risks have reduced over the last five years.

"Kenya does not have enough risks to warrant under participation from investors," said Anderson. The projection echoes that of the visiting IMF boss Christine Lagarde who said that the country has built a strong external position and is now in a favorable condition to tap international financial markets with the planned Eurobond issue.

In the 2014 analysis, Old Mutual also expects that the country's growth domestic product will grow by 5.4 per cent this year driven largely by mining industry and credit growth which will spur businesses. The GDP growth, the analysis showed, will also be supported by money flowing into county governments after a slow start on devolution spending last year.

Anderson said that the risk of flooding and drought which largely impact on agriculture- the backbone of the economy- are low thereby painting a positive picture for 2014.

In terms of inflation, Old Mutual lauded the Central Bank of Kenya for a "well executed" monetary policy for last year adding that the bank is likely to hold the current Central Bank Rate in its policy meeting this month.

"Old Mutual does not see material risks that would cause core inflation to rise rapidly...the expected receding of inflationary impact of VAT implementation had transpired," said analyst Carolyne Kiragu *(All Africa)*

Zambia plans to establish a sovereign wealth fund to spur investment outside the mining industry of Africa's biggest copper producer, President Michael Sata said. The fund will be set up through the Industrial Development Corp., which will oversee the southern African nation's state-owned companies, Sata said in an e-mailed statement. It "will focus on stimulating investment in strategic non-mining industries among others, thereby expanding the country's investment portfolio and thus creating jobs," he said. Zambia is joining Africa's largest oil producers, Nigeria and Angola, in establishing sovereign wealth funds. It will get funding from the dividends of about 40 state-owned companies, while the government will also provide some "seed capital," Zambian Agriculture Minister Robert Sichinga said. "There is a need for a coordinating unit to help with the country's industrial development," Sichinga said by mobile phone from Kasama in Northern province. He couldn't say how much the government will inject into the fund. Zambia's government is boosting investment in roads and other infrastructure to encourage the development of tourism and agriculture. The country aims to cut its dependence on copper, which accounts for about three-quarters of the landlocked nation's export earnings. Neighboring Angola started a $5 billion sovereign wealth fund in 2012 to invest in agriculture, mining, infrastructure and real estate, plus cash, bonds and equities. The Luanda-based fund, headed by the eldest son of President Jose Eduardo Dos Santos, will help diversify the economy away from oil, the government has said. Another neighbor, Zimbabwe, is also planning a fund, which will be financed by mining royalties and special dividends on state mineral and metal sales, according to a draft of the Sovereign Wealth Fund of Zimbabwe Act obtained by Bloomberg News in November. *(Bloomberg)*

AFRICAN DEVELOPMENT BANK

Sustainable Energy Fund for Africa
"Unlocking Africa's clean energy potential for employment and economic growth"
Background

The Sustainable Energy Fund for Africa (SEFA) is a bilateral trust fund administered by the African Development Bank - anchored in a generous commitment of USD 57 million by the Government of Denmark - to support small and medium clean energy and energy efficiency projects in Africa. In many African countries, smaller clean energy projects are potentially viable from a commercial perspective but the initial development costs often prevent these from accessing necessary financing. SEFA provides advisory, grant resources for technical assistance and capacity-building, as well as investment capital, to both off-set preparation costs and crowd-in additional investment.

Description

The development objective of SEFA is to support sustainable private-sector led economic growth in African countries through the efficient utilization of presently untapped clean energy resources. SEFA has been designed to operate under two components to provide grants, seed/growth capital, and technical assistance.

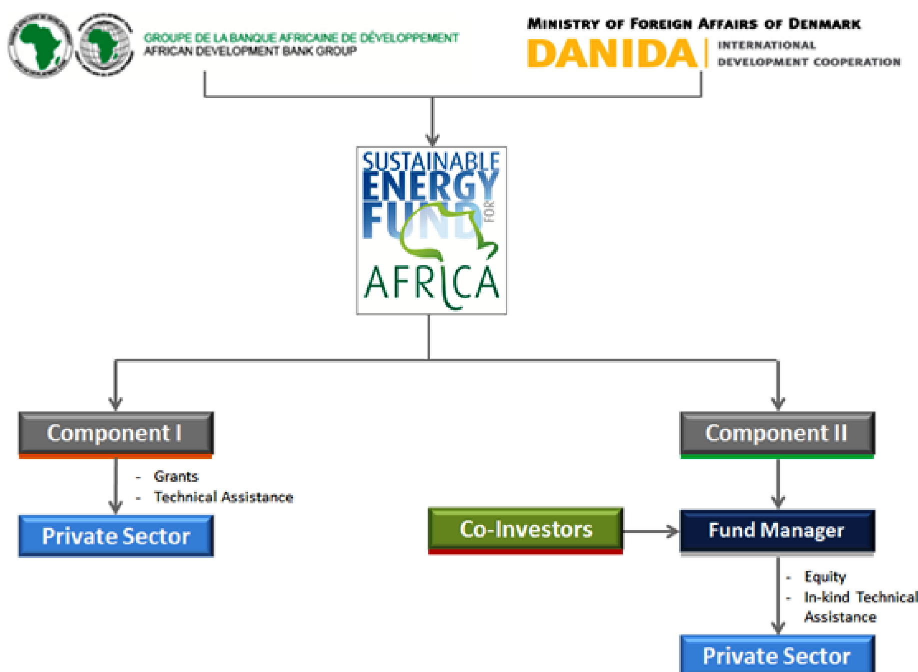
- **Project Preparation Grants (Component I):**

Component I provides grant resources and technical assistance to private project developers/promoters to finalize pre-investment activities for renewable energy and energy efficiency project with total capital investment needs in the range of USD 30 – 75 million. Resources will target development activities since origination up to financial closure. SEFA is structured to respond to requests originated or championed by AfDB staff. All proposals received will be screened and pre-assessed against the basic eligibility criteria by the SEFA Secretariat, housed in the Energy, Environment and Climate Change Department (ONEC) of AfDB. In the case of external requests meeting the basic eligibility criteria and presenting a good pipeline opportunity, SEFA Secretariat will work with other departments with the view of identifying a champion to lead the internal review and approval of a proposal. Check the **application conditions** and then fill out the **form**.

- **Seed/Growth Capital (Component II):**

Component II seeks to address the lack of access to start-up and growth capital for Small and Medium Enterprises, as well as the low managerial and technical capability of small-scale entrepreneurs, by investing equity. It will mainly target renewable energy and energy efficiency projects requiring total investments of USD 10 – 30 million range.

The SEFA Secretariat is currently working with the Bank's Private Sector department in developing an investment vehicle concept which will then be tendered out to interested fund managers, with preference to those with a strong track record in Africa and exposure to sustainable energy investments. Based on business plan and investment team credentials, the Bank will select a fund manager to create a new pan-Africa, renewable energy and energy efficiency-focused fund. SEFA will make a capital contribution of USD 35 million to this fund, alongside other co-investors into small and medium sustainable energy projects in Africa. SEFA's contribution may include a portion dedicated to technical assistance activities to complement portfolio investments by the fund.



INVESTMENTS

Fastjet likely to become more pan-African in 2014

Growing a profitable pan-African airline can be a tough business. Not only does an airline need to deal with the continent's familiar problems of bureaucracy and a lack of infrastructure, but many African governments are notoriously protective of their own state airlines and like to keep out competition.

However, low-cost airline Fastjet seems to be making progress slowly but surely towards its goal of flying routes across the continent. The airline, owned by London-listed Fastjet Plc, launched towards the end of 2012 with domestic routes within Tanzania. A few months ago it also added its first international route between Tanzania's commercial hub Dar es Salaam and Johannesburg, South Africa.

In February this year, the airline is expected to further boost its international footprint with a service between Dar es Salaam and Zambia's capital Lusaka.

Responding to questions posed by Facebook users, Fastjet CEO Ed Winter recently said Nigeria and Kenya are the most popular requested international destinations and the airline is making good progress launching routes to both Lagos and Nairobi.

In addition, Fastjet is also considering flights to Zimbabwe, Uganda, Rwanda and Mozambique.

Winter said the airline is not planning to grow its network outside the continent. "There are no plans to expand our route network outside of Africa – we plan to become the first truly low-cost pan-African airline. With 1.1bn people to serve, we believe that this is more than sufficient demand to focus solely on the continent of Africa," said Winter.

Fastjet is also looking at introducing new routes within Tanzania, but said the airports in many cities are currently unsuitable for landing. "Nonetheless, continued redevelopment of infrastructure in many regions of Tanzania is encouraging, and holds hopes for the future."

Operating domestic routes in South Africa, the continent's most developed economy, has always been a priority for Fastjet. Since the end of 2012, the airline has had a number of false starts in South Africa. An attempt to buy bankrupt South African airline 1Time didn't work out, and Fastjet also faced criticism when it announced a partnership with a company involving South African President Jacob Zuma's son.

However, Fastjet remains determined to fly domestically in South Africa, saying it is firmly in its plans for 2014.

In an earlier interview with ***How we made it in Africa***, Winter said when he first started in the Fastjet job, he underestimated the extent to which African governments are willing to protect their own flag carriers by denying the entry of competitors. "The level of protectionism that one sees has astounded me," said the trained pilot who has held various senior management positions at airlines such as British Airways and easyJet.

A lack of bilateral air service agreements between African governments is one of the reasons for the relatively low number of flights between African countries. A bilateral air service agreement is in essence an agreement which two nations sign to allow civil aviation between their territories. For many countries one of the major motives for not signing these agreements has been to protect their own national flag carriers.

"If you go around all the [African] countries, there are loss-making state airlines, and the protectionism being exhibited by virtually all of these governments is doing nothing other than to reduce the level of air transport, kill competition and create a situation where they are going to continue subsidising their own state airline," Winter added.

(How we made it in Africa)

Zambia Plans Sovereign Wealth Fund to Stimulate Investment

Zambia plans to establish a sovereign wealth fund to spur investment outside the mining industry of Africa's biggest copper producer, President Michael Sata said.

The fund will be set up through the Industrial Development Corp., which will oversee the southern African nation's state- owned companies, Sata said in an e-mailed statement. It "will focus on stimulating investment in strategic non-mining industries among others, thereby expanding the country's investment portfolio and thus creating jobs," he said.

Zambia is joining Africa's largest oil producers, Nigeria and Angola, in establishing sovereign wealth funds. It will get funding from the dividends of about 40 state-owned companies, while the government will also provide some "seed capital," Zambian Agriculture Minister Robert Sichinga said.

"There is a need for a coordinating unit to help with the country's industrial development," Sichinga said by mobile phone from Kasama in Northern province. He couldn't say how much the government will inject into the fund.

Zambia's government is boosting investment in roads and other infrastructure to encourage the development of tourism and agriculture. The country aims to cut its dependence on copper, which accounts for about three-quarters of the landlocked nation's export earnings.

Neighbor Funds

Neighboring Angola started a $5 billion sovereign wealth fund in 2012 to invest in agriculture, mining, infrastructure and real estate, plus cash, bonds and equities. The Luanda-based fund, headed by the eldest son of President Jose Eduardo Dos Santos, will help diversify the economy away from oil, the government has said.

Another neighbor, Zimbabwe, is also planning a fund, which will be financed by mining royalties and special dividends on state mineral and metal sales, according to a draft of the Sovereign Wealth Fund of Zimbabwe Act obtained by Bloomberg News in November. *(Bloomberg)*

BANKING

Banks

Caixa Seguros expands in Africa while awaiting conclusion of acquisition by China's Fosun

Caixa Seguros, the Portuguese state-owned insurance group recently sold to Chinese group Fosun International, is continuing with its expansion in the insurance sector in Africa by moving into the Mozambican market.

Insurance company Fidelidade, one of the Caixa Seguros companies, was recently authorised by the Mozambican authorities to start operating and the company expects to open for business there in the first half of this year.

The insurance company, which is the largest in the Portuguese market and is already present in Angola, plans to open two subsidiaries – a life insurance company and another in the non-life sector.

Fosun International was selected by the Portuguese government to but 80 percent of Caixa Seguros, which is currently part of state financial group Caixa Geral de Depósitos (CGD), for 1 billion euros.

According to the Portuguese government the Chinese group, which out-bid US company Apollo Management International, has strong ties to the insurance sector, as well as its expansion plan based on available funds of 1.5 billion euros in cash.

In Mozambique the starting point will be Maputo and the strategy involves, "expanding directly or indirectly to the rest of the country," a spokesperson for Fidelidade told Portuguese financial daily Diário Económico.

The target market is both companies and individuals, including group customers that have interests in the Mozambican market.

The CGD group operates in Mozambique in partnership with BPI and Banco Comercial e de Investimentos (BCI) and in Angola the partnership is with Santander Totta and local investors.

The CGD group will keep around 20 percent of the insurance group following its privatisation and, for 25 years, will be the only bank with which Fidelidade can partner to sell insurance, according to the conditions of the privatisation.

Fidelidade started operating in Angola in the summer of 2012 with Universal Seguros and in Cabo Verde (Cape Verde) with Garantia, which is the market leader, according to Fidelidade.

Sales of US$30 million had been projected for this year in the Cape Verdean market and this is now expected to be exceeded, according to the group.

As well as Africa, Caixa Seguros has an important presence in Portuguese expatriate markets, such as Spain, France and Luxembourg as well as Macau.

The acquisition of the insurance group by Fosun is the latest in a string of Chinese investments in Portugal in the last few years, the most notable of which were China Three Gorges buying a stake in EDP – Energias de Portugal and China State Grid buying a stake in power grid Redes Energéticas Nacionais (REN). *(Macauhub)*

Standard Chartered opens corporate bank in Angola

STANDARD Chartered started operating a fully-fledged corporate bank in Angola, a move that is likely to strengthen competition for corporate clients in sub-Saharan Africa's second-largest oil-producing country.

Standard Chartered Bank Angola, which was awarded a licence to operate in 2013 as a corporate and retail bank in Angola, is a partnership with state-owned insurance company ENSA.

In the joint venture, ENSA will take a 40% stake in Standard Chartered Bank Angola and Standard Chartered a 60% majority.

Miguel Miguel, an Angolan national who will be CEO of Standard Chartered Bank Angola, said ENSA and Standard Chartered had invested capital of about $50m to start the bank.

Foreign companies investing in Angola are required by the country's regulations to have a local partner.

Mr Miguel said Standard Chartered Bank Angola would operate in one branch and the focus would be on corporate banking.

He said retail banking would be considered in the future. "At this point we are going to do wholesale banking," he said, adding that as an international bank, Standard Chartered was well positioned to capture client flow from Europe and Asia that was moving to Angola.

There are about 23 banks in Angola. One of the competitors there is Standard Bank Angola, a subsidiary of Africa's largest bank by assets, Standard Bank Group. In Angola, Standard Bank offers retail, business and corporate banking.

Although Portuguese bank Caixa Geral has a presence in Angola, Standard Chartered is the first major international bank to operate in the country. Standard Chartered Bank Angola will offer clients banking solutions in foreign exchange, cash management, corporate finance and export finance.

Angola was reported to be China's largest trading partner in Africa in 2012, with trade of more than $35bn.

Mr Miguel said Standard Chartered would also tap opportunities in agriculture. He said Angola's government was reducing its reliance on oil and diversifying the economy. Oil's contribution to Angola's gross domestic product fell

from 56% in 2002 to 46% in 2012, and is expected to continue falling, according to a study by Eaglestone, a Lisbon - based investment bank.
Mr Miguel said ENSA had branches in almost all of Angola's 18 provinces. "When we decide to expand our branches … we can use the network that ENSA has ." *(BDLive)*

Mozambique was sub-Saharan African country that attracted the most bank investment in 2013
Mozambique was the sub-Saharan African country that attracted the most bank investment in 2013 driven by three agreements in the energy sector, according to a report published by financial news agency Reuters.
Compiled by Reuters and cited in the international press, the report analyses the biggest banking transactions in sub-Saharan Africa and shows that Mozambique, Nigeria and South Africa attracted the most international investment.
According to the director of Thomson Reuters for the Middle East, Africa and Russia, Nadim Najjar, the bank commissions alone totalled US$354.5 million in 2013, which was a drop of 2 percent against 2012 and the lowest amount since 2009.
The report said that mergers and acquisitions involving companies from sub-Saharan African countries totalled US$30.3 billion, rising 29 percent against figures from the previous year and the highest in the region since 2010 when commissions totalled US$51.5 billion.
Goldman Sachs, Barclays and Citibank were the banks that made the biggest commissions for advising on deals, whilst Bank of America Merrill Lynch made the most from mergers and acquisitions, receiving US$5.5 billion, according to the Thomson Reuters report. *(Macauhub)*

Markets
'Don't rush' common currency IMF boss tells East African Community
International Monetary Fund (IMF) managing director Christine Lagarde has urged East African Community (EAC) member states not to rush the implementation of a single currency
East African countries are set to trade in a single currency by 2015 following last month's signing of the monetary union protocol by the region's heads of state.
Speaking to business leaders in Nairobi, Lagarde told EAC states to "hasten slowly" and draw upon the experience and lessons learned from other regions' mistakes and omissions.
"As a member of the Monetary Union of Europe, I have to tell you that it is a very ambitious exciting project, [but] one where, as Aristotle would put it, you should hasten slowly in order to make sure that all the steps are taken and all the boxes are checked.
"Don't rush. Make sure that you learn from our mistakes and that the East African Monetary Union can actually teach the Europeans how to do it right."
In 2007, East African heads of state resolved to have a common market and a single currency by 2012. While the common market protocol which allows free movement of people within the EAC block came into effect in July 2010, the establishment of a monetary union has delayed and attracted criticism.
Sceptics have often argued that studies should be undertaken on the implications of transferring monetary powers to the regional level, insisting that after the implementation of the monetary union, any problems would jeopardise the entire region.
According to EAC leaders, a single currency will enhance trade among the five countries, reduce transaction costs and strengthen regional integration among Kenya, Tanzania, Uganda, Rwanda and Burundi. The East African monetary union is the third pillar of the region's integration.
Kenyan President and EAC chairman Uhuru Kenyatta told reporters after last month's signing that a single currency would minimize currency volatility and fluctuation.
"Business will find more freedom to trade and invest more widely, and foreign investors will find additional, irresistible reasons to pitch tent in our region. Such advantages will no doubt result in increased investment and further transformation of East Africa," said Kenyatta.
Lagarde said the monetary union is an opportunity "but also a major challenge" and the process needs to be managed carefully. She pledged the IMF's support in providing technical assistance and advice in the process.
"There are multiple lessons, multiple experiences to learn from, whether it is the European Monetary Union, the Caribbean Union, the West African Union. From all those unions there are mistakes, pitfalls, gaps [and] omissions that can be learnt from," said Lagarde.
The IMF boss noted that regional integration has opened up new markets, supported the emergence of a middle class and enabled domestic demand to become an engine of growth.
She urged the member states to deepen the integration process and ensure that the removal of tariff barriers is not replaced by reinstallation of non-tariff barriers. *(How we made it in Africa)*

Deals

Sub-Saharan Africa M&A deals, debt issuance surge in 2013

The value of merger and acquisition deals targeting sub-Saharan African firms jumped by almost a third last year to $30.3-billion, while debt sales from the continent hit a record high, data from Thomson Reuters showed.
African companies are attracting increasing investor attention due to the spending power of the rising middle class on the fast-growing continent and expansion of its natural resources sector, which is drawing investment from China and other countries.
The data showed that the most targeted M&A country by value in 2013 was Mozambique, due to three oil and gas sector deals with a total value of $9.3-billion. South Africa, Nigeria, Tanzania and Angola were also in the top five.
South Africa and China were the most acquisitive nations, together accounting for 46 percent of purchases. Indian companies were also active in buying sub-Saharan African firms.
Most M&A deals are however concentrated in the energy and materials sector, which accounted for more than $22-billion of the $30.3-billion in announced transactions, according to the data from Thomson Reuters Deals Intelligence.
On the debt front, African borrowers have also come to market to take advantage of historically low yields and strong investor appetite, with countries such as Tanzania, Ghana and Rwanda marketing successful dollar bonds in 2013.
That trend is set to continue this year, with Kenya and Ivory Coast among those planning dollar bond issues.
Sub-Saharan African debt issuance totalled $20.7-billion last year, up 66% from 2012, with South Africa the most active issuing country, Thomson Reuters said.
But equity and equity-linked issuance dropped 3% from 2012 levels, to $3.5-billion.
Investment banking fees for sub-Saharan Africa investment banking services also fell, down 2% to $354.5-million.
But debt capital market underwriting hit a record high of $83-million, and equity capital markets underwriting fees rose 27% to $90.1-million. *(Engineering News)*

Funds

Zambia To Launch Sovereign Wealth Fund

In a bid to stimulate investment in economic sectors other than mining, Zambia is set to launch a sovereign wealth fund, Imara Africa's equity research, quoted Michael Sata, the president of the copper producing country, as saying.
This move makes Zambia the third African country to launch its fund after oil producers, Angola and Nigeria in recent times, the research, which was completed last week, stated.
The fund will be launched through the Industrial Development Corporation (IDC) in an effort to increase the worth of government assets, the research claimed.
Financial backing for the fund will be in the form of the state's seed capital and disbursements from 40 state-owned firms. "There is a need for a coordinating unit to help with the country's industrial development," Zambian Commerce Minister, Robert Sichinga told Imara, without revealing the sum of money the state would be injecting into the fund.
In the past decade, sovereign wealth funds have mushroomed in Africa on the back of strong incomes from commodities, mainly in the oil producing economies. According to the equity research, the biggest sovereign fund in Africa is the Libyan Investment Authority with about $65 billion in total assets. Recent major oil and gas findings in East and West Africa could possibly give new breaks for many African funds, the research claimed. *(Ventures Africa)*

Energy fund approves $1m grant for Mauritian cooling project

Development fund, the Sustainable Energy Fund for Africa (Sefa), has approved a $1-million project preparation grant to support construction group Sotravic in the development and installation of a sea water air conditioning system in Mauritius – the low-carbon technology lowers building cooling costs by using cold ocean water.
The Deep Ocean Water Application (Dowa) project comprises the construction and operation of a system to pump cold water from the Indian Ocean for use in air conditioning systems in buildings located in the country's capital, Port Louis, and nearby regions. Once completed, the project would replace energy-intensive traditional air conditioning systems in buildings, which consume the equivalent of 30 MW of electricity. In contrast, the ocean water-cooling system would require only 4 MW of electrical power to operate.
Sefa, a $60-million facility managed by the African Development Bank (AfDB) and seeded by Danish development corporation Danida and the US Agency for Economic Development, said in a statement that the AfDB would play a key role throughout the development phase of the project by engaging with the promoter and key partners to structure a bankable project for long-term financing.
Sefa would finance offshore feasibility studies, which include marine surveys and preliminary designs, and would also undertake a preliminary assessment of the environmental and social impacts of the Dowa project.
Following the approval of the grant, AfDB Energy, Environment and Climate Change director **Alex Rugamba** said the project would explore synergies between the ocean and Mauritius' energy sector to identify ways in which significant cost, energy and carbon savings could be delivered, while also creating jobs and new business opportunities. "This is perfectly aligned with the bank's new strategy [of] focusing on supporting African countries in their transition to more green and inclusive growth models," he commented. *(Engineering News)*

OPEC's International Development Fund approves financial aid to Mozambique

The International Development Fund of the Organisation of Petroleum Exporting Countries (OPEC) has approved funding of US$209.2 million to carry out a variety of projects in Mozambique, according to the Mozambican press.

The approved funding will be channelled into development projects in Mozambique in the agricultural, energy, transport and communications, education, health and industrial sectors.

Of that amount, US$34.6 million will be used to rebuild roads to link several points in Mozambique to some of the member countries of the Southern Africa Development Community (SADC).

Following a number of projects launched in 2004 this funding will mainly improve a 119-kilometre section of road linking Mozambique to Zambia.

Since it was set up in 1976, the OPEC Fund for International Development has provided US$14.1 billion for social and economic development programmes in developing nations, including Mozambique. *(Macauhub)*

LeapFrog Acquires 25% Stake In Ghana Pension Firm

LeapFrog Investments, an African and Asia-focused financial services investor, has acquired a 25 percent stake in one of Ghana's largest pension firm, Petra Trust with the expectation of quadrupling growth in the next four years.

The development represents LeapFrog's first investment in Africa's pensions sector, which is forecast to grow 400 percent in the next four years following liberalisation of the pensions market, Ekow Fynn-Aikins, a regulations officer with the National Pension Regulatory Authority Accra, said.

Much of this growth is likely to be propelled by the rapid expansion of Africa's emerging consumer sector, as more households grow into the middle class, a statement released by the company said. Doug Lacey, a partner at LeapFrog Ghana said that the fresh capital injected by the company into the local insurer will be used to invest in infrastructure, upgrade systems and expand beyond Accra to other parts of the country.

Although Lacey pointed out that it was too soon to say how long LeapFrog would retain investment in Petra, he however noted that the "opportunities in Ghana are enormous as it's a nascent industry." "We look forward to providing support both on the board and operationally to further accelerate Petra's growth, profitability and impact," he added. Cofounded by Kofi Fynn, Chris Hammond and Helena Pokuin in late 2011, Petra Trust is one of Ghana's largest pension-trustee companies. It serves a local market of 20-million consumers in the informal and semi-formal sectors, which account for some 90 percent of Ghanaian employees.

"Petra will be able to invest in expanding infrastructure to better serve existing clients and grow our market reach, while boosting Ghana's pension industry," Kofi Fynn said.

"Pension reform was introduced to ensure that the previously unserved would also have a chance to invest for their future, and that is exactly the service we have been called to provide. We see the pensions industry growing fast in Africa and are very excited about the growth of the micro pension sector," he added. *(Ventures Africa)*

Tech

MasterCard Signs Largest E-Payments Deal In Africa

Pan-African financial institution, Ecobank Transnational Inc. has signed an agreement with global electronic payment company, MasterCard to fast-track electronic payment adoption in 28 sub-Saharan African countries where it operates. The multi-country licensing partnership which will benefit more than 60 percent of Africa's population is said to be MasterCard's largest multi-country licensing deal in Africa.

"This is the largest multi-country licensing project completed by MasterCard in Africa and as such is a great milestone for us, as we aim to achieve our vision of a world beyond cash by bringing the benefits of electronic payments to an increased customer base in sub-Saharan Africa," Daniel Monehin, Division President, Sub-Saharan Africa, MasterCard said.

"We expect that the 28 newly licensed Ecobank subsidiaries will begin to accept MasterCard credit, debit and prepaid cards at their ATMs and Points of Sale from early 2014, as we work with the Ecobank Group to complete licensing of the remaining Ecobank subsidiaries," he added.

Ecobank's deal with MasterCard comes on the heels of a November, 2011 agreement which provides for both companies to explore joint business development opportunities across Central, East, West and Southern Africa where the pan-African bank operates.

The contract will enable Ecobank's customers to have more access to MasterCard's credit, debit and prepaid card products, while MasterCard will leverage Ecobank's unrivalled pan-African footprint to provide its electronic payments solutions to a wider customer base, a communiqué released by the bank read.

According to Ecobank's Group Chief Executive Officer, Thierry Tanoh, the deal demonstrates the banks "vision" for its customers across Africa.

"[Ecobank] recognize that partnerships with leading global players such as MasterCard are key to accelerating the migration of our customers to a 'cashless society' throughout Africa," Ecobank's Group Executive Director (Domestic Banking), Patrick Akinwuntan added. *(Ventures Africa)*

ENERGY

Africa can sustain itself, policy certainty crucial for success of energy sectors

Energy is a long-term investment and significant funds, a long-term plan and clear policy frameworks are needed in Africa to ensure thriving energy sectors on the continent. This was according to State-owned power utility Eskom CEO **Brian Dames**, who highlighted that the continent had some of the fastest growing economies and an abundance of primary energy sources, which could enable it to sustain itself ten times over. However, he stressed that certainty in the policy environment and the management capacity to exploit this was needed on the continent.

Speaking at the State of Energy in Africa debate at the Witwatersrand Business School, in Johannesburg, Dames noted that while South Africa at least had an electricity plan, it needed to be implemented.

"For the rest of continent, that is what is lacking," he said, adding that certainty regarding government's implementation of its policy decisions was also crucial.

Local publishing company EE Publishers MD **Chris Yelland** conceded that while there were some notable successes in some energy sectors, such as South Africa's Renewable Energy Independent Power Producer Procurement Programme (REIPPPP), there were also some notable failures.

"We've seen the turbulence in the South African electricity supply industry at management level, and that includes Eskom management, Cabinet, the Department of Energy, the Department of Public Enterprises and municipalities. There is no consistent coordinated policy framework and vision, and that is a problem," he stated.

Meanwhile, growth consulting company Frost & Sullivan Energy and Power Africa business unit leader **Cornelis van der Waal** believed that to ensure Africa attracted investments and had successful energy sectors, the continent needed to avoid being seen as a homogenous region.

He said the difference between rapidly growing Africa economically and an average growth needed to be distinguishable.

Van der Waal added that he had hope in "rapidly growing and expanding" Africa, as there were signs of significant investments, but average growth was less impressive.

He highlighted the need to enable capacity to liberate resources and use them for electricity, road and rail, ports, housing and social infrastructure, adding that these resources also needed to be managed in a coordinated manner.

Management consulting, technology services and outsourcing company Accenture South Africa energy MD **Ken Robinson** said there was a strong opportunity for South Africa to provide energy solutions to the rest of Africa.

He noted that South Africa had the necessary skills, despite not having funds.

"We have the construction companies involved with civil engineering and we can industrialize the building of transformers in this country and for the rest of Africa. We can supplant the Chinese and the other global investors looking to Africa as a market and make it our market," Robinson said.

Dames predicted that Africa's growth would soon be regional as there was a great sense of cooperation between regions.

He commented on Southern Africa's power pool, suggesting that the region had immense resources such as gas, coal, hydropower and an abundance of renewable-energy sources.

Dames regarded East Africa as having a similar power pool, noting that West Africa had a slight energy deficit. Further, while Egypt dominated the energy sector in North Africa, he believed that more needed to be done to enhance the sector.

While Dames cited a lack of skills as a problem, one of the other key challenges in Africa was ensuring energy security through greater interconnectivity.

"If everyone in Africa is connected, like people are in Europe, we can establish greater energy security. The key for Eskom is to play a role in generation projects in the region and in integrating electricity networks, as well as in making sure we get power to flow freely in Southern Africa," he stated. Yelland agreed that Africa had an abundance of primary and human energy but noted that it needed to be harnessed and unleashed. He did not believe that finance was a constraining factor, as it was just a matter of reaching out to the available finance sources. Yelland again highlighted the success of the REIPPPP and pointed out that the private sector had invested billions of rands into renewable energy.

He stated that South Africa and Africa had an "institutionalized monolithic monopoly that has got a grip on the energy sector and is not allowing new players to come in".

The restructuring of this environment, as was being done in Nigeria, was needed.

"Nigeria is restructuring its energy sector because of the total failure of the State-owned enterprises that have [monopolised] the industry," Yelland recounted.

INVESTMENT AND RISK

Van der Waal argued that it was important for Africa to invest in itself as some of the largest companies on the continent held a significant amount of funds and did not know where to invest it presently.

He reiterated that if policy certainty was created, along with an environment in which companies could be sure that they would get returns on their investments, development finance institutions would not be needed as the private sector would have the finances required.

While Robinson believed that companies could take "a risk and invest in Africa", African Development Bank regional director **Ebrima Faal** argued that the private sector would not invest with uncertainty.

He said projects needed to be derisked as was the case with the REIPPPP. "Government was able to derisk the programme and pass it on to the private sector. It's a collaborative effort and public–private partnerships that will make this happen."

Dames agreed and maintained that the REIPPPP was the best risk-free investment for any investor.

Van der Waal pointed out that to create the further certainty required for investment, country leaders needed to keep in mind the best interests of their countries in the long-term and not in five-year terms of elected leadership.
While policies could be amended from time to time, he said they should not be changed completely every time a new government was elected. *(Engineering News)*

World Bank To Fund $100m Clean Energy Project In Nigeria
The World Bank will partner with Nigeria's Federal Ministry of Environment to raise a $100 million clean technology fund for the development of alternative energy sources in the oil-rich country, the global financial regulator's Lead Energy Specialist, Mr Erik Fernstrom has said.
While making the disclosure to the News Agency of Nigeria (NAN), the World Bank official indicated that the low interest concessional loan would be target at solar energy developments in some northern states given their abundant sunshine climate.
The plan, according to Fernstrom, is to diversify Nigeria's hydro and gas-based energy sources to ensure energy security.
"You know very well that when you have some interruption, some gas pipeline sabotage or accident happen, you lose a lot of your power supply," Fernstrom said.
"The same thing with hydro; if you have dry year, all of a sudden, you have no power from your hydro power. Part of what you have seen across Africa is that you need diversification and we need to find and draw on all the natural resources that Africa has so much of,'' he added.
He cited "lack of diversification" as the cause of Africa's power woes but was upbeat about Nigeria's energy future as a result of the current government reforms. *(Ventures Africa)*

MINING

Angolan diamond company to re-launch kimberlite exploration
Angolan state diamond company Endiama plans to re-launch exploration at the Shiri, Sangamina, Camafuca and Camazambo mines as they are kimberlites with confirmed reserves, the company's chairman said in Luanda.
At the session to celebrate the company's 33rd anniversary, António Carlos Sumbula said that because of the circumstances of the international market the company had so far been unable to explore these kimberlite deposits.
"At the moment the market is high enough and we are now negotiating with investors so that exploration (…) can begin in the next two years," he said according to Angolan news agency Angop.
In terms of the work carried out in partnership with Russian group Alrosa, Sumbula said that after all the studies were carried out the conclusion was that the alluvial diamonds mined in the country for 100 years are fro undiscovered kimberlites, whilst just 10 percent of the diamonds extracted in the same period come from known kimberlite deposits.
"This means we have the job of finding the other 90 percent of unknown kimberlites," said Sumbula.
Endiama, which was founded in 1981, is the state company responsible for prospecting, exploration, cutting and sale of diamonds in Angola, which is one of the top 5 world diamond producers by value and top 10 by quantity. *(Macauhub)*

OIL & GAS

India may start receiving natural gas from Mozambique in 2019
India may receive its first shipment of liquid natural gas (LNG), extracted and processed in Mozambique, in 2019 the Mozambican Minister for Mining Resources, Esperança Bias said in New Delhi.
At the end of a meeting with the Indian Oil and Natural Gas Minister, M. Veerappa Moily, the Mozambican minister said that extracting natural gas from the Rovuma basin was expected to begin in 2018, and that "the Mozambican government will do everything it can for India to start receiving the gas as soon as possible, in 2019."
Indian groups ONGC Videsh Ltd (OVL), Oil India Ltd (OIL) and Bharat Petroleum Corp. Ltd (BPCL) together control 30 percent of the Area 1 block of the Rovuma basin, where there are estimated natural gas reserves of between 35 and 65 trillion cubic feet with a market value of around US$60 billion.
US group Anadarko Petroleum is the block's operator and currently owns a stake of 36.5 percent, although the sale of a 10 percent stake is in the process of being sold. The remaining partners are Mozambican state company Empresa Nacional de Hidrocarbonetos (ANH), Mitsui and Co. Of Japan and Thai company PTT Exploration and Production Public Co. Ltd.
According to the Wall Street Journal, D.K. Sarraf, the director general of OVL, an ONGC group company for foreign operations, said that a final decision on the natural gas exploration project would be made this year. *(Macauhub)*

Limpopo railroad in Mozambique reopens to traffic
The Limpopo railroad, which links Mozambique to Zimbabwe, reopened to traffic last weekend, after a five-day stoppage following a derailment, radio station Rádio Moçambique reported.

Citing a source from the engineering board of state port and rail company Portos e Caminhos-de-Ferro de Moçambique (CFM), the radio station also said that the line had be completely re-opened, without restrictions, and that from that point on trains had started running to and from the port of Maputo.
However, CFM did not reveal the results of the investigation into the cause of the derailment of the train with 26 trucks carrying sugar from Zimbabwe for export via the port of Maputo.
Eight of the trucks were derailed and another 12 fell onto the edge of the line, spilling much of their cargo.
At the time the company said that the train not staying within the speed limits for the line was likely the reason for the derailment, and noted that the area where the accident happened was on loose ground, which required extra care especially after heavy rain.
The Limpopo railroad is the biggest rail system in southern Mozambique and includes the Ressano Garcia line, which links Mozambique to South Africa, the Goba line, which provides a link to the Kingdom of Swaziland and the Salamanga branch line, which is of strategic importance to several countries in the interior of Southern Africa, particularly Zimbabwe, for which the line is the best route for exports and imports via the port of Maputo. *(Macauhub)*

Gambia: Govt. Terminates Petroleum Exploration Licences

The Gambia government has terminated petroleum exploration, development and production licenses, for "failure to meet the licence obligations by the licensees", the presidency announced.
In a statement issued, the Office of the President in Banjul said the government's decision was in accordance with the provisions of the petroleum laws of The Gambia.
According to the statement, the terminated petroleum licenses are: Offshore Blocks A1 and A4 licensed to African Petroleum Gambia Limited and Buried Hill Gambia B.V. as partners; and, Onshore Block Lower River licensed to Oranto Petroleum Limited.
"These licences have been terminated with immediate effect. The Gambia government will not allow any institution to acquire licences only to keep them for speculation. In our bid to harness our natural resources for the benefit of Gambians, we are not going to deal with speculators," the presidency added.
It would be recalled that on Friday 13th February 2004, the President delivered a statement to the nation on oil exploration, announcing the results of a study that showed that there exists oil in The Gambia in very large quantities, especially in the study area, and that all the information was recorded on a compact disc.
"It is important that I speak to you today to lay to rest speculations that have engaged many of us, following my address to the nation on the occasion of the 2004 New Year. Some Gambians are aware of the fact that there has been a long history of oil exploration in The Gambia, beginning in 1956," Jammeh said then.
"In the earlier years of the exercise", he added, "none of the companies exploring for oil in our country carried their exploration work beyond the initial phase, except for Chevron, which drilled an unsuccessful offshore oil exploration well in 1979 called Jammah-1".
He further stated that, "under the auspices of the Canadian government and funding, Petro-Canada International carried out studies in the 1980s, and between 1999 and 2002 an oil and gas company also carried out study work and a seismic programme, whose results were very questionable, to say the least, as this government has always believed that oil not only exists in The Gambia, but exists in very large quantities. As a result, their application to extend their license was rejected by government."
According to President Jammeh, "we did not extend the latter's license agreement because of their failure as well to meet their work obligations under the license, and because of a request that the financial terms of their agreement with The Gambia should be changed. The changes requested would have resulted in The Gambia receiving very little benefit from any commercial oil development which, to be precise, is 5% of any commercial oil development. This was also unacceptable to government, to say the least."
Thereafter, Jammeh went on, the government contracted a Western company "to review all previous work done in The Gambia, and to advise us on whether our belief that The Gambia had a very good potential for oil was correct or not.
"After reviewing all the work that had been done previously, they were able to tell us that in their opinion the potential was very high, but that a large study and three-dimensional seismic programme, known in the industry as a 3D survey, should be undertaken to confirm our beliefs.
"Working with this Western company, we completed a thorough evaluation of the oil potential of 500 square kilometres out of 2,000 square kilometres of deep water and 3,000 kilometres of shallow water of our maritime or offshore territory." *(All Africa)*

Angola will be main destination for oil industry investments in 2014-2015

Angola will be the main destination for investments in oil exploration in 2014 and 2015, according to a projection from the Business Monitor International consultancy, which expects average growth for Angola’s GDP of 7.4 percent until 2018. “We expect Angola remain as the main destination for investment in the oil industry,” said the report on oil and gas in Angola, which notes that despite a projected slowdown in oil production, plans for new projects will ensure string growth in most of the 2014-1018 period.

The report cited Sonangol's manager in Luanda, Domingos Cunha, as saying that the near future will be a busy one considering the launch of exploration in the country's pre-salt layer, a layer under the seabed that the Angolan authorities believe has the same huge potential as a similar area in Brazil. "We expect a busy drilling period over the next few quarters, with 32 wells planned in Angola this year, including 15 that will test pre-salt formations," the report said noting that 32 wells in 2014 compared to just two last year.
The Sonangol official was also cited as saying that by 2022 the average number of wells drilled would total 25, and not just in the pre-salt layer. At the same time as this report was published, BMI also published an analysis of the business climate in Angola, in which it estimates that economic growth will accelerate over the next few quarters, based on a large public investment programme and on new oil production capabilities. "We expect real GDP to grow by 7.3 percent in 2013, and 7.4 percent after that on average between 2014 an 2018," the report said cited by Portuguese news agency Lusa. *(Macauhub)*

CAMAC Energy Secures $100m Offshore Contract In Nigeria

Africa-focused independent oil and gas exploration and production company, CAMAC Energy has signed a $100 million one-year contract with Northern Offshore Ltd. for the drillship, Energy Searcher.
The rig will be delivered to the Oyo Field in OML 120 offshore Nigeria and drilling activities will commence in the first half of this year, 2014, according to a company statement.
The Energy Searcher have the capacity to operate in total depths of up to 25,000 feet, and in water depths of up to 2,500 feet. The rig contract with Northern Offshore, ensures a highly capable and efficient rig to execute on its transformational development and exploration program in 2014 and beyond, CAMAC Chairman and Chief Executive Officer, Kase Lawal said. New-York-listed CAMAC plans to utilize the rig on its multi-year, high-impact development and exploration portfolio. The long-term drilling contract agreement covers an initial period of one year, with an option to extend the contract for an additional one-year. According to Northern Offshore, the contract which is valued at roughly $100 million, excludes mobilisation fees. CAMAC Energy's asset of 8 licenses in 3 African countries covers an area of 41,000 square kilometers including production, offshore projects in Nigeria, as well as exploration licenses offshore and onshore Kenya, and offshore Gambia. *(Ventures Africa)*

INFRASTRUCTURE

China's CRBC to build deep water port in Sao Vicente, Cabo Verde

The China Road & Bridge Corporation (CRBC) will build a deep water port, a cruise ship terminal and repair the Cabnave shipyard on the Cape Verdean island of São Vicente, the Cargo News website reported.
Cited by Cargo News, the board of the China Road & Bridge Corporation said that it would build a number of marine facilities that are "very important" for driving the local economy.
Without providing specific dates for the start of the work and its cost, the company gave assurances of the "quality and efficiency" of the projects, which are part of the "Sea Group" set up by the Cape Verdean government to transform Mindelo into a marine logistics platform in the mid Atlantic Ocean.
The deep water port will help to drive the ship repair business and support international shipping fleets, and there are also plans to set up an international fishing centre.
Designed to be the first centre of excellence for marine security and oceanographic research, the Mindelo deep water port will be in direct competition with the ports of Dakar (Senegal) and Las Palmas (Canary Islands, Spain). *(Macauhub)*

Angola repairs around 8,000 kilometres of roads

Angola's Construction Minister, Waldemar Pires Alexandre, said that 7,900 kilometres of roads and 311 bridges would be repaired as part of the road reconstruction programme.
Pires Alexandre told Angolan news agency Angop that the Angola Roads Institute (INEA) had built 568 bridges and assembled 347 temporary metal bridges.
The minister noted that around 4,200 bridges destroyed in the country's civil war still had to be repaired.
"Rebuilding these bridges, to improve the national road system, will be the next step," the minister said. *(Macauhub)*

Mozambique raises coal railway, port project costs to $5bn

MAPUTO – Mozambique has increased the estimated cost of a railway and port project to boost coal exports to $5-billion, almost twice as much as its initial projection, a Ministry of Transport official said.
Mozambique picked Bangkok-based Italian-Thai Development Pcl to construct the 525 km rail line from Tete province to Macuse in Mozambique's Zambezia province and a port able to handle 25-million tonnes of cargo per year.
The project was initially pegged at $3-billion but the figure has been revised.
"The total value of both contracts is estimated at $5-billion, with the construction planned for 2016," Ministry of Transport spokesman **Verlopes Nhampossa** said.

He did not give a reason for the revision but said technical teams were working on how much money would be spent on the railway line and the port separately.
Mozambique, a former Portuguese colony that emerged from civil war two decades ago, boasts some of the world's largest untapped coal reserves and is expected to become a key source of premium, hard coking coal used in steel making.
However, infrastructure bottlenecks have become a major headache for mining companies in the coal-rich Tete province, with some projects delayed or put on hold due to the problems of getting coal to port. *(Engineering News)*

Beacon Hill confirms completion of rolling stock for Moz coal project

Dual-listed Beacon Hill Resources revealed that the locomotives and wagons that would enable the company to use its 500 000 t/y allocation on the Sena railway line, between Tete and Beira had, in accordance with a prior lease agreement, been manufactured and were expected to arrive in Beira in the first quarter of the year.
The rolling stock would be used to transport the company's and other producers' coal over 580 km from Beacon Hill's Minas Moatize mine area, in Tete, to Beira.
The company entered into a lease agreement in January 2013 with Thelo Rolling Stock whereby Thelo, in conjunction with RRL Grindrod Locomotives and Transnet Engineering, would provide five new Grindrod RL30SCC-3 diesel locomotives and 90 new Gondola-type rail wagons to transport coal on the Sena railway line. The rolling stock was currently undergoing independent inspection before being transported to Mozambique using the existing rail networks in South Africa, Zimbabwe and Mozambique.
The open-top type, multi-use rail wagons would be loaded on a vessel in Port Elizabeth and shipped to Beira. "We are delighted to announce the completion of our purpose-built locomotives and wagons, a key facet of our end-to-end logistics solution, as we move up through the gears targeting Tier 1 cash cost coking coal production from our Minas Moatize mine," commented CEO **Rowan Karstel**.

RAIL OPERATIONS

Beacon Hill planned to operate two train sets on the Sena railway line, each comprising two locomotives with 42 rail wagons, each loaded with up to 63 t of coal.
An interim rail access agreement entered into between the company and Portos e Caminhos de Ferro de Moçambique (CFM), the parastatal authority that oversaw Mozambique's railway system and its connected ports, allowed the company to rail 500 000 t/y of coal or 7.7% of the capacity of the railway line. The agreement would automatically renew each year until the company and CFM entered into a long-term take-or-pay agreement.
In accordance with a services agreement that was entered into between wholly owned Beacon Hill subsidiary Minas Moatize Limitada and RRLGrindrod Train Operations in June 2013, all train crews and other personnel were operationally ready and in place in Mozambique. *(Mining Weekly)*

Firms 'primed' for mining, energy contracts in Africa

WHILE South African construction firms are not always able to compete on infrastructure projects in the rest of the continent, they are well placed to compete for mining and energy contracts there, says Global Credit Rating (GCR) corporate ratings head for Africa Eyal Shevel.
Limited construction work in South Africa has meant other regions, including the rest of Africa and Australia, have become more important in sustaining the order books of many local firms.
Some of the larger contractors are "surviving" off their Australian operations, Mr Shevel said last week.
Meanwhile, the rest of Africa has increasingly drawn the attention of firms such as Group Five, which has reported a growing African pipeline in buildings, housing, power, oil and gas, and infrastructure, as well as concessions. The company's "potential pipeline" in October last year, which it valued at R213bn, was made up of more African opportunities than local ones, with transport, mining, power, and oil and gas making up the bulk of opportunities identified.
Mr Shevel said African expansion strategies carried different risk profiles for different contractors. GCR was comfortable with Group Five's African plans, given the company's history and experience on the continent. "They have very strong internal knowledge of the conditions in the different African countries, as well as rigorous risk-management processes," he said.
Contractors new to Africa, however, could face more risks.
Esor — whose name on the JSE changed from Esorfranki— lost its African business late last year when it was coerced into selling its geotechnical division. Esor CEO Bernie Krone last year said that other divisions had priced work elsewhere but had not yet crossed South Africa's borders.
Esor's civils division was eyeing opportunities in Botswana and Mozambique, while its pipelines business had "some fairly hot prospects" in Zambia and Zimbabwe, he said.
Mr Shevel said local construction firms were not able to compete with Chinese contractors on many infrastructure projects in the continent — such as road contracts in East Africa — partly due to political reasons. However, South African contractors had a competitive advantage on private-sector work such as mining and energy, given their more stringent safety standards.

Professional services firm Deloitte said in November last year that the infrastructure boon in Africa had attracted investments totalling $222.7bn on 322 projects. This figure included projects valued at more than $50m on which construction began, but was not completed, before June 1 last year.
The top sector by investment value was energy and power, followed by transport, mining, real estate, water, and oil and gas.
Deloitte's second African Construction Trends Report said that overall, 59% of the projects were owned by governments; 2% were public-private partnerships, and private investors owned 29% of the projects. *(BDLive)*

AGRIBUSINESS

Africa's quiet agricultural revolution

Africa's current growth has sparked a heated debate over its sources and sustainability.
Some argue that growth across Africa is fundamentally a result of rising commodity prices and that if these prices were to collapse, so too would Africa's growth rates. Others lament the so-called de-industrialisation of Africa. They worry that without a vibrant manufacturing sector, unemployment will remain high and the economies of Africa will not catch up to the more advanced countries of the world. Finally, some warn that youth unemployment could lead to an 'Arab Spring' in sub-Saharan Africa. Taken together, one could conclude that recent success will be short lived. But these observations fail to account for a quiet revolution taking place in Africa, which provides good reason for cautious optimism about the continent's economic progress.
This phenomenon includes a substantial decline in the share of the labour force engaged in agriculture, an unprecedented increase in the numbers of rural children in secondary school, significant improvements in governance and a rise in agricultural productivity. For now, the revolution remains quiet, because the synergies between these various developments are only just starting to be realised.
A decline in the agricultural labour force may seem like an odd harbinger of a green revolution, but it is an important trend. Agriculture in Africa has traditionally had extremely low labour productivity, while moving out of the sector has been associated with increased living standards for millions of people.
Even more striking are the changes taking place among Africa's youth – particularly the rural young, who are moving to occupations that raise their living standards. But the biggest shift is the increased share of the rural young remaining in school from an average of 24 % to 48 % over the past decade. Notably, the increase is the largest for rural females.
It is no accident that these structural changes have coincided with an overall increase in the quality of governance in Africa. According to the International Food Policy Research Institute (IFPRI), rural people in Africa vote more often than their urban counterparts and overwhelmingly vote for the incumbent, whereas urban residents tend to be much more supportive of the opposition. As education and living standards in rural areas improves, it will become increasingly difficult for incumbents to buy these votes.
The US Department of Agriculture reports that for the first time in decades, total factor productivity growth in Africa is rising. Progress is slow at roughly 1 % per year, but this is the first time in decades that agricultural productivity growth has been positive. Increasing political competition across the continent is a strong empirical predictor of this rise, while the emergence of electoral competition has altered political incentives, resulting in both sectoral and macroeconomic policy reforms that benefit farmers.
This is of critical importance because, paradoxically, the hope for the 'modernisation' of Africa that will bring formal sector jobs needed to sustain productivity growth lies in the agricultural sector.
Consider some of the recent investments in labour intensive manufacturing. Chinese, Indian and European investment is pouring into Ethiopia's leather sector, with fruit processing in Ghana generating interest among Indian and European investors. The US and Switzerland are investing in cashew processing in Mozambique. While access to relatively cheap labour is an attraction, it is not the primary reason for these investments; it is access to high quality raw materials.
A recent survey of foreign investors in leather processing and manufacturing finds the single most important reason for investment in Ethiopia's leather sector is the country's potential to produce some of the highest quality leather in the world. Yet this potential is yet to be realised due to the disorganised nature of the livestock industry and traditional practices that make much of the hides unsuitable as raw materials. The result is that many firms currently import up to two thirds of the hides which they later convert into shoes, gloves and bags for export.
The lesson is clear: additional investments in the livestock sector have the potential to create more formal jobs in the leather industry, while at the same time providing opportunities for poor, rural populations. Such investments could happen relatively quickly, leading to much needed structural economic change on the continent.
African governments have come together to form a compact – the Comprehensive African Agricultural Development Programme – which commits them to spending more of their budgets on agriculture. The World Bank and IFPRI are working with governments across the continent to catalogue the myriad of informal property rights systems in place for greater transparency and to provide more tenure security to farmers. The CGIAR and others are working with

African researchers to develop new seed varieties. Crucially, African governments are investing more in rural infrastructure.

But there is a lot more that could be done to transform the agricultural sector more quickly. With luck and more pressure from an increasingly educated population, policies that promote faster productivity growth in agriculture could be the key to the modernisation of Africa.

Margaret Mc Millan is a Senior Research Fellow at IFPRI,a Professor of Economics at Tufts University and a Research Associate at the National Bureau of Economic Research. She is currently leading a research project on structural transformation in Africa, funded by the DFID-ESRC Growth Research Programme.

Kenya: Grain Farmers Earmarked for Short-Term Loans

Nairobi — Chase Bank has partnered with the East African Grain Council (EAGC), to introduce affordable short-term loans to farmers and traders in form of warehouse receipt finance, aimed at increasing supply chain efficiency.

Under this form of financing, farmers and traders of wheat, maize, barley and sorghum will have access to secure and affordable short-term loans, after delivering and storing their grain in warehouses accredited by EAGC.

The farmers will use the warehouse receipts as collateral to obtain credit from the bank.

Chase Bank Head of Agribusiness, Kathleen Goense says the financial sector is ripe to offer farmers this form of financing as the country moves towards embracing devolution and endeavouring to achieve Vision 2030 goals.

"For the agricultural sector to meet its objectives under the Vision 2030 Economic Pillar, the financial sector must offer solid solutions that can be implemented to diminish the challenges that large, medium and small scale farmers and traders face. Farmers and traders of grain produce can now store their commodities in warehouses approved by East African Grain Council and access upfront 65 % financing from the bank," she said.

She underlined that under this arrangement with EAGC, farmers and traders will be able to meet their immediate financial needs without reliance on selling their produce after harvest.

"This means that they do not need to sell their produce immediately, they can store and sell it later on getting attractive prices," she said.

Goense explained that the Warehouse Receipt Finance from Chase to farmers and traders is expected to unlock their potential. She noted that Chase Bank is keen on supporting the government in developing institutional infrastructure that will improve management of household food security as well as ease access to regional markets for Kenyan traders and farmers through financing such as the Warehouse Receipt Financing.

Warehouse receipt financing is entirely new in Kenya as its legal framework and regulatory structure is still under legislative stages.

If the Warehouse Bill is approved by Parliament, the warehouse receipts will be negotiable instruments, a development which could transform the face of agricultural sector in the country.

If passed into law, Warehouse Receipts (WRS) can greatly facilitate financing of agriculture as they could serve as highly credible collateral for agriculture credit.

The importance of WRS stems from the fact that it can provide surplus-producing farmers (including smallholders) with a market window, which can help them secure best possible deal, by allowing them to deal directly with downstream buyers and financiers, and overcome unbalanced power relationships within the market chain.

Farmers (or groups of farmers) can overcome various embedded market constraints by depositing their crops in a warehouse that dries, cleans and grades them according to established standard, and holds them until they wish to sell.

Kenya's agricultural development remains the most significant contributor to GDP. The sector directly contributes 24 % of the Gross Domestic Product (GDP) directly and another 13 % indirectly.

Forty-five % of government revenue is derived from agriculture and the sector contributes over 75 % of industrial raw materials and more than 60 % of the export earnings.

The sector is the largest employer in the economy, accounting for 60 % of the total employment. Over 80 % of the population, especially in rural areas, derives their livelihoods mainly from agriculture-related activities.*(Capital FM)*

How three agribusinesses have improved their engagement with smallholders

Africa’s smallscale farmers face a number of challenges which can affect both the quality and quantity of their output. For agribusinesses sourcing produce from them, this can negatively impact their business

To overcome these challenges, agribusinesses need to improve their engagement with smallscale farmers along the value chain. Here are three examples of African agribusiness companies which have implemented ways of overcoming the challenges of sourcing produce from smallholders and ensuring steady supply.

Divine Masters in Uganda: managing 12,000 smallholders

Divine Masters is a Uganda-based business involved in the production and trade of soya beans, maize and rice. Started in 2007 by entrepreneur Orisa Raphael Jawino to supply the demand for soya in the region, Divine Masters works with about 12,000 out-grower farmer families in addition to managing its own farms.

Managing so many farmers does come with challenges, but Divine Masters has tackled some of these issues by organising its farmers into 300 groups, consisting of between 30 and 500 farmers per group.

"These farmers operate in a cooperative manner where they have their own leadership structures; they elect their own committee members who guide or lead their operations," Jawino told ***How we made it in Africa*** last year.

"Now Divine Masters operates or works directly with these elected leaders of the group, and any services – for instance inputs or credit facility that [have] to be extended to these farmers – I extend it through the group leadership, who is also responsible for ensuring that these services trickle down to the farmers. In the same way, when it comes to the collection of the grains and also the recovery of whatever inputs that were given or credit facility extended to them, we also get it through the group leaders."

AACE Foods in Nigeria: solving communication and payment challenges

AACE Foods is a Nigerian startup agroprocessing company which processes and packages nutritious food made from fruits, herbs and vegetables sourced from smallholder farmers in northern Nigeria.

According to a report by the United Nation's Food and Agriculture Organisation (FAO), ***Rebuilding West Africa's food potential***, the company has faced a number of challenges sourcing its raw materials.

For example, cellular phone connectivity remains poor in many rural areas in Nigeria, making communication difficult with smallholder farmers. Even when connectivity is available, power supply is unreliable in Nigeria and farmers sometimes cannot charge their phones.

To overcome the challenge, AACE Foods developed a working relationship with organisations in the region that support these farmer clusters and can physically relay information about orders, pricing and payments to farmers.

AACE Foods also found that many of their smallholder farmers do not have bank accounts and prefer to be paid in cash on collection of their produce.

"Working with AACE Foods, which has a policy of paying 50% up front and providing the balance upon delivery in Lagos (which typically occurs three to seven days after the first payment), proved difficult at first, because of the significant distrust that exists between smallholders and agroprocessors," stated the FAO report.

To overcome this, a bank account could be opened for each farmer cluster where a group leader receives payments on behalf of the cluster and then distributes the funds to the smallholder members.

La Laiterie du Berger in Senegal: improving milk supply

Senegal is highly dependent on food imports and, according to the research by FAO, 90% of the milk being traded is imported, mainly as powdered milk.

La Laiterie du Berger, established in 2006, supplies locally produced milk and milk products (such as yogurt and cream). The company's main factory is at Richard Toll, roughly 400km from Senegal's commercial and administrative hub Dakar.

High costs for transporting milk is a challenge for both milk producers and la Laiterie du Berger, especially considering the distance between milk producers and factories and the need for daily collection to keep milk fresh. The company has set up a system of collections circuits where drivers in each circuit pick up and drop off fresh milk in collection rounds.

"The milk collection system has effectively reduced the amount of spoilt milk received at the factory," stated the FAO research.

La Laiterie du Berger also provides a variety of services to its milk producers and breeders to ensure it has a steady supply of quality milk, and assists milk producers with increasing their production. These services include the delivery of fodder, veterinary consultations and feeding and milk-related hygiene advice. The company also allows group purchases and distribution of animal feed. *(How we made it in Africa)*

Zambia: German Holding Company Farming in Zambia

Zambia's agricultural sector, with its reliance in small-scale farmers, is in crisis. The government is pinning its hopes on foreign expertise and capital. One German-Zambian firm has taken up the challenge.

George Allision holds a hard clump of earth in his hands weighing about five kilograms. He says the soil on this uncultivated land is acidic, lacking in nutrients and has suffered from erosion by the elements. Allison was born in Zimbabwe and studied agriculture in the UK.

Together with two friends and the German holding company Sapinda, he founded Amatheon, a German-Zambian enterprise. Sapinda is investing $50 million (37 million euros) in the new firm.

They leased 30,000 hectares (74,000 acres) in Big Concession, a 260,000 hectare block of land in Zambia which so far has not been farmed very heavily.

Amatheon began growing wheat and soya beans there in 2012. Allision said the traditional ploughing methods had exhausted the soil and left it clumpy. "To improve the quality of the soil, I'm having to spend a lot of money on irrigation and power generation," Allison said. "I am going to be farming this land for 20 to 30 years. I cannot simply move elsewhere like the small-scale farmers, because I have invested too much capital" he added.

Clearing the land, removing acidity from the soil

Amatheon is having to invest considerable sums of money in the soil in northern Zambia to so that one day large quantities of soya beans and wheat can be harvested there.

Experts are being called in to assess much ground water is available for irrigation, farm labourers are spreading lime so as to neutralize the acidity in the soil and contractors are being brought in to clear square kilometer after square kilometer of bush. Afterwards the soil has to be cultivated with great care.

A camp serves company's provisional headquarters. Allison is proud of his fleet of agricultural vehicles - new excavators, bulldozers, tractors and 15 meter wide transplanter which can cut furrows, sow seed and apply fertilizer at a considerable pace. Amatheon wants to farm its huge tracts of land as efficiently as possible.

Foreign agricultural investors are often regarded in poor countries as unscrupulous land-grabbers who drive away the small-scale farmer. But in Zambia such a clash of interests occurs only infrequently. Firms such as Amatheon generally lease land that belongs to state-owned farms that have fallen into disuse.

The big problem faced by Zambia's small-scale farmers is that they can only farm very small plots of land, because their farming practices are so labor intensive and inefficient. Amatheon wants to help the farmers switch to more modern methods, which is in its own interests as well as that of the farmers.

Improving yields and conserving the soil

"Because we are operating here, large quantities of seed and fertilizer are being brought into the region, which we can offer the small-scale farmers at competitive prices," said Allison.

"And because of our large freight capacity, we can buy soya beans and maize off the small-scale farmers at a higher price than they would get elsewhere. Together with our suppliers, we are training them how to maximize their harvests."

An irrigation system improves crop yields

But that is only possible if farmers - like Amatheon - treat the soil with respect and rotate their crops. The land is not ploughed for sowing but is slit open and remains covered with organic matter in order to boost the fertility. Fertilizer and pesticides are used at the right time and in precise doses.

Amatheon employs an advisor who can explain to the small-scale farmers the principles behind this method of crop growing.

"Amatheon has already created quite a few jobs," said Aaaron Kamalando, District Secretary from the nearby town of Mumbwa. "And a large share of the levies they pay go back into the district," he said. Zambia is divided into nine provinces, each of which is subdivided into districts. Mumbwa District is located in Central Province.

"The firm is also creating infrastructure - this helps to boost the local economy. It is also giving small-scale farmers the opportunity to become more commercial.

In the past, none of the farms here were able to develop, which explains why it is so difficult to guarantee food security in the region," Kamalando said. He hopes this will change now that Amatheon has arrived. *(Deutsche Welle)*

TRADE

Rwanda: Coffee Export Earnings At Rwf3.6 Billion

Rwanda earned $5.3m (Rwf3.6b) from coffee exports in November, down from $7.3m (Rwf4.9b) in October, statistics from the National Agricultural Export Board indicate.

This was a 26.5 per cent decrease month-on- month. The volumes exported during the month also dropped to 2,306 tonnes compared to the 2,649 tonnes exported in October.

Corneille Ntakirutimana, the director in charge of production at NAEB, attributed the decline in export revenues to decrease in volumes "because it was off season for coffee".

"During the months of October, November and December, we normally export stored produce," he explained.

NAEB is yet to publish figures for December.

The coffee sector is targeting to generate $157m from exports by 2017. This compares to $87m that was expected to be realised from coffee exports last year. *(The New Times)*

Southern Africa: Tripartite Free Trade Area to Become a Reality

Three regional economic communities in Africa are expected to sign an agreement in 2014 to establish an enlarged market covering 26 countries in eastern and southern Africa.

The "Grand" or Tripartite Free Trade Area (FTA) with a combined population of some 600 million people and a Gross Domestic Product of about US$1 trillion covers half of the member states of the African Union and is intended to boost intra-regional trade, increase investment and promote the development of cross-regional infrastructure.

The target was set just five years ago by the Common Market for Eastern and Southern Africa (COMESA), the East Africa Community (EAC) and the Southern African Development Community (SADC), commonly referred to as COMESA-EAC-SADC.

Since the historic Summit of Heads of State and Government in October 2008 in Kampala, Uganda, they have made significant progress towards realising this dream of opening up borders to literally half of the continent, spanning the entire southern and eastern regions of Africa - from Cape to Cairo.

The chairperson of the Tripartite Task Force, Dr Richard Sezibera, has indicated that negotiations are progressing according to the agreed time-frame, and that consultations will be concluded soon.

He said an agreement by the three regional communities will be signed by June 2014, paving the way for the launch of the FTA.

"Considerable progress has been made and negotiations have intensified to ensure that we clinch the Tripartite Free Trade Agreement by June 2014," Dr Sezibera, who is also the EAC Secretary General, said at a tripartite meeting held in November in Arusha, in the United Republic of Tanzania.

His counterparts, Dr Stergomena of Tax of SADC and Dr Sindiso Ngwenya of COMESA, have pledged to make the tripartite negotiations a success.

The ongoing negotiations involving COMESA-EAC-SADC are being followed keenly by the AU as other regions that want to learn from this experience.

Africa's long-standing vision since 1963 at the formation of the Organisation of African Unity (OAU), now the African Union, is to have a united and integrated region.

Under the African Economic Community Treaty signed in 1991, Africa aims to establish a continent-wide free trade area and these regional trade arrangements such as the Tripartite FTA are regarded as the building blocks.

Once operational, this tripartite FTA will become a new benchmark for deeper regional and continental integration in Africa.

There is a clear recognition that COMESA-EAC-SADC is founded on a strong and clear agenda, despite the challenges that the three regional communities may face.

According to a roadmap adopted in June 2011, negotiations for a Tripartite FTA are being conducted in three different phases - preparatory phase, phase one and phase two.

To date, the Tripartite Trade Negotiation Forum (TTNF) has completed the preparatory phase which involved the exchange of relevant information, including applied national tariffs and trade data and measures.

It was aimed at ensuring the adoption of the terms of reference and rules of procedure for the establishment of the TTNF. This phase began in December 2011 and lasted about 12 months.

The tripartite negotiations are now concluding phase one which will cover core FTA issues of tariff liberalisation, rules of origin, customs procedures and simplification of customs documentation, transit procedures, non-tariff barriers, trade remedies and other technical barriers to trade and dispute resolution.

Facilitating movement of business persons within the region is being negotiated in parallel with the first phase.

Phase two, the last stage of the negotiations, is expected to start soon and will cover trade in services and trade-related issues such as intellectual property rights, competition policy and trade development and competitiveness.

According to the roadmap, all negotiations should be completed within 36 months. Thereafter, COMESA-EAC-SADC are expected launch a single FTA by 2016, building on the FTAs that are already in place.

It will also resolve the long-standing conundrum of overlapping membership, which has presented barriers for the three communities in their quest towards integration.

Technically, a country cannot belong to more than one customs union, yet the three communities have either already established or are working towards creating their unions.

The ultimate launch of the enlarged FTA will result in the three sub-regions coalescing into a single FTA with the goal of establishing a single Customs Union in the near future.

With the launch of the "grand" FTA now getting closer to becoming a reality, countries in eastern and southern Africa including Zimbabwe should ensure that they fully benefit from such an arrangement.

The creation of an enlarged market would promote the movement of goods and services across borders, as well as allowing member countries to harmonise regional trade policies to promote equal competition.

Removal of trade barriers such as huge export and import fees would enable countries to increase their earnings, penetrate new markets and contribute towards their national development.

However, like any other trade arrangement, the Tripartite FTA will bring its own challenges that need to be addressed.

For example, less prepared nations are at risk of being swallowed economically by more powerful nations, as their local industries would suffer from the stiff trade competition from more rival firms in an open market. This competition may subsequently allow the more organised and developed nations to push weaker local firms out of business.

Hence, member states must smartly address such pertinent issues to fully benefit from the trade arrangement.

One way of addressing this could be by boosting the manufacturing sector to ensure it is able to compete and withstand pressure from outside firms.

Another option is value-addition to increase benefit from natural resources such as gold, diamonds and nickel.

Zimbabwe has already identified various measures that aim at accelerating economic development and preparing its industries to withstand stiff competition in an open market.

These measures are contained in the newly crafted Zimbabwe Agenda for Sustainable Socio-Economic Transformation (ZimAsset). Zim Asset is a Government blueprint that will guide economic transformation and development in Zimbabwe for the next five years, spanning October 2013 to December 2018.

It should be noted this is the same period in which the Tripartite FTA involving COMESA-EAC-SADC is to be launched, thus ZimAsset is also an important blueprint for the country in this context.

ZimAsset has identified four key priority clusters that will enable Zimbabwe to achieve economic growth and reposition the country as one of the strongest economies in the region and Africa.

These key priority clusters are food security and nutrition, social services and poverty reduction, infrastructure and utilities, and value addition and beneficiation.

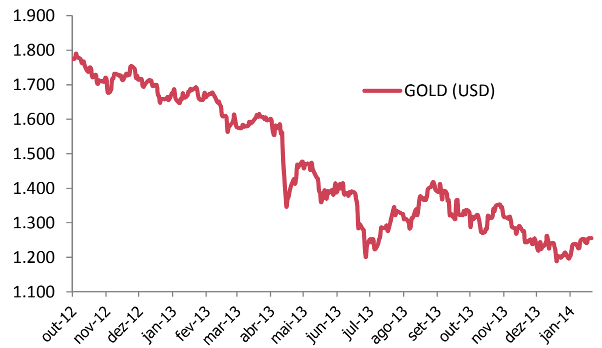
Value addition in various sectors, among them mining, agriculture, infrastructure focusing on power generation, transport, tourism, information communication technology and enhanced support for small to medium enterprises, are the key drivers of any economic agenda. sardc.net

SANF is produced by the Southern African Research and Documentation Centre (SARDC), which has monitored regional developments since 1985.

MARKET INDICATORS
20-01-2014

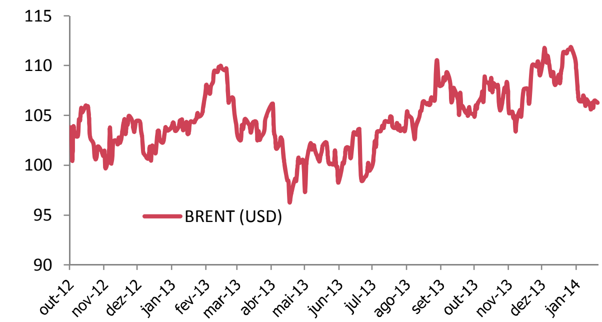
STOCK EXCHANGES		
Index Name (Country)	20-01-2014	YTD % Change
Botswana Gaborone Domestic Index (Botswana)	9.175,00	22,17%
Bourse Régionale des Valeurs Mobilières (Ivory Coast)	241,76	45,13%
Case 30 Index (Egypt)	7.036,13	28,81%
FTSE NSE Kenya 15 Index (Kenya)	176,21	40,13%
Morocco Casablanca Stock Exchange CFG 25 (Morocco)	19.045,90	-0,51%
Nigerian Stock Exchange All Share Index (Nigeria)	41.718,03	48,57%
FTSE/JSE Africa All Shares Index (South Africa)	46.745,00	19,09%
Tunindex (Tunisia)	4.375,43	-4,46%

Source: Bloomberg and Eaglestone Securities



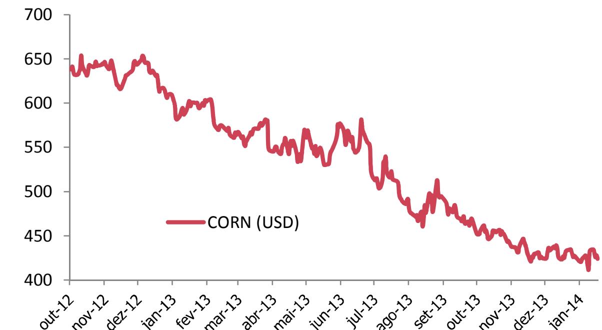
METALS	Spot	YTD % Change
Gold	1.255	-25,08%
Silver	20	-33,09%
Platinum	1.467	-4,76%
Copper $/mt	7.340	-7,45%

Source: Bloomberg and Eaglestone Securities



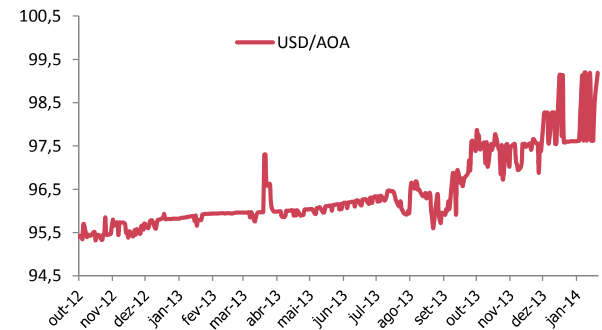
ENERGY	Spot	YTD % Change
NYMEX WTI Crude (USD/barril)	93,7	0,56%
ICE Brent (USD/barril)	106,3	-2,03%
ICE Gasoil (USD/cents per tonne)	904,8	-1,20%

Source: Bloomberg and Eaglestone Securities



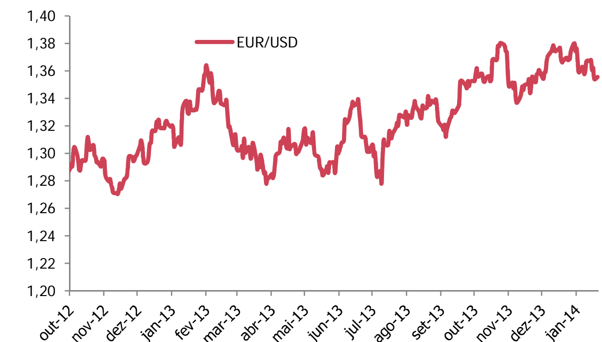
AGRICULTURE	Spot	YTD % Change
Corn cents/bu.	424,0	-39,45%
Wheat cents/bu.	563,5	-28,47%
Coffee (KC) c/lb	117,2	-20,14%
Sugar#11 c/lb	15,2	-22,90%
Cocoa $/mt	2700,0	19,79%
Cotton cents/lb	86,8	14,42%
Soybeans c/bsh	1316,5	-5,91%

Source: Bloomberg and Eaglestone Securities



CURRENCIES	Spot
KWANZAS	
USD	99,188
EUR	132,322
GBP	160,501
ZAR	9,007
BRL	41,745
NEW MOZAMBIQUE METICAL	
USD	30,200
EUR	40,935
GBP	49,652
ZAR	2,787
SOUTH AFRICAN RAND SPOT	
USD	10,832
EUR	14,684
GBP	17,809
BRL	4,632
EUROZONE	
USD	1,36
GBP	0,82
CHF	1,23
JPY	141,02
GBP / USD	1,64

Source: Bloomberg and Eaglestone Securities



UPCOMING EVENTS

Africa Oil & Gas Summit 2014, January 27 & 28, London, Lancaster Hotel (*http://www.africaoilandgassummit.com/*)

African Mining Indaba- 3-6 Feb 2014-Cape Town, South Africa
Global professionals including key mining analysts, fund managers, investment specialists, and governments clearly define Mining Indaba as their preferred venue for obtaining the most current economic and mining developments from the world's leading experts on African mining. It is held annually at the Cape Town International Convention Centre in Cape Town, South Africa and is organised by Mining Indaba LLC. (*http://www.miningindaba.com/*)

Build Africa 5-7 Feb 2014- Brazzaville, Republic of the Congo
The premier business & investment forum for infrastructure in Africa. For the first time in Sub-Saharan Africa, the BUILD AFRICA forum, to be held in Brazzaville, February 5th-7th, 2014, provides a framework for practical exchange and reflection between the global players who are forging Africa's development. For two days, policymakers, donor agencies, NGOs and infrastructure and construction experts from around the world, all involved in the major challenges of infrastructures, will gather to tackle the continent's main obstacles and find new solutions to specifically pan-African problems. (*http://www.buildafricaforum.com/en/home*)

South Africa's annual private equity conference will be held at Spier, Stellenbosch, South Africa on Tuesday 11 February 2014
The event is co-hosted with pride by The South African Private Equity and Venture Capital Association (SAVCA), Financial Times Live and the Emerging Markets Private Equity Association (EMPEA).(*http://event.ft-live.com/ehome/74861/overview/?&*)

18th Meeting of the Intergovernmental Committee of Experts (ICE)- National Champions, Foreign Development Investment (FDI) and Structural Transformation in Eastern Africa, 17 February 2014 to 20 February 2014 Kinshasa, Democratic Republic of Congo. United Nations Economic Commission for Africa is organising. (*http://www.uneca.org/ea-ice18*)

Africa Renewable Energy Investment Forum 5th - 7th March 2014 Centro de Congressos de Lisboa-Lisbon, Portugal
This Forum will bring together all the major actors involved in the renewable energy sector in Africa, including African Ministers of Energy, energy companies, representatives of the European Union, African regional economic communities, development financial institutions, investors and financiers. The aim of the Forum is to discuss current projects, learn about case-studies, and explore new opportunities. The forum will offer a platform to significantly develop the African Renewable Energy sector by creating win-win solutions for governments, investors and businesses in Africa as well as internationally.(*http://www.ic-events.net/2013/renewableenergy/*)

POWER-GEN Africa 17 Mar 2014 - 19 Mar 2014 Cape Town, South Africa
POWER-GEN Africa will consist of a conference and exhibition dedicated to the needs, resources and issues facing the power generation sector across sub-Saharan Africa. It will, for the 2nd year, bring together a range of experts involved in every aspect of the business of power generation from policy makers, project developers, financiers,...

ARA WEEK 2014 Indaba 24th - 28th March 2014 Marrakech
Meet with all of the key players of the North and Sub-Saharan African and International downstream oil industry to discuss the theme of the conference "Investing in Infrastructure". Join representatives from refineries, government ministries, banks, regulators, importers, distributors, traders, storage companies, marketing companies and refinery equipment and technology suppliers.

Mozambique Mining, Oil & Gas and Energy Conference 27-28 March 201, *www.mozmec.com*

Africa Agribusiness Forum 2014, 28-29 April, Vienna International Centre, Austria in partnership with UNIDO
(*www.africaagribusinessforum.eventbrite.co.uk*)

5th Eastern Africa Oil, Gas-LNG & Energy Conference 28 - 30 April 2014 Nairobi, Kenya
"Exploration, Development, Production: Oil/Gas-LNG, New Ventures, Bid Rounds, Investment, Service/Supply"

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Disclosures

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

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

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

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

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