INSIDE AFRICA

20 July 2015

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EAGLESTONE SECURITIES

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In-depth:

The Rwanda Economic Update: Financing Development

The Role of Deeper and More Diversified Financial Sector

In the new Rwanda Economic Update (REU) launched the World Bank projects an economic growth rate of 7.4% in 2015 and 7.6% in 2016. With the projected growth rates, the World Bank projects Rwanda's poverty rate to decline from 63% in 2011 to 54% in 2016, thus moving approximately one million people above the poverty rate.

Rwanda's growth rate recovered from 4.7% in 2013, the lowest growth since 2003, to 7.0% in 2014, the report says. Private and government consumptions led the recovery, which is reflected in the accelerated growth of the services sector. However, fiscal policy has become less expansionary in recent quarters. On the other hand, developments of the monetary sector have been supportive to the economy. Bank lending has recovered to the pre-aid shortfall level. "*Low inflation rate and appreciation of real effective exchange rate (i.e., exchange rate adjusted by inflation and relative importance of trading partners by trade values) is favorable for the accommodative monetary policy to support the economy through financing"* says **Yoichiro Ishihara, Senior Economist and Task Team Leader of the report.**

Analyzing the possible impacts of the oil price decline on Rwanda's economy, the report observed positive impacts in both inflation and imports. Transportation prices (including gasoline) declined by about 4%, which brought down the overall Consumer Price Index (CPI). On energy imports, prices started to significantly decline in November 2014, resulting in energy import values drop of 20-40% until April 2015.

According to the report, for Rwanda to achieve high and sustainable growth, the medium term investment is critical. Although Rwanda's GDP investment of 24% is slightly higher than the average of low/medium income countries, it is still mostly financed by foreign savings, including aid. Increasing domestic savings in the next several years is difficult. It is therefore imperative to find alternative domestic and external financing sources. *"Workers remittance and foreign direct investment are potential sources, as they have steadily increased without significant volatilities in the past several years"* says **Carolyn Turk**, **Country Manager for Rwanda**.

The development of the financial sector in Rwanda is essential in financing development, for two reasons. First, the financial sector contributes to economic growth and government revenues and supports the mobilization of domestic savings, especially through improving access to finance in the medium to long-term. Second, the financial sector facilitates domestic and foreign debt financing and investments and access to international capital markets.

While commercial banks are still the most important source of financing in Rwanda, their investments are constrained by the maturity of their liabilities, which consist mainly of local short-term deposits. "*As the banking sector has limited capacity to provide long-term financing, domestic, regional, and international institutional investors, such as pension and insurance funds, are natural candidates for investing in long-term projects"* says **Gunhild Berg, Financial Sector Specialist**. *(The World Bank)*

How can Africa fulfil its potential for energy production?

South Africa's City Press reports that Turkish company Karadeniz Energy Group has offered to help to solve South Africa's power problems by supplying its Powerships to the company.

Some African countries, like Ghana, get electricity from Powerships; floating power stations that connect to the grid and are powered by oil or gas.

If this demonstrates anything, it is how Africa's power scarcity is frustrating and stifles development; the shortages can be so relentless that they almost become normal, with people re-organising their lives around having no electricity – indeed, a country like Nigeria (amazingly) managed to become Africa's biggest economy while producing only 1.5% of the power it needs.

But looking at the numbers involves brings the disheartening scarcity into sharp relief – and also shows the continent's immense latent potential.

A single American football stadium in Dallas, Texas, uses the same amount of power during a match as the entire country of Liberia uses in one day.

In sub-Saharan Africa, 75% of the population and 30% of health facilities, including hospitals and laboratories, do not have electricity. Less than 2% of the rural populations in Chad, Ethiopia, Malawi, and Niger have access to electricity.

Eight five % of rural Africans must burn biomass – like firewood and charcoal – for fuel, threatening their own health and the health of the environment. By some estimates, women expend 40% of their daily calorie intake looking for fuel and water, and the cumulative effect of having to spend all that time collecting fuel means puts a brake on education and self-empowerment.

These numbers are depressing, but there are others that give hope, particularly in green energy. Africa's potential for wind power is enormous – Sudan's wind alone could provide the power to supply 90% of the country's energy needs.

The Great Rift Valley in East Africa could generate 9,000 MW in geothermal energy. Many areas in sub-Sahara Africa feature daily solar radiation between 4kWh and 6kWh per square meter – anything above 3kWh is clear skies and intense sunshine, considered high potential for solar photovoltaic generation. Only 5% of Africa's hydropower potential is exploited.

It puts Africa in a unique place to be on the cutting edge of the green energy revolution, from hydroelectricity to solar and wind power.

Demand for electricity is likely to increase six-fold by 2050, both as a result of population growth and increased urbanisation, but also because "pent-up demand" is released. Africa accounts for just 4% of the world's electricity demand, but that's largely because people have learned to live without it, and so their demand is suppressed. But the more of it becomes available, the more of it people will use.
Africa produces 11% of the world's oil, 6% of its natural gas, and 4% of its coal. Six of the top 30 energy producers call Africa home.
But much of this energy is exported rather than used to fuel Africa; 90% of Nigerian oil is exported to non-African countries, while Nigeria imports about 70% of the processed oil products it needs to meet domestic requirements.
The country currently has four oil refineries with the total capacity to process about 445,000 barrels/day, but they operate below capacity. Regional power trade would save Africa $2 billion a year, and make it more self-reliant in energy.
But changing Africa's dismal story will require visionary leadership, for both government and business. In Europe and America, entrepreneurs took a risk and put their money in electricity, railroads and fibre optics, and – supported by government – lay the infrastructural foundation to spur their economies to prosperity. The same kinds of public-private partnerships are needed in Africa.
The funding deficit is huge. Africa requires more than $300 billion in investment capital to achieve universal electricity access by 2030. Still, very little goes a very long way in Africa – according to an African Development Bank report, if the continent were to reinvest just 5% of oil and coal export revenues every year, that would be enough money to build the infrastructure to power every home on the continent. *(World Economic Forum)*

10 ways to finance Africa's energy opportunity

Can we stave off catastrophic climate change while building the energy systems needed to power growth, create jobs and lift millions of people out of poverty? That's a crucial question for Africa. No region has done less to contribute to the climate crisis, but no region will pay a higher price for failure to tackle it. Meanwhile, over half of Africa's population lacks access to modern energy.
Africa's leaders have no choice but to bridge the energy gap, urgently. They do have a choice, though, about how to bridge the gap. Africa can leapfrog over the damaging energy practices that have brought the world to the brink of catastrophe – and show the world the way to a low-carbon future.
To achieve that vision, however, national and global financing arrangements must be reformed and boosted. The Third International Conference on Financing for Development in Addis Ababa offered a rare opportunity for global leaders to join forces and commit to the necessary changes. The new Addis Ababa Action Agenda, the comprehensive agreement reached at the end of the Conference, now provides a foundation for innovative, scaled up financing of the global sustainable development agenda, including the energy sector.
Africa stands to gain from developing low-carbon energy, and the world stands to gain from Africa avoiding the high-carbon pathway followed by today's rich world and emerging markets. Unlocking this "win-win" will not be easy. It will require decisive action on the part of Africa's leaders. Tackling Africa's interlocking climate and energy problems also requires strengthened international cooperation.
Africa's energy challenges are immense. Power shortages diminish the region's growth by 2-4 per cent a year, holding back efforts to create jobs and reduce poverty. Despite a decade of growth, the power generation gap between Africa and other regions is widening.
Energy-sector investment in Sub-Saharan Africa is inadequate, at only US$8 billion a year or 0.4 per cent of gross domestic product. A ten-fold increase in power generation is needed to achieve the United Nations sustainable development goal of universal access to energy by 2030; if current trends continue, the goal won't be reached until 2080.
Africa's energy financing gap – the extra investment it needs to bring modern energy to all – stands at $55 billion per year until 2030. That sounds like a large sum, but it would deliver high social and economic returns.
The Africa Progress Panel, chaired by Kofi Annan, spells out in its latest report the bold action required from African leaders, their international partners and the private sector. The report, Power, People, Planet: Seizing Africa's Energy and Climate Opportunities, outlines ten ways to finance Africa's energy future:

1. Increase tax revenues

One of the greatest barriers to the transformation of the power sector is the low level of tax collection and the failure of some African governments to build credible tax systems. Almost half of the gap could be covered by increasing Sub-Saharan Africa's tax-to GDP ratio by 1 per cent of GDP.

2. Cut pro-rich subsidies

African governments need to phase out the US$21 billion in energy subsidies geared towards the rich. Subsidizing connections for the poor is more efficient and equitable than subsidizing energy consumption by the rich and subsidizing kerosene is of limited value as a tool for achieving universal access.

3. Remove tax concessions

Many countries provide foreign investors with excessively generous tax breaks in the form of tax holidays, capital-gains tax allowances and royalty exemptions.

4. Reform energy utilities

Long-term national interest must override short term political gain. Energy-sector governance and financial transparency will help bring light in the darkness. Energy entrepreneurs can join the reformed utilities in investing revenues and energy funds in sustainable power. Sustained regulatory reform is critical for investment. Unbundling power generation, transmission and distribution is one step towards creating more efficient and stable energy markets. Independent regulation is another. But private investors require an energy buyer such as a utility or dedicated power-purchasing agency and it is hard to build a convincing business case when the main buyer is a highly-indebted, corrupt and inefficient utility.

5. Seize the low carbon opportunity

Governments should strengthen the market for low-carbon energy through predictable off-take arrangements, utility purchase arrangements, feed-in tariffs and auctions. Recognizing that the initial capital costs of renewable energy investment can be prohibitive, governments and regulators should seek to reduce risks and support the development of the market through appropriately subsidized loans.

6. Boost aid

Aid can play a supportive, catalytic role. Aid donors should commit to the longstanding target of devoting 0.7 per cent of gross national income (GNI) to aid. African governments should mobilize around US$10 billion to expand on-grid and off-grid energy access. The international community should match this effort through US$10 billion in aid and concessional finance aimed at supporting investments that deliver energy access to populations that are being left behind. President Barack Obama's Power Africa initiative, which promises US$7 billion over five years, has acted as a focal point for a range of US agencies and the private sector. Energy cooperation between the European Union and Africa is deepening. The game-changer, though, is the emergence of China as a source of integrated project finance for large-scale energy projects.

7. Phase out fossil fuel subsidies in G20 countries

Governments in the major emitting countries should place a stringent price on emissions of greenhouse gases by taxing them, instead of continuing effectively to subsidize them, for example by spending billions on subsidies for fossil-fuel exploration. The three 2015 summits should aim at a comprehensive phase-out of all fossil fuel subsidies by 2025, with appropriate support for low-income countries. Eliminating subsidies for fossil-fuel exploration and production – especially coal – should be a priority.

8. Redouble efforts to combat illicit financial flows, including tax evasion

In 2012, Africa lost US$69 billion from illicit financial flows. G8 and G20 countries must act on past commitments to strengthen tax-disclosure requirements, prevent the creation of shell companies and counteract money laundering. Implementation of the G20/OECD's planned actions on base erosion and profit shifting should be accelerated; and the international community should support African efforts to strengthen tax and customs administration and reduce illicit financial outflows, especially via trade misinvoicing. Other priority actions to mitigate illicit financial flows include public registries of beneficial ownership of companies and, with the assistance of the IMF, agreeing on how to define, measure and track such flows. A more efficient and equitable global tax system would decrease multinational companies' ability to dodge their tax obligations.

9. Overhaul the climate finance architecture

Climate finance has failed Africa. Detailed analysis of financial transfers points to two structural weaknesses in the climate-finance architecture: chronic under-financing and fragmentation. The separate multilateral agencies offering facilities to support adaptation should be merged into a single facility, perhaps under the auspices of the Green Climate Fund. Rich countries should set a clear timetable for delivering by 2020 the outstanding US$70 billion per annum in climate finance, which they committed to in Copenhagen, with greater transparency on financial commitments, the identification of new sources of finance and delivery mechanisms.

10. Unlock private finance

Development finance could play a more catalytic role in attracting investment. Risk-guarantee provisions should be increased and coordination strengthened between international financial institutions, development finance agencies and bilateral donors. The World Bank and the African Development Bank should lead an international effort to unbundle risk, structure guarantees and align Africa's risk premium with market realities.

Once strong global development goals are in place, backed by smart financing and a fair climate deal, African countries will be in a better position to rethink their energy policies and transform their economies.

If financed correctly, Africa can both grow and show the way, by embracing a dynamic energy mix in which renewable sources will gradually replace fossil fuels. And the continent's energy potential will transform lives. *(World Economic Forum)*

SOVEREIGN RATINGS

North and South America - Asia

20-07-2015	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Argentina	Ca	Sdu	RD	NR	Sdu	RD
Australia	Aaa	AAAu	AAA	NR	A-1+u	F1+
Brazil	Baa2	BBB-	BBB	NR	A-3	F2
Canada	Aaa	AAA	AAA	NR	A-1+	F1+
China	Aa3	AA-	A+	NR	A-1+	F1
Colombia	Baa2	BBB	BBB	NR	A-2	F2
Hong Kong	Aa1	AAA	AA+	NR	A-1+	F1+
India	Baa3	BBB-u	BBB-	NR	A-3u	F3
Japan	A1	AA-u	A	NR	A-1+u	F1
Macau	Aa2	NR	AA-	NR	NR	F1+
Mexico	A3	BBB+	BBB+	WR	A-2	F2
Singapore	Aaa	AAAu	AAA	NR	A-1+u	F1+
Uruguay	Baa2	BBB	BBB-	NR	A-2	F3
Venezuela	Caa3	CCC	CCC	NR	C	C
United States	Aaa	AA+u	AAA	NR	A-1+u	F1+

Sources: Bloomberg, Eaglestone Advisory

Eurozone

20-07-2015	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Austria	Aaa	AA+	AA+	P-1	A-1+	F1+
Belgium	Aa3	AAu	AA	NR	A-1+u	F1+
Cyprus	B3	B+	B-	NP	B	B
Estonia	A1	AA-	A+	NR	A-1+	F1
Finland	Aaa	AA+	AAA	NR	A-1+	F1+
France	Aa1	AAu	AA	NR	A-1+u	F1+
Germany	Aaa	AAAu	AAA	NR	A-1+u	F1+
Greece	Caa3*-	CCC-	CC	NP	C	C
Ireland	Baa1	A+	A-	P-2	A-1	F1
Italy	Baa2	BBB- u	BBB+	P-2	A-3u	F2
Latvia	A3	A-	A-	NR	A-2	F1
Lithuania	A3	A-	A-	NR	A-2	F1
Luxembourg	Aaa	AAA	AAA	NR	A-1+	F1+
Malta	A3	BBB+	A	NR	A-2	F1
Neherlands	Aaa	AA+u	AAA	P-1	A-1+u	F1+
Portugal	Ba1	BBu	BB+	NR	Bu	B
Slovakia	A2	A	A+	NR	A-1	F1
Slovenia	Baa3	A-	BBB+	NR	A-2	F2
Spain	Baa2	BBB	BBB +	P-2	A-2	F2
United Kingdom	Aa1	AAAu	AA+	NR	A-1+u	F1+

Sources: Bloomberg, Eaglestone Advisory

Region - Africa/Middle East

20-07-2015	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Angola	Ba2	B+	BB-	NR	B	B
Bahrain	Baa3	BBB-	BBB-	NR	A-3	F3
Benin	NR	NR	WD	NR	NR	WD
Botswana	A2	A-	NR	NR	A-2	NR
Burkina Faso	NR	B-	NR	NR	B	NR
Cameroon	NR	B	B	NR	B	NR
Cape Verde	NR	B	B	NR	B	B
Egypt	B3	B-	B	NR	B	B
Emirate of Abu Dhabi	Aa2	AA	AA	NR	A-1+	F1+
Ethiopia	B1	B	B	NR	B	B
Gabon	Ba3	B+	B+	NR	B	B
Ghana	B3	B-	B	NR	B	B
Iran	NR	NR	NR	WR	NR	NR
Israel	A1	A+	A	NR	A-1	F1
Ivory Coast	B1	NR	B	NP	NR	B
Jordan	B1	BB-	NR	NR	B	NR
Kenya	B1	B+	B+	NR	B	B
Kuwait	Aa2	AA	AA	NR	A-1+	F1+
Lebanon	B2	B-	B	NP	B	B
Lesotho	NR	NR	BB-	NR	NR	B
Libya	NR	NR	WD	NR	NR	WD
Mali	NR	NR	WD	NR	NR	NR
Mauritius	Baa1	NR	NR	NR	NR	NR
Morocco	Ba1	BBB-	BBB-	NR	A-3	F3
Mozambique	B1	B-	B+	NR	B*-	B
Namibia	Baa3	NR	BBB-	NR	NR	F3
Nigeria	Ba3	B+	BB-	NR	B	B
Oman	A1	A-	NR	NR	A-2	NR
Qatar	Aa2	AA	AA	NR	A-1+	F1+
Republic of Congo	Ba3	B	B+	NR	B	B
Republic of Zambia	B1	B	B	NR	B	B
Rwanda	NR	B+	B+	NR	B	B
Saudi Arabia	Aa3	AA-	AA	NR	A-1+	F1+
Senegal	B1	B+	NR	NR	B	NR
Seychelles	NR	NR	B+	NR	NR	B
South Africa	Baa2	BBB-	BBB	P-2	A-3	F3
Tunisia	Ba3	NR	BB-	NR	NR	B
Uganda	B1	B	B+	NR	B	B
United Arab Emirates	Aa2	NR	NR	NR	NR	NR

Sources: Bloomberg, Eaglestone Advisory

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

IMF, WORLD BANK & AFRICAN DEVELOPMENT BANK

AfDB and CBI stakeholder consultations focus on agricultural trade and investment

Using technology to maximize productivity with a view to attracting the youth and enable them efficiently gain optimal results in agricultural and agribusiness in Africa was the focus of an interactive two-day discussion launched Monday July 6, 2015 in Abidjan, between the African Development Bank Group and the Netherlands-based Centre for Promotion of Exports from Developing Countries (CBI).

Themed “A knowledge-driven one-stop-shop programme for improved productivity, transparent and effective regional and global agricultural trade,” the two parties shared perspectives on agriculture trade investments and agreed on specific areas for mutual cooperation. The discussions provided an opportunity for the AfDB to gain extensive insights into the processes behind the design, development and implementation of such a platform, as well as determine the level and scope of technical support that may be required from CBI for the platform.

Expectations are high and include achieving Bank-wide consensus on the different levels of the target market; agreeing on a comprehensive list of constraints to be addressed by the platform; sequencing the project in relation to resources required and incentivizing Africa’s Regional Economic Communities (RECs) to be involved in the pilot project.

Several presentations were delivered and discussed, among others, on CBI's work in Africa; AfDB selecting the agricultural sub-sectors for the platform; AfDB's priority commodities for support under its news Agriculture and Agribusiness Strategy covering the period 2015-2019; Why a market intelligence platform?; The role of market researchers and sector experts; and the Bank's Regional Integration Policy and Strategy. It was also demonstrated that access to new and better-paying markets for agriculture products is vital in enhancing and diversifying the livelihoods of producers and exporters. Markets can be domestic, regional or global; each demanding multiple obligations and measures. Presentations particularly focused on the future of women in agriculture trade and value chains; youth and employment in agriculture and agro-industry; cultural constraints of women regarding property rights; as well as fragility. Speaking on the occasion, the Bank's Special Envoy on Gender, Geraldine Fraser-Moleketi, presented the Bank's Strategy on Gender, linking it to the objectives of the meeting.

African Development Bank's Agriculture and Agro-Industry Director, Chiji Ojukwu, summed up the Bank's Agriculture and Agro-Industry Strategy, emphasizing areas related to rural infrastructure, agribusiness innovation and resilience building and natural resource management. "Agriculture is beginning to change. It is a business and the youth should be fully involved in it," he said. "We need to demonstrate that, through technology, we can improve productivity. We want to show the youth something concrete to enable them do business and use our resources to create wealth," he added. Sharing perspectives on the new agriculture and agro-industry strategy, Ken Johm, Lead Agricultural Economist, explained that the Bank wants to give substance to commercial agriculture, promote value chains through research and market access, promote regional commodity markets, agricultural governance and innovation.

Asked to what extent strong links to market for rural producers can generate growth and reduce hunger, AfDB Lead Agricultural Expert, Benedict Kanu, observed that agriculture is a productive sector that relies heavily on efficient, accurate and transparent interaction, as well as flow of information between the various players in the landscape. In his view, better access by small producers to domestic and international markets means that they can reliably sell more produce at higher prices. This, in turn, encourages farmers to invest in their own businesses and increase the quantity, quality and diversity of the goods they produce. "Strong links to markets for poor rural producers are essential to increasing agricultural production, generating economic growth in rural areas and reducing hunger and poverty," said Kanu. "Improving these links would create a virtuous circle by boosting productivity, increasing incomes and strengthening food security." "Market access is a function of importer mandated requirements – standards, regulations, price and quantity and productive resources including finance, water, electricity, land and soft and hard infrastructure," Kanu added. *(AFDB)*

SEFA doubled its grant portfolio to small- to medium- sized clean energy projects in 2014: report

The Sustainable Energy Fund for Africa (SEFA) announced on June 11 that it more than doubled its project portfolio last year, with commitments of USD 6.5 million, for 10 new projects all over the continent during the launch of its 2014 Annual Report.

SEFA 2014 highlights include: USD 3.6 million in preparation grant approvals for projects in Burkina Faso, Cameroon, Ethiopia, Nigeria and Tanzania expected to result in over 142 megawatts of additional capacity and USD 386 million in capital investment; the launch of the Africa Renewable Energy Fund, a pan-African private equity fund created to address the lack of access to early stage capital for independent power producers (IPP) up to 50 megawatts, which finished the year with a USD 132-million capitalization and approved investments in two projects in Ethiopia (geothermal) and Uganda (hydro); and the rollout of an enabling environment financing component to help public sector partners attract private sector investment in clean energy through which the governments of Mali and the Comoros benefitted. Speaking about the launch, SEFA Coordinator Joao Duarte Cunha said, "In spite of the continent's endowment of vast renewable energy resources, much of the population still suffers from limited access to affordable and reliable modern energy services. SEFA will therefore continue to play a critical and lead role in delivering seed financing and advisory services, while leveraging the African Development Bank's (AfDB) experience and convening power to increase sustainable energy projects in Africa."

Meanwhile, Alex Rugamba, Director for AfDB's Energy, Environment and Climate Change Department, added, "SEFA is a key component of the AfDB's mandate to deliver clean, modern and affordable energy to power economic growth on the continent. This is a vision shared with our partners, such as the UK's Department for International Development, which pledged GBP 10 million to SEFA through the Green Mini-Grid Regional Facility for Africa to catalyze the development of commercially viable clean energy mini-grids." A partnership between the Infrastructure Consortium for Africa (ICA) and the United Nations Environment Program (UNEP) also benefitted from an enabling environment grant to develop the Atlas of Africa's Energy Resources which will strengthen the availability of data on energy and energy-related issues and provide up-to-date information on country-specific energy resource development and related environmental challenges.

About SEFA

Launched in 2012, SEFA is a USD 87-million multi-donor facility funded by the governments of Denmark, the United Kingdom and the United States. It supports the sustainable energy agenda in Africa through: grants to facilitate the preparation of medium-scale renewable energy generation and energy efficiency projects; equity investments to bridge

the financing gap for small- and medium-scale renewable energy generation projects; and support to the public sector to improve the enabling environment for private investments in sustainable energy. SEFA is hosted by the Energy, Environment and Climate Change Department of the AfDB. *(AFDB)*

Financing for Development Conference in Addis Ababa - Multilateral Development Banks to Work more closely and with private and public sector partners

The third international conference on Financing for Development opened on 13 July 2015 in Addis Ababa, Ethiopia. The opening plenary meeting was opened by the UN General Secretary, Ban Ki-moon. The African Development Bank (AfDB) was represented by Mrs. Geraldine Fraser-Moleketi, its Special Envoy on Gender.The summit is to discuss new and innovative ways of soliciting funds to pay for the second generation of development programs known as sustainable development goals (SDGs). The SDGs, a UN-sponsored blueprint, has much wider and loftier ambitions than the Millennium Development goals (MDGs

During an earlier a meeting on 13 July, the Heads of the Multilateral Development Banks (MDBs) vowed to work more closely and with private and public sector partners to help mobilize the resources needed to meet the historic challenge of achieving the new initiative- Sustainable Development Goals (SDGs).

The keys points of discussions included:

- The SDG agenda is ambitious and will require significantly more resources than the MDGs. While the discussion during the MDGs was on aid and debt forgiveness, the conversation has now changed and is about what countries can do for themselves. Hence the focus is much more on domestic resource mobilization and creating an environment for crowding in private sector finance.
- Africa in 2015 is very different from the Africa at the turn of the century. With over a decade of sustained economic growth, Africa today has options which it did not previously have. More and more African countries are becoming creditworthy and accessing international capital markets - more than US$ 7 billion in 2014 alone. Similarly, African economies are increasingly financing their own development themselves through increased domestic revenues. During the last fifteen years, there has been a 4 fold increase in domestic revenues mobilized by African economies - in excess of $500 billion in 2015. That is ten times the amount of aid that Africa received in that year.
- The African Development Bank is at the center of this process of transformation and has a Ten Year strategy designed to meet the changing needs of the continent. The AfDB is innovating with new instruments, such as providing qualified ADF only countries with access to ADB resources; the creation of the Africa 50 Fund to scale up infrastructure financing; and an innovative exposure exchange with other multilateralism to leverage our balance sheet to scale up lending to North Africa, where we have high levels of exposure.
- In the In coming years, MDBs will need to reevaluate the efficacy of their business models to make sure that they evolve with the changing needs of their clients in order for them to make sure that they remain true partners in development.

The group comprises African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, European Investment Bank, Inter-American Development Bank, World Bank Group (referred to as the MDBs), and the International Monetary Fund. *(AFDB)*

AfDB approves first Guarantee of Risk Management Product

The African Development Bank (AfDB) has approved its first Partial Credit Guarantee of risk management product. The Financial Sector Development Department, led by Stefan Nalletamby, has embarked on a groundbreaking operation that will result in the institution’s first guarantee to cover the exchange risk on foreign borrowing.

The AfDB’s Partial Credit Guarantee (PCG) will be for currency risk hedging for a Regional Member Country’s funding for infrastructure. The PCG will support the Government's efforts to promote macroeconomic stability and sustainable growth, maintain debt sustainability and strengthen the financial sector. It will not only enable private banks to offer maturity dates aligned to the due date of the foreign borrowing but also to improve the country’s credit rating, which will reduce the cost of the hedging instrument. This is the first time the Bank will use the PCG in this kind of transaction.

The project aligns with the AfDB’s overall Ten Year Strategy to promote inclusive and green growth, develop infrastructure and the private sector; and its Financial Sector Development Policy & Strategy 2014-2019 which aims to help the Bank’s Regional Member Countries (RMC) build robust and vibrant financial systems as well as catalyze innovative financing.

There has been a steady increase in African countries tapping alternative sources of funding through capital markets to help plug the gap for needed infrastructure financing. Currency risk remains an important consideration for African sovereigns looking to tap the international markets. Stella Kilonzo, Manager of the Bank’s Financial Markets Division, notes that this is one of the areas where the AfDB has an increasingly important role to play in helping RMCs manage these risks. The AfDB is responding by developing innovative products to meet the needs of RMCs looking to capital markets for long-term financing. *(AFDB)*

AfDB takes leading role in raising funds for AFIG Fund-II, A Multinational Private Equity Fund
The Board of Directors of the African Development Bank (AfDB) approved on Wednesday, July 8, 2015 an equity investment of up to USD 45 million in Atlantic Coast Regional Fund LLC II (or “AFIG Fund II”), a 10-year USD 300 million multi-sector private equity fund that focuses on West, Central and East Africa, including transitional states and low/mid-income countries in that region. AFIG Fund-II is managed by the Advanced Finance and Investment Group (“AFIG Funds”), a Mauritius-registered limited liability company headquartered in Dakar, Senegal. AFIG’s investment team has over 42 years of combined experience in Africa. With this investment, AfDB is supplementing its earlier investment of USD 25 million in AFIG-I. This new investment is informed by the Fund’s performance to date and the development impact of its existing portfolio. As at date, AFIG Fund-I is fully committed and has begun exiting from initial investments. The Fund manager has developed a strong pipeline of over USD 400 million for potential new investments.
The AfDB Vice-President, Infrastructure, Private Sector and Regional Integration, Solomon Asamoah, highlighted that “the Bank’s notable support and lead role in the fundraising follows the exceptional initial and projected results that the Fund has managed to achieve in difficult markets. It has created a niche in strategic mid-capital industries and geographic segments where many other private equity funds are less visible.” AfDB’s financial contribution will enable AFIG Fund II to scale up its operations and thus its contribution to regional economic growth, poverty reduction, capital markets development, and regional integration.
Reacting to the Board’s approval, the CEO of AFIG Funds, Papa Madiaw Ndiaye, said, “We are pleased to receive the backing of the African Development Bank in AFIG Fund II, which is a strong signal of the Bank’s commitment to supporting indigenous African fund managers to catalyze growth and sustainable development across the African continent. This commitment is further illustration of the continued support by one of our key investors of our efforts to turn mid cap enterprises into the next African blue chips.”
The new investment will increase development impact and socio-economic benefits through the creation of an estimated 1,687 additional new jobs, development of local entrepreneurship, regional integration, and will create additional fiscal revenue to regional governments. The proposed investment is aligned with the AfDB’s Private Sector Operations Strategy to support entrepreneurship and is consistent with the Regional Integration Strategy of the target regions. AfDB’s lead role is catalytic in the provision of scarce capital to a largely underserved market, and will reassure other participating DFIs and provide comfort to minority African investors of the Fund. *(AFDB)*

AfDB approves a €100-million Soft Commodity Finance Facility for Sucden Côte d’Ivoire
The Board of Directors of the African Development Bank (AfDB) approved on Friday, July 10, 2015 a two-year €100-million Soft Commodity Finance Facility for Sucres & Denrées Côte d’Ivoire (Sucden CI), a wholly owned subsidiary of Sucden SA in France. This facility will help Sucden CI to expand its pre-financing arrangements with cooperatives and local suppliers in the cocoa sector in Côte d’Ivoire.
This project is well aligned with AfDB’s objective of fostering inclusive growth as well as with the core operational priority of private sector development. The facility will provide a stable source of funding and the necessary liquidity to Sucden CI, and over time help to increase the export of cocoa from Côte d’Ivoire, build the capacity of local suppliers and cooperatives and in the process expand output of the cocoa sector. The facility will be used to provide financing to scores of cooperatives and local suppliers to help strengthen the cocoa supply chain and promote private sector development in Côte d’Ivoire.
AfDB’s additionality in this project stems from its role as the continent’s premier development finance institution that is committed to the promotion of exports. At a time when international commercial banks are re-focusing on their core markets and conserving risk capita and local banks are constrained by the size of their balance sheets, AfDB’s support to a sector that many other financial institutions generally perceive to be high risk becomes highly additional. The Bank’s support to such a critical sector like cocoa in Côte d’Ivoire helps fill an emerging funding gap and sends a strong signal to other financial institutions to also render support to the cocoa sector and agribusiness in general.
About Sucden
Sucres & Denrées was founded by Maurice Varsano in 1952. The Group, headquartered in Paris, remains private and is presently led by Maurice’s son, Serge Varsano. It is a recognised market leader in the global business of sugar. Through the years, the Group has expanded its scope of activities beyond sugar into other products and services like the supply chain management of cocoa beans and cocoa products, coffee beans and ethanol, as well as financial and commodities brokerage. With an entrepreneurial and creative team of more than 4,000 employees in over 30 locations worldwide, Sucres & Denrées strives to serve its customers with quality and integrity. www.sucden.com. *(AFDB)*

IMF provides three-year loan of US$24 million to Guinea-Bissau
The International Monetary Fund (IMF) approved a loan of US$24 million for Guinea-Bissau, as part of its three-year programme with the Guinean government, supported by the extended credit facility, the IMF said in a statement. The approval of this assessment was made easier because of the determination demonstrated by the Guinean authorities to promote political and macroeconomic stability of Guinea-Bissau, the document said.

The IMF board concluded that, despite this, Guinea-Bissau still faces major socio-economic challenges and stressed the need for its continued commitment to prudent and complete reform policies. The IMF board stressed the importance of budgetary discipline and effectiveness of public expenditure of the Guinean government and encouraged ongoing efforts in mobilising revenue and creating additional fiscal space to meet development needs. The Guinean Minister of Economy and Finance, Geraldo Martins, commenting on the loan, described the attitude of the IMF as an important step towards the normalisation of its relationship with Guinea-Bissau. *(Macauhub)*

Zambia - AfDB approves US$ 243 million loans for the rehabilitation of Chinsali-Nakonde Road

The Board of Directors of the African Development Bank Group (AfDB) has approved a US $193-million Bank loan and a US$ 50-million loan from Africa Growing Together Fund (AGTF), to support the rehabilitation of the Chinsali-Nakonde road, a section of the North-South Corridor in Zambia, connecting Tanzania.

The project aims to improve road transport infrastructure and services as well as reduce transport costs between northern Zambia and southern Tanzania. It is also expected to provide efficient, cost-effective and fully integrated transport infrastructure and operations that addresses the needs of users and promotes socio-economic development.

It comprises the reconstruction of the 210-km road between Chinsali and Nakonde; institutional support and capacity building; and resettlement and compensation. The civil works component also covers social infrastructure that includes the rehabilitation of 50 kilometres of feeder roads, construction of truck stops/ rest station at three locations to improve road safety and stimulate local trading opportunities. The project also includes sensitisation on HIV/AIDS and environmental protection, as well as road safety; training opportunities for youth and women in road maintenance; and technical assistance to support specific aspects in the road sub-sector in Zambia, such as the operationalisation of the road maintenance strategy.

The Chinsali-Nakonde road is a strategic national and regional road link that forms a section of both the North-South Corridor, which traverses eight countries and the Trans-Africa Highway (Cape to Cairo). The road section connects northern Zambia to Tanzania, and provides connectivity and access to the sea for landlocked Zambia. It links the port of Dar-es-Salaam in Tanzania to the Copper-belt in Southern Democratic Republic of Congo and Northern Zambia. It also connects the Copper-belt to the southern ports of South Africa. The present degraded condition of the road, which was constructed in the 1970s, is an impediment to national and regional mobility.

The rehabilitation project is aligned with the government’s 2014-2016 Mid-Term Expenditure Framework and the 2013-2016 Revised Sixth National Development Plan, as well as the 2030 National Long Term Vision. It is also consistent with the first pillar of the Economic Diversification through Infrastructure Development of the revised Country Strategy Paper as well as the objectives of the Bank’s 2013-2022 Strategy.

With a total cost estimated at US $255.76 million; the AfDB and AGTF loans represent 75.5% and 19.5% of the costs, respectively. Zambia’s government is expected to provide the remaining 5% or US $12.76 million in the form of counterpart funding. *(AFDB)*

INVESTMENTS

Trade between Angola and Brazil totals US$2.371 million in 2014

Trade between Angola and Brazil totalled US$2.371 billion in 2014, the Brazilian Agency for Export and Investment Promotion (Apex-Brazil) said in a statement. Apex-Brazil also said that last year Brazilian exports to Angola reached US$1.261 million and imports of Angolan products totalled US$1.109 billion, giving Brazil a trade surplus of US$152 million. The statement said a Brazilian delegation of 40 entrepreneurs would take part in the Luanda International Fair (Filda) from 20 to 24 July and in a Brazil/ Sub-Saharan Africa Business Forum and noted that the main products exported by Brazil to Angola were sugar, beef, poultry and pork, cornmeal, footwear and furniture. “Our goal with this action in the Angolan market is to exceed the results of the previous edition of the Luanda International Fair, during which 30 Brazilian businessmen visited Angola and signed deals and partnerships valued at US$112 million,” Apex-Brazil said in the statement. *(Macauhub)*

10 trends on foreign investment in Africa

The role of foreign direct investment into the continent remains significant: on average the government budgets of African countries currently depend on corporates domiciled in other countries for 14% of their funding.

The risks of such high levels of dependence continue to be debated, in addition to related issues such as the real cost of tax avoidance to developing countries struggling to plug gaping holes or just make ends meet.

Recently the United Nations Conference on Trade and Development (UNCTAD) released its annual report (pdf) on foreign direct investment, from which Mail & Guardian Africa culled a few trends around cross-border deals into the region.

1— While foreign direct investment (FDI) globally fell 16% in 2014 from $1.47 trillion to $1.23 trillion, influenced by fragility in the world economy, policy uncertainty and geopolitical risks in some regions of Eurasia, in Africa FDI flows remained stable at $54 billion.

While this may come across as being flat, when you take out the 15% decline in FDI into North Africa, flows into sub-Saharan Africa actually rose 5% to $42 billion, riding out challenges such as Ebola, regional conflicts and falling commodity prices.

A decline in West and southern Africa was countered by a 33% and 11% growth in Central and East Africa respectively; which both accounted for $19 billion.

2- A lack of infrastructure and volatile regulation is often blamed for stymying foreign direct investment into least developed countries (LDCs), the majority (34) of which are found in sub-Saharan Africa, but flows into these countries increased 4% to $23 billion, helping raise Africa's still-low but improved 4.4% share of world FDI. UNCTAD estimates that FDI into LDCs can quadruple by 2030, on the back of more international investment.

3—While multinationals from Nigeria and South Africa invested less in Africa in the year under review, at $13 billion, they actually raised their FDIs abroad, such as Woolworth's $2.14 billion buy of Australian department store David Jones. Other intra-African investments also rose significantly during the year, helping boost regional numbers. South African transnationals tended to invest in telecoms, retail and mining, while those from Nigeria, where the outlook is cloudy due to low oil prices, largely focused on financial services.

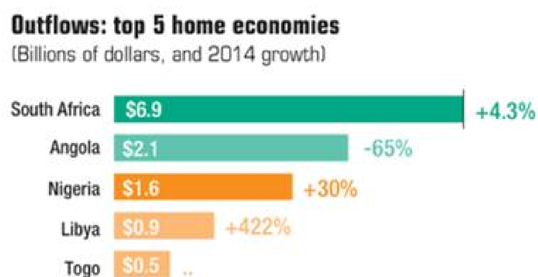
4—Developing economies are now the world's largest investor region—they hold a 35% share of global FDI, or $468 billion, which represents a 23% increase on 2013 figures. China is now the second largest investor after the US, and its heft in Africa was apparent—five of the 10 economies where its influence is felt most strongly were in Africa, using a measure known as the relative bilateral FDI intensity. Korea's influence was most felt in Madagascar, and Brazil in Angola, with which they share cultural links.

5—In addition to home government policies and historical connections, geography has a direct impact on the flow of Africa FDI. Of the 10 countries that most felt the "intensity" of South African outward flows, nine were in sub-Saharan Africa, including all six of the countries it shares a border with.

6- FDI into services has been gradually but steadily dominating the cash globally, edging out manufacturing and the primary sectors—such as extractives and agriculture. Africa is not left out—while most of the growth in primary industries took place in the region (nearly six-fold to $22 billion), services, including in the fast-growing mobile telephony, now account for the largest share of flows in the region, at $37.5 billion last year, or 48% of the total. Notably highest was "business services", a wide field that includes offshore financial activities.

7—African investors are also increasingly investing more in other countries. Investors from the region put seven times more money into primary greenfield (starting from scratch) FDI projects, at $48 million, and grew investment in services by $100 million to $9.49 billion. But of the total $13.39 billion that African investors sunk into global greenfield projects, $10.2 billion were in Africa, even if a decline from the $13 billion invested last year in the region.

The potential is huge—UNCTAD identified over 500 African service multinationals. Africa also saw cross-border Mergers and Acquisitions (M&As) grow from just $130 million in 2013 to $2.4 billion last year.



8—FDI flows into developing economies are projected to reach $707 billion this year from $681 billion in 2014, and to touch $850 billion by 2017. Two-thirds of executives polled by UNCTAD, the majority with large multinationals that count more than $1 billion in revenues, expected flows into Africa to grow, the highest optimism of any region, as slow global growth makes emerging markets more attractive.
9—The likes of South Africa, Angola, Nigeria and Libya would be readily recognised as top home economies for outward flows. Nigeria for example invested $1.3 billion in greenfield projects in other countries, while it is the largest host country for FDI on the continent, but it is the country ranked fifth that would not be an obvious choice—Togo. The tiny West African nation saw an inflow of $500 million, linked to its ubiquitous pan-African Ecobank lender.
10—FDI seemingly does not like vacuums. As multinationals from developed economies divested from the continent, those from developing economies quickly moved in to fill the lacunae. The UAE's Emirates Telecommunications Corp. for example took up a 53% stake in Itissalat Al Maghreb SA, a foreign affiliate of Vivendi for $5.7 billion; Chinese and Indian firms were active in Algeria and South Africa; and the Qatar National Bank shelled out $500 million for a stake in Ecobank. *This article is published in collaboration with Mail & Guardian Africa. Publication does not imply endorsement of views by the World Economic Forum.*

Spain earmarks South Africa as 'priority' trade and investment market
The South African market has been included as one of Spain's 16 "priority markets" as the European country intensifies its efforts to raise exports in the wake of the global economic crisis and as its companies move to diversify their foreign direct investments to "dynamic" regions.
Speaking at the inaugural Spain-Southern Africa Investment and Business Cooperation Forum in Johannesburg, ICEX Spain Trade and Investment CEO Francisco Javier Garzón said South Africa was the only sub-Saharan Africa country included in the list of priority markets. But he stressed that Spanish companies – 25 of which were participating in the three-day trade and investment mission to South Africa – were also increasingly interested in the opportunities arising across the Southern Africa region. In 2014, some 4 000 Spanish companies sold goods to South Africa, with Spanish exports to the country having more than doubled since 2009. However, Garzón stressed that Spanish companies had also emerged as leading investors, particularly in the renewable-energy sector, with Spanish companies having been awarded several of the wind and solar projects arising from the South Africa Renewable Energy Independent Power Producer Procurement Programme (REIPPPP). In total, 92 renewables projects, with a combined nameplate capacity of 5 243 MW, have been procured under the REIPPPP, generating investment commitments of close to R200-billion. Spain, Garzón said, had emerged as the country's fifth-largest foreign direct investor and its third largest European Union investor, after the UK and Germany. "In recent years, our firms have progressively diversified their portfolios and turned their heads to the most dynamic areas of the globe," he said, while indicating that Africa's youthful population, rapid urbanisation and vast natural resources made it an increasingly attractive destination. "In this context, South Africa is a particularly interesting country since it combines market size and growth potential with stability and sound macroeconomic management, [while] the rest of Southern Africa also shows promising growth and growing opportunities." Spanish Ambassador to South Africa Juan Sell praised the efforts of Spanish companies, which "even when handicapped by our own crisis" had embarked on ambitious trade and investment activities. Sell argued that these efforts had been key to turning around the fortunes of the country, which had started recording current account surpluses since 2013, having consistently reported deficits since the 1990s. He said efforts were being made to educate Spanish companies about the opportunities and idiosyncrasies of the South African market, including the imperatives of job creation, localisation and black economic empowerment. Department of Trade and Industry investment promotion head Yunus Hoosen encouraged Spanish investors to embrace South Africa's "four P's" of: preparing for localisation, preparing for empowerment, preparing for skills development and preparing to support national and regional supply chains. This point was emphasised by African National Congress treasurer-general Zweli Mkhize, who said that all African Union countries, including South Africa, were keen to use their investments in infrastructure to stimulate industrialisation across the continent. Mkhize argued that South Africa was ideally positioned to offer Spanish companies a platform from which to pursue the infrastructure opportunities that were expected to arise in the energy, transport and water sectors. These opportunities would grow, he argued, as the 'Cape-to-Cairo' free trade arrangement involving 26 African countries was implemented in the coming months and expanded, over time, to encompass all of the continent's 54 countries. *(Engineering News)*

Abraaj Group acquires majority stake in Nigerian mattress manufacturer

Global growth markets investor the Abraaj Group has acquired a majority stake in Nigeria-based family-owned mattress manufacturer Mouka for an undisclosed amount. The founding Moukarim family retained a minority shareholding in the 66-year-old company, while former shareholder Actis sold its shares to Abraaj, which planned to expand the business further into the West African market. Mouka, initially established in Kano, in Nigeria, as a furniture and allied metal products producer for the bedding industry, owned a foam manufacturing plant in Lagos and Kaduna, in Nigeria, and another in neighbouring Benin. Further, the company's distribution network comprised some 500 distributors operating through more than 1 000 outlets. Now, with the acquisition, Abraaj and the Moukarim family aimed to enhance Mouka's product offering and customer service, while improving its sales and distribution strategy and increasing its market penetration across the region. "We look forward to expanding the company's product line into adjacent categories within the bedding space, and growing the product offering to cater for different commercial and industrial applications of foam," Abraaj MD Zahi El Khatib said in a statement. Abraaj also aimed to further strengthen Mouka's corporate governance structures and optimise the health and safety standards, including fire safety and chemical storage, at Mouka's production facilities. *(Engineering News)*

Sappi, JV partner launch R105m lignin expansion project

Dissolving wood pulp and paper products manufacturer Sappi and Norwegian firm Borregaard will invest R105-million on expanding the production capacity of their joint venture (JV) lignin manufacturing operation LignoTech South Africa, in KwaZulu-Natal, by 20 000 t/y. The expansion, which would increase output to 180 000 t/y, would be completed in 2017 and the additional volumes would be marketed to existing applications and geographical markets.

LignoTech South Africa's products are used in a range of applications such as industrial dust control, concrete admixtures, animal feed and agrochemicals. Borregaard provides the JV with sales and marketing functions in overseas export markets, in addition to technology, and research and development functions, while Sappi supplies lignin raw material and utilities from its Saiccor mill. "Looking to the future, Sappi will target strong growth from new business opportunities related to energy, nanocellulose and bioproducts including lignin and sugars. This expansion is an important vote of confidence in our JV with Borregaard and the global competitiveness of South Africa-based LignoTech," commented Sappi CEO Steve Binnie. Borregaard president and CEO Per Arthur Sørlie added that it was a strategic priority for Borregaard to grow its lignin business. The investment was expected to strengthen LignoTech South Africa's competitive position, as well as improve Borregaard's offering to key markets in Asia, the Middle East and Africa. *(Engineering News)*

Public Private Partnerships in Africa: The EIU 'Infrascope' Findings

Over the last decade Africa has been a continent of growth and opportunity. In the past five years alone, it has produced nearly half of the world's twenty fastest growing economies: a commodity super cycle, urbanisation and a growing middle class have attracted substantial investments to the region. However, Africa's infrastructure capacity poses a significant risk to the sustainability of this growth. The Africa Infrastructure Country Diagnostic (AICD) estimates that the infrastructure needs of Sub-Saharan Africa alone exceed US$93bn annually over the next ten years. According to the same estimate, less than half that amount is being provided.

Public-Private Partnerships (PPPs) are emerging as an important tool to bridge this gap. By bringing together financing, operational experience and know-how from the private sector and institutional clarity and transparency from the public sector, PPPs can help to address Africa's infrastructure needs.

The Economist Intelligence Unit has been conducting research on PPPs since 2009 through the Infrascope series. The Infrascope—a benchmarking index assessing countries' enabling environment for the design and implementation of successful and sustainable PPPs in the water, transport and energy sectors—has now been extended to include fifteen countries in Africa: Angola, Cameroon, Côte d'Ivoire, the Democratic Republic of the Congo (DRC), Egypt, Ghana, Kenya, Morocco, Nigeria, Rwanda, South Africa, Tanzania, Tunisia, Uganda and Zambia.

The Infrascope assesses countries across six domains: (1) their legal and regulatory framework for private participation in infrastructure; (2) the design and responsibilities of institutions that prepare, award and oversee projects; (3) governments' ability to uphold laws and regulations for concessions, as well as the number of past projects and their success rate; (4) the business, political and social environment for investment; (5) the financial facilities for funding infrastructure; and (6) the quality of subnational PPP frameworks (such as counties, local governments, or provinces). These domains capture the most critical phases that most PPP projects must undergo and when combined, they offer a lens through which to assess the overall quality of the PPP environment.

The 2015 Africa edition saw South Africa top the rankings as the only "mature" PPP environment. All other countries were ranked as "emerging", with the exception of the DRC, the only "nascent" PPP environment. Our research revealed a number of challenges. PPP laws are often stronger on paper than in practice and relevant institutions at times lack the resources and independence to fulfil their mandate: operational maturity is lagging, highlighting limitations in public capacity to effectively produce tenders that meet satisfactory project awarding criteria around risk, value for money and renegotiations and expansions. Only a few countries have experience with more than a handful of PPPs, many of which

were awarded before the adoption of comprehensive PPP frameworks, meaning that newly introduced best practices were not always implemented.

Over the last decade, many African countries have enacted PPPs through ministries (energy being a prominent example) and subnational bodies. While this is a positive development, the passing of legislation introducing centralised PPP frameworks is creating challenges in the harmonisation of PPP regulations both at the subnational level and across ministries. Furthermore, despite significant political backing in the majority of countries, support of PPPs among general populations remains mixed, mostly undermined by memories of past privatisations and unpopular decisions over tariffs, tolls and fees.

While these results suggest that much improvement is still needed, some positive trends have emerged. Most African governments are actively building PPP frameworks: ten out of fifteen countries have PPP-specific legal frameworks in place and, of the remainder, three have PPP laws under policy development or moving through the parliamentary or presidential approval process. The existence of a clear regulatory framework is an important signal for investors, particularly in markets with limited transaction experience and higher levels of political risk. Secondly, significant progress has been made in the development of central PPP units, now present in twelve countries out of the fifteen in the Infrascope analysis. PPP units, special bodies within government administration or development agencies, can generate better coordination, increased efficiency and a clustering of relevant skills in a single place.

Many of the challenges to PPP uptake mirror general challenges of doing business in Africa: political risk, legal uncertainty and lack of transparency. However, the PPP project cycle has specificities and requires extensive knowledge of financial planning, commercial law and project management, among others, adding an extra layer of complexity to investments. As a result, whilst the potential benefits of PPPs are clear, successful implementation is a hard task. Fostering the PPP environment will require PPP-specific reform design and implementation such as legal reform and development of specific technical skillsets in government. However, general measures to strengthen the business environment will be equally critical to offer investors the needed confidence to make the long term commitments needed to sustain Africa's infrastructure growth. *(Economist Intelligence Unit)*

Angola and Italy sign cooperation agreements

The governments of Angola and Italy signed three bilateral cooperation instruments, notably for the development of agriculture, during a visit of the Angolan President, José Eduardo dos Santos, to Rome.

The countries signed two Memoranda of Understanding on economic and financial cooperation and a third legal instrument on political consultations between the diplomats of both countries, directly involving the Italian Foreign Ministries and the Angolan Ministry for Foreign Affairs.

Economic cooperation and support for Italian exports to Angola, in particular on the negotiation of insurance and sales risks assurance through the Italian Insurance Foreign Loan Insurance Company, include the two memoranda of economic and financial understanding, the Angolan government said. "We will draw on the experience and scientific knowledge of Italy and the execution ability of its entrepreneurs to develop our agriculture, boost the food industry and diversify the economy," the minister of Agriculture, Afonso Pedro Canga told the Angolan press.

The official visit by José Eduardo dos Santos to Italy, after meetings with Italian businessmen and meeting with the Italian President, Sergio Mattarella, and Prime Minister Matteo Renzi. Figures from the Angolan National Statistics Institute of Angola Statistics showed Italy was the 11th destination for exports from Angola in 2014, totalling 131.736 billion kwanzas (US$1.066 billion), or 2.29 % of total exports. Italy was the 15th biggest source of Angola's imports, with a share of 1.74 % of the total and an amount of 49.137 billion kwanzas (US$397 million). *(Macauhub)*

AICEP opens office in São Tomé and Príncipe

The Portuguese Agency for Investment and Foreign Trade (AICEP) will support São Tomé and Príncipe and its companies in trade relations with Portugal, the President of the Portuguese institution said in São Tomé. Miguel Frasquilho, speaking at the opening ceremony of the AICEP office on the premises of the Portuguese Embassy in São Tomé, stressed that the opening of an office in São Tomé and Príncipe is "a natural approach towards and support for the many hundreds of companies with projects in this country." As part of the inauguration, AICEP organised a conference on "Business in Portuguese," to strengthen economic relations between São Tomé and Príncipe and Portugal. The event was chaired by the Head of State of São Tomé, Manuel Pinto da Costa, who in his opening speech called for the Portuguese language to be used as a tool to enhance economic relations. *(Macauhub)*

Hong Kong firm wants to give African start-ups access to Asian market

Hong Kong-based start-up accelerator, Nest Investments, is seeking to invest in globally scalable African technology start-ups. Nest has invested in dozens of start-ups in Asia, the US and Europe. With its Nairobi office, Nest becomes the first Hong Kong-based venture capital firm to set up in Africa.

Aaron Fu, the Africa managing partner for Nest, says the company will offer African start-ups funding, linkages with global mentors and market opportunities – and share with them knowledge and experiences it has gained working with start-ups in other markets. "What makes Africa really exciting is the opportunity to enable start-ups here with all the tools and support that we have seen work for us in Asia. I think there are a lot more similarities between start-ups in

emerging markets than between those here and in Silicon Valley. And I like the fact that start-ups here are solving real problems," says Fu.

Building sustainable businesses

Nest will invest between $50,000 and $200,000 in return for equity. Its operations in Africa will focus on Nairobi, Lagos, Accra, and Cape Town where the start-up scene is already vibrant. Although it is seeking "brilliant, globally scalable ideas", Nest is even more interested in the quality of entrepreneurs and teams behind the start-up. After funding, Nest will be actively involved in its investees, says Fu, adding it will put its own finance officer in each of the start-ups. "The start-ups we have spoken to are quite happy that someone else will be handling the receipts and bookkeeping. The entrepreneur can then focus on growing the business."

Whilst start-ups in Africa have "great ideas and some good teams", Fu says many lack exposure to entrepreneurs who have grown revenue-making sustainable businesses. "What I have seen in a lot of the entrepreneurs here is they tend to be surrounded by other entrepreneurs that have only managed to stay alive by winning the next competition or getting the next grant. The focus tends not to be making sure this revenue is sustainable. We want to show them there is a different way. What we have in our portfolio, and in Asia, are start-ups in the early stage that are sustainable."

Accessing the Asian market

Nest also plans to help the start-ups it invests in to scale globally, and more so to Asia. Africa and Asia have lots of similarities says Fu, and solutions start-ups build here could easily apply in Asia. He cites the example of a Kenyan SMS education start-up. "It is a perfect way of reaching out to highly displaced communities that have access to very basic technology. [But] having conversations with [that start-up], they don't really think about moving out of Africa, they want to grow regionally. My assertion is that it's easier for them to move to Cambodia, Indonesia and Vietnam, where their solution is also applicable, than it would be for them to move to Ghana. "Sure, flight time to Ghana might be slightly less, but from a cultural point view I think there is as much difference between East and West Africa as there is between Nairobi and Indonesia."

Local start-ups might see expansion to other African countries as more comfortable, says Fu, since many that have been in business for a while have built contacts with other entrepreneurs and potential partners in neighbouring countries. On the other hand, expanding to Asia appears "scary" due to the lack of connections to that market.

Nest hopes to bridge this gap by developing partnerships between Asian and African entrepreneurs and businesses. "A lot of the start-ups that I have been speaking to in Asia would also never consider the consumer market in Africa as a potential next step. [Expansion] is often about relationships and having a soft landing pad. If you step into some parts of Shenzhen (China), where everything in the world is made, and you don't know anyone there and do not speak Mandarin, it can be really daunting," he says.

Fu says many local start-ups seem excited by the prospect of working with an Asia-headquartered investor. For many hardware manufacturing companies in Africa, having partnerships in Asia – the world's factory – is an attractive proposition. "We have had positive responses from start-ups especially the hardware ones [because] we can actually help them build their products… I have been speaking to them about the potential market access in Indonesia, Hong Kong [and] China, and many find that exciting," says Fu. *(How we made it in Africa)*

BANKING

Banks

Bank deposits in Angola protected by new law

The new basic law of financial institutions of Angola will force commercial banks operating in the country to contribute to the deposit guarantee fund to protect depositors and the national financial system, reported state newspaper Jornal de Negócios. Law 12/15, which after several months of discussion took effect on 17 June, defines in Article 69 the creation of this fund "in order to guarantee the repayment of deposits at financial institutions participating in it." Last November, José de Lima Massano, the former governor of the National Bank of Angola (BNA), put forward the possibility of all commercial banks in the country contributing an amount equivalent to 0.03 % of their portfolio of deposits. At the end of 2013, the Angolan banking system had total deposits of 4.6 trillion kwanzas (US$37 billion), according to a study by Deloitte. The aim, based on the information given by José de Lima Massano, who in the meantime left his post last January, was to guarantee deposits of up to 3 million kwanzas (about US$24,000), creating conditions to protect about 90 % of depositors in the Angolan banking system. In its 183 articles, the new law adapts previous legislation from 2005, taking into account the "current level of organisation and development of the financial system and markets" and ensuring "sustainability of the national financial system, legitimate interests of the State and other economic entities," according to the preamble of the document. Among several provisions, it provides that members of the management and supervisory boards, board of directors and leadership, "must observe suitability criteria," with guarantees of "sound and prudent management" of the respective banks. *(Macauhub)*

Markets

Intervention by the Bank of Mozambique "slows depreciation" of the metical

An intervention by the Bank of Mozambique allowed a "slowdown in depreciation" of the metical against the dollar in early July, when the Mozambican currency recorded an average annual depreciation of over 27 %, the Bank of Mozambique said. The Mozambican central bank said that in June, the dollar was quoted at an average of 39.03 meticais on the interbank foreign exchange market, a figure that dropped to about 37 meticais after its intervention, according to a statement from the central bank's Monetary Policy Committee.

At commercial banks, the average exchange rate against the dollar is now 38.5 meticais, compared to 39.96 meticais last month, while at bureau de change the rate is 39 meticais, against an average of 39.35 meticais offered earlier, the document said.

The sharp depreciation of the metical has been linked to a combination of internal factors such as the political situation, a decrease in the value of exports and the reduction of foreign direct investment flows, and external factors, namely the appreciation of the dollar and the overall decline in the prices of products on international markets.

Despite the depreciation of the Mozambican currency, the central bank said the balance of gross international reserves increased by US$146 million in June to US$2.6 billion, representing a surplus of US$50 million compared to the target set, and is now enough to cover 3.85 months of imports of goods and services.

In this context, the Bank of Mozambique's Monetary Policy Committee will intervene later this month in the interbank market to "ensure compliance with the monetary base target for July 2015, set at 60.075 billion meticais" (about US$1.564 billion). The central bank also plans to keep benchmark interest rates unchanged, at 7.5 % for the marginal lending facility and 1.50 % for the deposit facility, with the compulsory reserve rate at 8 %. *(Macauhub)*

Ghana says to open 2-yr cedi bonds to offshore buyers

Ghana will open its two-year domestic bond auctions to foreign investors this month, a senior central bank official said in a renewed effort to attract more offshore funds and reduce its borrowing costs.

The West African commodities exporter, a former darling of frontier market investors, is saddled with high public debt due in part to its reliance on costly domestic borrowing, a phenomenon that has raised concerns that it could suffer a debt crisis. Presently, offshore investors are allowed to buy only medium- and long-term government securities that have maturities of three years and above. "We now have modalities in place to allow foreign investors to participate in our two-year auctions in line with the government's new debt management policy," the official told Reuters. "The process should kick in later this month and it is intended to draw in more offshore funds and boost liquidity flows," said the senior official, who declined to be named.

The central bank is expected to announce the move officially next week. The decision could support the cedi currency, which fell 22 % in the first half of this year and has only begun to recover on increased central bank interbank dollar sales, analysts say. The official said Ghana expects to receive up to $4 billion in donor funds and loans by December and this would significantly help to boost the country's reserves in support of the cedi. "We're expecting more inflows and we'll continue to support the market ... the rates are also responding and it must be sustained," he added.

The government also plans to introduce the concept of Book Runners to arrange domestic bond auctions occasionally to rally local participation with the aim of gradually driving down yields, a source close to the discussions told Reuters.

Ghana, which exports cocoa, oil and gold, has begun a three-year aid program with the International Monetary Fund to support its economy, dogged by slowing growth, a stubbornly high budget deficit and widening public debt. *(Reuters)*

Ghana's cedi rallies 3 % against dollar on cbank measures

Ghana's cedi rose 3%, a day after the central bank announced policy measures to boost forex inflows, including allowing foreign investors to buy its two-year domestic bonds. The bank of Ghana kept its benchmark interest rate unchanged at 22 %, citing improvement in inflation outlook as the local currency consolidated a reversal after months of decline. It also plans to continue dollar sales to the interbank market, governor Henry Kofi Wampah said, signalling a relentless support for the cedi, which rallied significantly in July after slumping 25 % in the first six months.

Ghana, which exports, cocoa, gold and oil is implementing a three-year aid deal with the International Monetary Fund (IMF) to tackle the economy, dogged by deficits, high public debt and inflation. Wampah said the country expected to receive at least $4 billion by December in loans and donor support, in addition to export receipts.

Analysts say the central bank's new measures and expected inflows could further strengthen the currency. "The big takeaway is the BoG's (Bank of Ghana) willingness to allow foreign participation in Ghana's 2-yr note...the hope is that this will improve forex inflows," said Standard Chartered Bank economist Razia Khan. Currency analyst Joseph Amponsah projected that the cedi could wipe off all its losses this year by close of next week on the "positive" signals from the central bank. The cedi's appreciation will also be seen as evidence of the impact of Ghana's program with the IMF, others say. "Holding the monetary policy rate unchanged and strengthening liquidity management should also help to support the cedi...but maintaining exchange rate stability is based on lower government spending," said Ecobank said in a research note. *(Reuters)*

Standard Bank Angola provides trading services on Angolan Stock Exchange

Standard Bank Angola became a trading member of the Angola Debt and Securities Debt Exchange (Bodiva) as part of a contract signed in Luanda, Angolan news agency Angop reported. The chief executive of Standard Bank Angola, António Coutinho said signing the contract was important for his bank and added "it is a way to contribute to the development of Angola's economy." Pitta Groz added that with the entry of the Standard Bank Angola, four financial institutions have signed the contract for admission as quality trading members, namely Banco de Fomento Angola (BFA), the Banco Angolano de Investimentos (BAI) and Banco Millennium. In Luanda the chairman of the Angola Debt and Securities Exchange, António Furtado said that by the end of the year the exchange would have seven intermediaries offering Treasury Bond trading services. Furtado was speaking at a meeting organised by the Angola/United States Chamber of Commerce entitled "How to finance your projects and increase capital through the Angola Debt and Securities Exchange." *(Macauhub)*

Stocks Soar as South African Economy Stumbles
Foreign investors prop up the Johannesburg exchange; a 'disconnect' with statistics

Foreign investors are sending the Johannesburg Stock Exchange soaring to record highs, even as South Africa's economy crumbles around it.

Not much in this continent's second-largest economy after Nigeria looks as upbeat as the 127-year-old JSE. Business confidence fell to a 16-year low this month. Rolling power blackouts have slashed mining and manufacturing output, and some economists are forecasting annual economic growth of less than 2% for a second consecutive year.

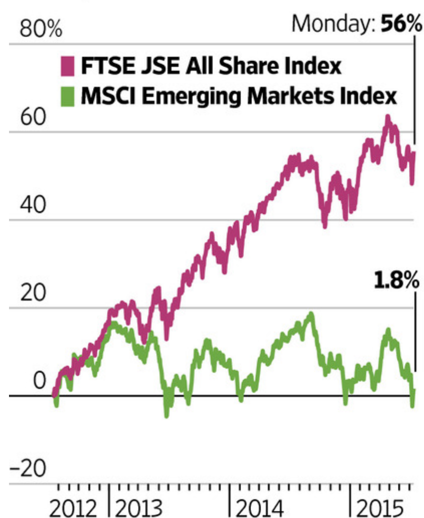
Yet the JSE keeps charging ahead. Trading volume hit a record in value terms in June, the number of shares traded in a day was the highest yet on April 28, and all of the exchange's headline indexes closed at new peaks in April and May.

"If you look at statistics, there does seem to be a disconnect," said Donna Oosthuyse, the JSE's director of capital markets.

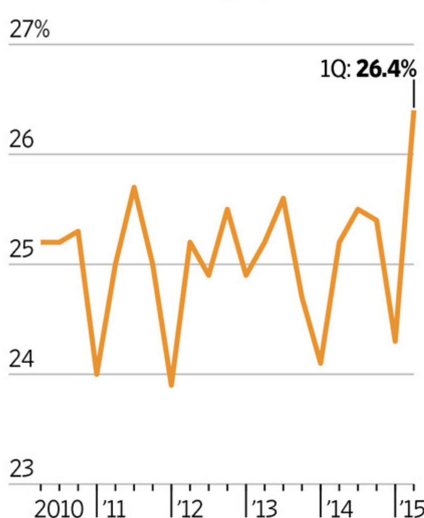
Dauntless

South African stocks are near record levels despite double-digit unemployment and a lackluster growth outlook.

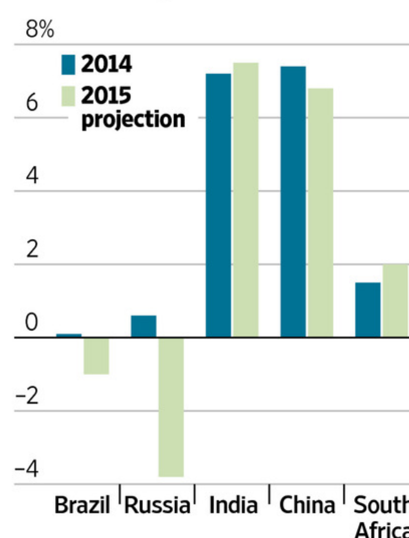
Index performance since mid 2012



South Africa unemployment rate



Annual GDP growth



Sources: FactSet (performance); Statistics South Africa (unemployment); International Monetary Fund (gross domestic product)

THE WALL STREET JOURNAL.

The reasons: A big portion of corporate earnings from companies listed on the JSE are made outside South Africa, and up to 40% of daily trading volume comes from international investors who want what they see as a not-so-risky slice of the emerging-markets pie. "The South African market is quite unusual in the emerging-markets context, in that a lot of the listed stocks actually do their business outside of South Africa," said Graham Bell, strategist at Old Mutual Equities, which manages $4.7 billion in assets. Naspers Ltd., a media company that is a heavyweight on the exchange, has a 34% stake in the Chinese Internet giant Tencent Holdings Ltd. Just four of Naspers' top 15 institutional investors are South African, according to FactSet. Eight are U.S.-based, two are headquartered in the U.K. and one is from the Netherlands.

Other companies that loom large but operate essentially outside South Africa's economy include SABMiller PLC and luxury-goods giant Cie. Financière Richemont SA. Compared to its emerging-market peers, South Africa has strong corporate governance, transparency and management teams, as well as relatively stringent listing requirements, investors say.

“South Africa stacks up really well…when compared to several other emerging markets like Russia or China,” said Gabriel Sacks, an investment manager for emerging-market equities at Aberdeen Asset Management PLC. The U.K. firm has $491 billion under management. South Africa’s weakening economy is hardly a deterrent for Mr. Sacks. “Our view is that economic growth does not always translate into strong equity market returns and corporate profitability,” he said. On the contrary, retailers like Massmart Holdings Ltd. and Truworths International Ltd. have remained attractive to Aberdeen because they are expanding into the rest of the faster-growing African continent.

The flood of foreign cash is making life more difficult for local fund managers, who say they are struggling to find good buying opportunities. According to S&P Dow Jones Indices, 84% of actively managed South African equity funds fell short of their benchmarks in 2014. “A lot of foreign investors want exposure to Africa, it’s quite sexy to them,” said Rhynhardt Roodt, portfolio manager of the $603 million Investec Equity Fund, which is up 11% year to date. “That has made it quite tough for a lot of domestic managers,” he said. “It can make the market a lot more volatile.” An onslaught of cash from South African pension funds that have invested as much overseas as regulators allow them to is also helping to push the JSE to new heights. “They have to invest somewhere,” said Old Mutual’s Mr. Bell.

Not every sector on the JSE is shattering records. The mining industry has been hammered by slower economic growth in China and weak commodity prices, as well as domestic issues including monthslong strikes, power outages and higher costs for both wages and electricity.

Mining heavyweights are some of the JSE’s worst performers. The world’s No. 1 platinum producer Anglo American Platinum Ltd. is down 26% this year. Impala Platinum Holdings Ltd. is down 34% and Gold Fields Ltd. is down 25% since the start of 2015.

But that isn’t deterring fund managers from piling into other sectors, such as banking, insurance and retail. The FTSE/JSE All-Share Index was recently trading at 52474.82, up 5.4% year to date, and just off an all-time high of 55188.34 reached April 24. Not even South Africa’s rand currency sliding to a 14-year low against the dollar in early June has investors balking. “That will provide opportunities to top up companies we like,” said Aberdeen’s Mr. Sacks. *(Wall Street Journal)*

Uganda Raises Key Lending Rate

Uganda’s central bank raised its key lending rate to dampen inflationary pressures resulting from the huge slide in the local shilling in recent weeks. Central bank Governor Emmanuel Tumusiime-Mutebile told reporters in Kampala that the rate would rise to 14.5% from 13%. Mr. Tumusiime-Muteile called his monetary-policy committee together a month ahead of schedule to address the shilling’s rapid slide to a record low of 3,637.5 against the dollar last week. “We will tighten monetary policy to avert any prospects of higher inflation,” he said.

Prior to the rate increase, the central bank sold millions of dollars in an attempt to prevent the currency of Africa’s largest coffee exporter from sliding. Defending the local currency has slashed Uganda’s foreign reserves to $2.8 billion, from around $3 billion in June. The shilling’s 21% drop this year is one of the worst performances among African currencies. Tanzania’s shilling and the Ghanaian cedi have also dropped sharply as investors pull back from risky markets in anticipation of a possible interest-rate rise by the U.S. Federal Reserve later this year.

Last week, Mr. Mutebile said that it was unsustainable for the central bank to keep propping up the shilling beyond “levels which are not consistent with supply and demand.” Also last week, Uganda’s finance minister released a budget that included a 70% rise in government spending before elections that are set for February, stoking fears of a repeat of a 2011 election cycle during which high spending pushed inflation to an 18-year high.

Economists say Uganda’s core inflation will soon breach the medium-term target of 5%, despite the central bank’s interventions. “We do not expect that the recent contractionary monetary policy measures will keep core inflation below this target going forward” said Jacques Nel, a Ugandan analyst with South Africa-based NKC Africa Economics. *(Wall Street Journal)*

Kenya's battle to support shilling hits bond trade

Kenya's move to raise interest rates on some short-term debt to support the battered shilling has made lower-yielding longer-term bonds less attractive, potentially deterring foreign investors from buying them. Kenyan debt has attracted more foreign funds since the 2008 global crisis, as ultra-low interest rates in mature economies sent investors in search of higher yields in frontier markets. The bond trade brings in foreign exchange and helps cover government borrowing needs.

But a sharp drop in trading in existing bonds could deter investors who want to get in and out of the market easily. Turnover tumbled to 8.42 billion shillings ($82 million) in June from 21.32 billion shillings in May, central bank figures showed. "(Investors) are having trouble exiting because of the lack of liquidity in the secondary market; it might cost us in the future," said a Nairobi-based fixed income trader with a commercial bank.

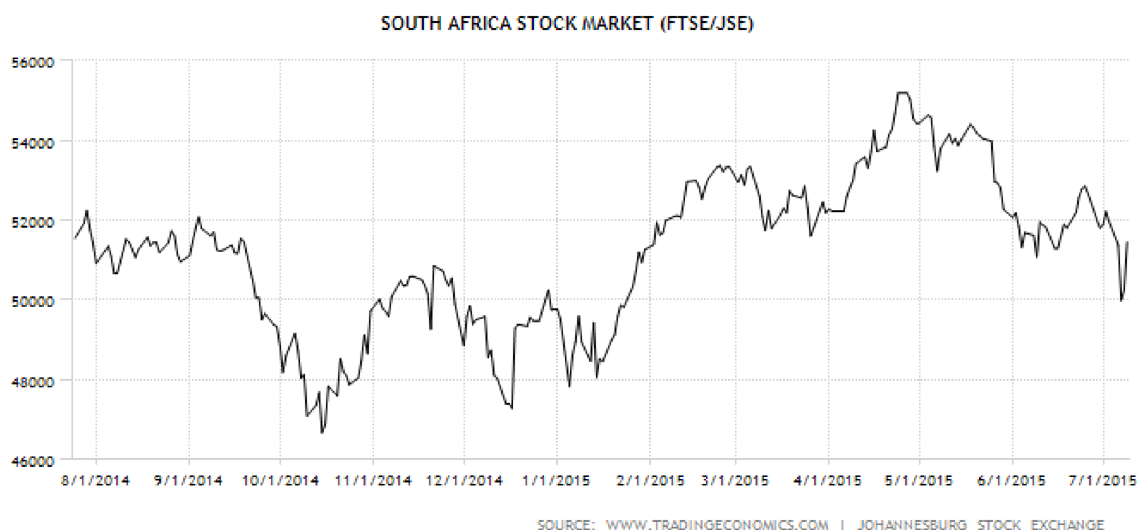
On May, 12, the central bank raised the cap on rates offered for term auction deposits (TADs), one of its main tools for managing liquidity, making it more expensive to bet against the shilling, which is now near 3-1/2 year lows.

The cap is now 250 basis points above the benchmark lending rate, which has been raised twice since June to 11.50 %.

TADs, with terms up to 28 days, can offer 14 %, while yields on two-year bonds are 12.80 %. Rates on TADs may not hit the upper limit, but returns are still better than on longer-term debt. A 28-day TAD offered 13 %. John Ashbourne of Capital Economics said TAD issues were unlikely to cause too much disruption. "There might be some effect at the

margins, but I doubt that it would be enough to fundamentally harm the secondary bond market," he said, adding that the central bank could quickly lower the cap if it felt foreign investment was drying up.
The central bank said it was working to keep prices stable and TADs were one of its tools to achieve that. Inflation at around 7 % has been close to the upper limit of its 2.5 to 7.5 % target band.
But Alex Muiruri, fixed income analyst at African Alliance Investment Bank, said the measures meant "activity on the secondary (bond) market has taken a back seat." Turnover on the bond market has been sliding since last year, along with the currency. Just 8.42 billion shillings changed hands in June this year, compared with 44.58 billion shillings in May 2014 and 26.88 billion in June 2014. "Secondary trading has been dead ... for the last quarter," said another fixed income trader. "Of course the shilling weakening against the dollar does not help much." ($1 = 102.4000 Kenyan shillings) *(Reuters)*

A new Anglo-French alliance: Building West Africa's mega stock exchange
Over the last decade the Africa Rising narrative has alerted the world to the enormous potential abound in the resource-rich continent. From infrastructure development to the rise of ICT, Africa's challenges, and resources alike, have provided the likes of China, India, U.S, and Europe, an array of investment opportunity that have yielded dividend, which has so far been largely unmatched by any other region globally. However, a segment of the continent's financial industry that has played host to a bulk of this massive inflow of investment is the capital market.
Nigeria, Zambia, Ghana, and South Africa all benefited from the increased inflow of investment into local capital markets as the world stepped up its interest in Africa. The Nigerian Stock Exchange's (NSE) annual 2013 review and outlook for 2014 revealed a 47 % growth in equity market capitalization to $82.80 billion, with the total market capitalization growing 28.9 % to $119.41 billion, from $94.74 billion by the end of 2013. This made it the second fastest growing in Africa at the time, just behind Zambia.
The 2013 performance placed Nigeria's stock market, along with Zambia, amongst the top 10 markets in the world last year. Both nations were also touted as the next generation of emerging economies. The prevailing view amongst financial experts were that these markets, like a few other African bourses, had completed a "bounce-back" and were gearing up for a new era in the coming years.



But that narrative was sharply reversed in the early months of 2014, when a combination of economic, societal and political challenges forced foreign investors to retreat. South Africa has been subjected, in months past, to multiple strike actions from workers seeking higher wages and improved welfare schemes. These strikes cost South Africa over $6 billion in lost output and discouraged a number global conglomerates like Ford from coming in. Its unstable political scene, social uncertainties like the fear of a xenophobia resurgence, and the recent energy struggles have all taken a toll on the country's economy in 2015, particularly its capital market. Nigeria's challenges have been similar. Its capital market suffered from a tense build-up to the tightly-contested April presidential elections. Its fate hasn't been done any favours by the crashing Naira, which is expected to face its third devaluation in two years in the coming months.
The new coalition
Down in West Africa, capital market operators are keen to shield their markets from further harm. Regulators are said to be joining forces to facilitate the take-off of a joint exchange in the region.
The region's countries, both English and French-speaking, have joined forces to develop a joint capital market that will ease cross border listings and better absorb local and global socio-economic shocks.
It remains the region's biggest move—beyond its economic agreement (ECOWAS)—aimed at rivalling the rapidly emerging economic bloc (East African Community) being developed by East African member states. And like most of such bold moves, challenges are a common place.

In a bid to minimize the impact of such challenges, member countries of the new coalition have formed a body to ensure it overcomes obstacles that may prevent the start of the initiative. The new body will help with information sharing, risk management and harmonization of rules and regulations guiding the various capital markets. The integration of West African markets is expected to be completed as early as 2016.
In recent years, West Africa has failed to keep up the pace with its neighbouring regions—South, East and North Africa—despite been one of the first to develop an economic bloc. However, if it is keen on staging a solid fight back, initiatives like this will remain paramount to achieving success. *(Ventures Africa)*

Fund

Stellar Capital buys stake in Torre

Stellar Capital Partners, the newly constituted investment company aligned to retail tycoon Christo Wiese, will acquire an influential stake in industrial supplies and services business Torre for R690m.
According to a Stock Exchange News Service (SENS) announcement released , an unidentified vendor consortium will sell 133-million Torre shares to Stellar. This will secure a 26.25% stake in Torre, making Stellar its single largest shareholder. The transaction will be settled mostly by the issue of new Stellar shares at 200c (R568m), with the R122m balance in cash.
Although the members of the vendor consortium were not disclosed, Torre — in a separate announcement — announced that financial director Roy Midlane had swapped 12.5-million Torre shares for Stellar scrip. The deal, according to market watchers canvassed, was surprising, considering Stellar's initial investment core in technology and financial services.
But the company had previously indicated it was keen that one of its investment pillars be made up of industrial interests. Alpha Wealth portfolio manager Keith McLachlan said the Torre deal suggested Stellar was taking shape as a private equity-type counter. "The deal looks like it will give them access to a larger funding pool with which to grow their businesses aggressively." The deal continues a busy period for Stellar, formed from the remnants of the former technology company ConvergeNet.
The company recently tilted at taking a major stake in struggling asset management business Cadiz, and was also likely to score from selling its meaningful stake in vehicle tracking firm Digicore after an offer from an offshore entity. Stellar also has control of electronics manufacturing specialist Tellumat. Stellar said the Torre deal represented an opportunity to achieve immediate scale in its investment portfolio. The company believed Torre would also enhance the quality of the investment portfolio by introducing a dividend-paying asset with attractive growth prospects.
Torre, headed by former corporate banker Charles Pettit, embarked on an aggressive acquisition spree three years ago. The company has accumulated a wide range of industrial interests — including Tractor & Grader Supplies, Control Instruments (now Torre Automotive), Kanu Equipment and Setpoint. In the year to end-December 2014,Torre generated revenue of R562m and after-tax profit of close to R50m. In March the company paid a maiden dividend of 3.5c per share.
The company — which was effectively built from the old SA French crane hire group — now boasts a market capitalisation of about R2.5bn and has managed an enviable compound annual growth rate in share price since a listing of more than 75%. Stellar also has a chance to push up its stake in Torre to 34.5%, and has approached other Torre shareholders with a similar scrip swap offer. Torre's major shareholders include listed investment company Sabvest, several institutions (most notably Momentum and Investec Asset Management) as well as the company's management team. Post-deal speculation last night centred on whether other industrial assets would be sourced by Stellar, or whether Torre would be the conduit for further acquisitions. Significantly, Mr Wiese is one of the largest shareholders in industrial supplies company Invicta Holdings, which appears to be focusing on securing further footholds offshore. *(BDLive)*

RMB Corvest eyes investments in Africa

RMB CORVEST, one of the FirstRand banking group's private equity divisions, plans to invest R500m-R1bn between now and June next year and will look to invest the capital with black-owned companies to facilitate empowerment in SA. RMB Corvest, which has in excess of 60 investments, was planning to deploy the capital in a number of sectors, primarily in services, healthcare, education and retail. RMB Corvest said it would look to invest more in the companies it owns in the rest of Africa and in the UK.
In the UK, it owns services company Servest and in Nigeria it owns Vital, a juice and tomato paste manufacturer. "We are going to put more into Africa. There will be a follow-on investment into an existing business. We have already invested in Vital. We are putting in more money so they can expand. We have about a 25% shareholding and we are going to have about 40%," said Mike Donaldson, a director at RMB Corvest. "We still see opportunities to invest in Servest (in the UK) and other companies in the services arena."
Last month RMB Corvest sold a 51% stake in Servest's Africa operations to black majority-owned pan-African investment company Kagiso Tiso Holdings (KTH). In the rest of Africa, RMB Corvest also owns Global Outdoor Systems Africa, an advertising company.
Recently RMB Corvest, rival private equity firm Helios Investment Partners and the Rohatyn Group sold outdoor advertising firm Continental media to black-owned investment company Royal Bafokeng and French-based global

outdoor advertising firm JC Decaux. Mr Donaldson said there were opportunities to expand its other investments, including the tank maker Jojo, into the rest of the African continent. Stephen Brown, a director at RMB Corvest, said there were opportunities to invest in the rest of Africa but it was getting more difficult as there was a lot of money chasing good assets. Last week the London-based private equity firm Helios Investment Partners said it had $800m cash for acquisitions in Africa. As far as investing in and with black-owned companies was concerned, Mr Brown said: "We are open to do deals. We can fund BEE (black economic empowerment) whether it is our own partners or other companies looking for funding." *(BDLive)*

Groups from Dubai and Thailand invest in real estate in Mozambique
Accommodation and lodging capacity in Maputo will increase from next November with the opening of Torres Rani, a construction project presented, the Mozambican press reported. Torres Rani is project expected to cost US$206 million and is the result of cooperation between Rani Investment, based in Dubai and the Minor Hotel Group of Thailand. Built on 71,000 square metres in a prime area of the Mozambican capital and overlooking the sea, the two towers presented have a residential part with 181 furnished apartments and an executive part, with an area of 22,000 square metres of office space, plus two floors of covered parking. Most of the apartments will be managed by the Radisson Blu Hotels & Resorts group while the remainder will be placed on the market under lease, a process that has already been launched by a specialised company. The Managing Director of Rani Investment, Salim Bitar, who spoke at the presentation of the project said Torres Rani was a quality development with high standards of health and safety, interior design and maintenance services, which responds to new demand for leisure, business and high-quality housing in Maputo. Rani Investment has done business in Mozambique for over 15 years and owns four hotels in the country, including the Avani Pemba Beach Hotel in the province of Cabo Delgado in the north, the Anantara Bazaruto Island Resort & Spa, the Anantara Medjumbe Island Resort & Spa and the Radisson Blu, the first development project in Torres Rani, a luxury hotel that has been operating in Maputo since 2012. *(Macauhub)*

INFRASTRUCTURE

Angola takes on new loan of US$500 million
Angola will take on a new international loan of US$500 million for energy and water projects, according to a presidential order cited by Portuguese news agency Lusa. The document from 29 June, approving a financing agreement with Ecotech – Engineering & Technical Services for US$125 million for “budgetary support to the National Treasury” and over US$375 million “to supply materials, products and implement projects.” The authorisation is explained by “the need to ensure execution of the projects included in the Public Investment Programme” as outlined in the State Budget (OGE) for 2015 and is in line with the “government’s strategy of diversification of funding sources.” A few days ago the Angolan government secured a World Bank loan of US$450 million – plus a guarantee of US$200 million – and a new credit line from China, for an undisclosed amount. Previously loans were taken out with France’s Société Générale, for US$500 million, Spain’s BBVA, for 500 million euros, and US bank Goldman Sachs and British fund Gemcorp Capital, each for US$250 million, among others. *(Macauhub)*

Niger secures $80 mln from donors to advance dam project
Niger said that it has won financial backing of 50 billion CFA Francs ($83.51 million) to relocate thousands of people from the site of a proposed hydroelectric dam.
The 500 billion CFA Franc Kandadji project has been underway since 2008, but work stalled after a dispute with the original partner. The project is set to be completed in 2017 and would be a key accomplishment for President Mahamadou Issoufou, who faces re-election next year. "We agreed that the donors will effectively undertake the displacement of the people," the planning and community development minister, Amadou Boubacar Cissé, said on state television late after a meeting with donors. They include the World Bank, the Islamic Development Bank, the African Development Bank and the French Development Agency. Niger, a largely desert country that often struggles to feed its people because of droughts, had originally agreed to pay for the relocation of 40,000 residents from the construction site. The project, located about 180 kilometres northwest of the capital, Niamey, will have a capacity of 130 MW and would also provide irrigation. ($1 = 598.7000 CFA francs) *(Reuters)*

Dam in Mozambique produces more electricity in the 2nd quarter
The production of electricity in Mozambique by the Cahora Bassa hydroelectric dam in the second quarter totalled 4,245 gigawatts hours (Gwh), exceeding by 6 % the target set of 4,002 Gwh, Hidroeléctrica de Cahora Bassa (HCB) said in a statement.
HCB also said the good performance of generating and power transmission equipment as a result of implementing the annual maintenance plans had also contributed to the better-than-expected production level.
In the second quarter progress was seen in the implementation of the dam modernisation projects, including pre-recovery of the substation and recovery of unloaders as well as the project to recover the main transformers at the plant.

The statement from HCB also noted the beginning of the project to reinforce the bases of the towers along the transmission lines in the rivers Save, Limpopo and Nuanetsi to withstand the force of discharges in periods of peak rainfall.
Meanwhile, Zimbabwe's power production and distribution company, ZESA Holdings, paid the remaining debt of US$100 million that it owed to HCB. Julian Chinembiri, director-general of the Zimbabwe Electricity Transmission and Distribution Company, a subsidiary of ZESA Holdings, told the Financial Gazette that the company paid off the US$30 million still owed to HCB. *(Macauhub)*

Tanzania's Dar es Salaam port to handle 25 % more cargo in 2015: president
Cargo volumes at Dar es Salaam port are expected to rise as much as 25 % this year, helped by expanded capacity and improved efficiency, Tanzanian president Jakaya Kikwete said in his last address to parliament before an election in October.
The port, whose main rival is bigger but also congested Mombasa in Kenya, acts as a trade gateway for landlocked states such as Zambia, Rwanda, Malawi, Burundi and Uganda, as well as the eastern region of Democratic Republic of the Congo (DRC). "In 2014 the port handled 14.4 tonnes of cargo ... We expect it to reach 18 million tonnes this year," Kikwete said. "The port currently operates 24 hours a day and the speed of unloading and loading cargo has significantly increased ... even those who previously stopped using the port have now returned."
Tanzania said it wants to increase capacity to 28 million tonnes a year by 2020. The World Bank said last year that inefficiencies at Dar es Salaam cost Tanzania and its neighbours up to $2.6 billion a year.
Tanzania signed a $565 million deal last year with the World Bank and other development partners to expand the Dar es Salaam port, part of plans to boost the east African nation's role as a regional trade hub. Kikwete said plans to build two new berths would double the number of containers handled by the port each year to 1.2 million twenty-foot equivalent units, or TEUs, from the current 600,000 TEUs. "We are currently in discussions with the DRC and Zambia for a single customs territory to speed up cargo clearance at the Dar es Salaam port," he said.
Tanzania also plans to build a new, Chinese-backed $11 billion port at Bagamoyo to make it the region's biggest gateway and an engine of Africa's boom. Like its neighbour Kenya, Tanzania wants to capitalise on a long coastline and to upgrade existing rickety railways and roads to serve growing economies in the heart of Africa.
Kikwete said the government would begin construction of a standard gauge railway line this year if it secured funding to link the Dar es Salaam port to regional economies. Transport contributes 15 % of gross domestic product in he said.
Tanzania, east Africa's second-biggest economy, said in March it plans to spend $14.2 billion to construct a new rail network in the next five years financed with commercial loans. Gas finds in Tanzania and oil discoveries in Kenya and Uganda have turned east Africa into an exploration hotspot for oil firms, but transport infrastructure has suffered from decades of under-investment. *(Reuters)*

IDC calls for 'creative' financing models to fund public infrastructure
Governments can no longer solely rely on conventional investment mechanisms to fund their public infrastructure development, cautions Industrial Development Corporation (IDC) agro, infrastructure and new industries divisional executive Khumo Morolo, describing traditional methods of project financing as "increasingly insufficient and inadequate".
"Increasingly innovative financing mechanisms and models are needed to enable infrastructure and broaden South Africa's economic base…and the public sector [is being] forced to be creative. "That's why we are seeing an increase in public–private partnerships (PPPs) and infrastructure funds…but PPPs are still not being used to their full advantage in Africa," she told the inaugural Gauteng Infrastructure Investment Conference, in northern Johannesburg. Morolo described sovereign wealth funds, pension funds, private equity funds, infrastructure bonds and emerging market partners, such as China, India, Turkey as well as Arab and Islamic funding institutions, as growing sources of infrastructure funding in Africa. Noting potential mechanisms and instruments for increased infrastructure financing by the private sector, Morolo suggested the establishment of special purpose vehicles with the ability to enable revenue-generating infrastructure projects, such as State-owned energy utility Eskom's new build programme. PPPs could also be used more effectively, particularly in terms of risk and benefit sharing, while infrastructure projects could also be packaged in line with the requirements of retirement or pension funds. Economically viable projects could be privatised to secure international private-sector funding, Morolo added. Citing global examples of innovative funding mechanisms, she outlined that the UK had sourced a portion of its public infrastructure requirements through government guarantees, green investment banks and a dedicated infrastructure unit in Treasury, while Malaysia had filled its development coffers through the leveraging of government-linked corporations, which acted as main sponsors, and infrastructure bonds. "Another example of innovative infrastructure financing can be seen in Singapore, where the government used fiscal prudence and long-term planning as an initial approach before tapping into its central provident fund and statutory boards, and reinvesting surplus funds into the Singapore Investment Authority. "Then, in the 2000s, the country switched to the PPP model and privatised most public utilities," Morolo explained. Other international financing trends had seen the use of differential reserve requirements and statutory liquidity ratios, which induced commercial loans to banks to hold a portion of their liquid assets in government bonds. Priority-sector lending

requirements for commercial banks were also currently being leveraged to channel private capital towards the productive sectors of the economy. Notwithstanding the various sources of funding available, Morolo noted that the role of development finance institutions (DFIs) remained critical, given the massive financing needs and that these institutions often provided financial products that were not readily available in the market, such as equity and long-term debt. “DFI’s are also, generally, prepared to take and manage higher risk profiles, adopt a developmental rather than a financial return maximisation approach and play a catalytic role by crowding-in private-sector investment,” she held. The funding of infrastructure projects, meanwhile, held its own set of challenges, particularly as these projects often had longer payback and build-out periods, which increased regulatory risk. Inadequate capacity to package projects to bankability stage for private investors was also prevalent. *(Engineering News)*

ENERGY

ADB finances electricity network of the capital of Guinea-Bissau

The African Development Bank (ADB) has approved a loan of 16.7 million euros to improve the electricity supply in the capital of Guinea-Bissau, the ADB said in a statement.

The statement said that financing comprises a loan of 9 million euros and donation of the remaining 7.7 million euros.

The funding provides for the repair of electricity installations at 31,000 customer sites, links for 10,500 new users and improvements in commercial management and good governance of public water and electricity company EAGB, the ADB said.

The Programme to Improve Electricity Supply to Bissau has a deadline of three years to “reduce the number of daily power cuts from 22 to less than two,” the ADB said.

At the same time, it aims to reduce the rates of commercial and technical loss from 47 % to 20 %. “Only 20 % of residents in the capital have access to electricity” and whoever receives energy is connected to a “weak” grid, where “half the electricity produced is lost due to illegal connections and obsolete infrastructure” and “blackouts of over 20 hours in some areas due to excessive load,” the ADB said. The programme includes additional funding from the European Investment Bank and the Guinea-Bissau government. *(Macauhub)*

A boost for energy access and renewables in Kenya

Kenya’s renewable energy sector is set for a boost in September when a solar microgrid company plans to become the country’s first licensed private utility to sell power to the public, ending a half-century monopoly by the state electricity firm.

Earlier this year, the government granted Powerhive East Africa, an energy technology venture with its roots in the United States, a permit to supply electricity to rural homes in competition with 53-year-old grid giant Kenya Power. For over two years, Powerhive has been running pilot schemes in four villages in Kisii, providing around 1,500 people with solar power. “Our goal … is line with that of the government – we want to connect and provide reliable service to as many rural communities as possible,” said Rik Wuts, Powerhive’s co-founder and vice president for business development.

Under the deal, the company will produce solar power and distribute it to rural off-grid communities, providing a clean, stable electricity supply on a “viable commercial basis”. Powerhive will begin generating and distributing electricity under its new license to homes in the west Kenyan counties of Kisii and Nyamira from September.

The area has a high population density and concentration of homes, making it ideal for microgrid models that rely on short distances between the power source and target premises. The microgrids connect around 150 to 300 clients per locality, as well as serving public buildings like schools.

Leveraging the falling prices of solar photovoltaic panels and power storage equipment globally, Powerhive says it has succeeded in bringing the cost of microgrid power closer to that of mains electricity. “In many places in the developing world, the cost of (main) grid extensions is simply too high to be feasible,” said Wuts. “The cost decline in solar and (power) storage will continue bringing off-grid generation costs ever closer to grid levels, and we have developed innovative technology to optimise the cost of distribution and the design of the distribution systems,” he told the Thomson Reuters Foundation.

Last-mile Connections

Kenya is trying to speed up expansion of electricity penetration across the country, particularly in rural areas, under the Last Mile Connectivity Project launched by the government in March.

This scheme aims to connect some 310,000 people living close to 35,000 Kenya Power transformers to the grid in the next two years, at a cost of around $200 per connection.

The model used by Powerhive will help bring power to over 50,000 primary schools that are set to benefit from a government-sponsored project to equip them with laptops, according to Pavel Oimeke, director of renewable energy at the Energy Regulatory Commission.

The Powerhive utility concession is “a win-win development for Kenya that will allow more people to access electricity and make the industry more competitive”, he said. Kenya has a huge market for power that companies like

Powerhive could exploit, he added. “If they make a good business case, we can expect more players to come on board and help connect more people,” Oimeke said.
Powerhive may not pose a major threat to a well-funded, established entity like Kenya Power, but the role of smaller companies in energy-sector development should not be underestimated, he noted.
World Bank figures indicate that only around three in 10 Kenyans have access to electricity, dropping to around two in 10 in under-served rural areas. Oimeke predicted that solar power’s market share in Kenya would increase through microgrids with continued government support in the form of enabling legislation and regulation.
But Wuts argued that if Kenya Power can access funds to assist with the cost of lighting up rural areas, smaller utilities should also be able to tap concessional loans, government guarantees and other financial support.
Last November Kenya Power received a $147 million loan from the African Development Bank and the Kenyan government for the Last Mile venture. “We have confidence in our model on a fully commercial basis, but we would be happy to cooperate with the government and Kenya Power to reach Kenya’s electrification goals as soon as possible,” Wuts said, expressing an interest in joining the Last Mile project. *(World Economic Forum)*

Kenya's KenGen says to add 450 MW to grid in three years
Power producer Kenya Electricity Generating Company (KenGen) plans to add another 450 megawatts (MW) to the grid from wind and geothermal in the next three years at a cost of at least $710 million, its chief executive said.
Kenya, which relies heavily on renewables such as geothermal and hydro power, aims to expand installed capacity to about 6,700 MW by 2017, from about 2,500 MW now. It also aims to halve bills from around $0.17-0.18 per kWh in three or four years.
High costs and power cuts are regularly blamed for holding back Kenyan businesses and making them uncompetitive.
"We are talking of adding about 350 MW of geothermal and about 100 MW of wind ... in the next three years," KenGen Chief Executive Albert Mugo told reporters. Mugo said 350 MW will be from three geothermal power plants in the Rift Valley's Olkaria, where other plants are based.
Two of the plants with total capacity of 210 MW would cost a total $600 million and could be working by early 2017, he said. KenGen, in which the state has a 70 % stake, and the Finance Ministry were seeking a transaction advisor for a third plant in Olkaria, with 140 MW capacity. KenGen is also planning a 100 MW wind project in central Meru County using 100 million euros ($110 million) in financing from French and German development institutions. The project could expand to 400 MW by 2025, he said.
Kenya's first major wind farm, with capacity of 310 MW and being developed by a private group in north Kenya, could start producing power from its first turbines in September 2016. KenGen says it aims to use $1.3 billion, mainly in concessional financing, on renewable power projects in the next two to four years.
Plans for a rights issue to raise 30 billion shillings ($300 million) were at an advanced stage, he said, adding more details could be announced in a month or so. The issue was originally planned for the first quarter of 2015. "We will be coming up with a programme as soon as the advisors have looked at our information. We will then firm up the programme for the rights issue." he said. ($1=100.1500 Kenyan shillings) *(Reuters)*

Oman to Build Giant Solar Plant to Extract Oil
Facility is the latest measure in Oman’s fight to halt a decline in production capacity
For years, the unforgiving desert of Oman has required special tools to extract some of the planet’s heaviest crude. The Persian Gulf sultanate’s repertoire now includes a technology not generally associated with oil pumping: solar power.
One of the world’s largest solar plants will be constructed to coax Oman’s heavy oil out of the ground, according to Oman and its partners, Royal Dutch Shell PLC and French energy company Total SA. Called Miraah, which means “mirror” in Arabic, the 1,021 megawatt solar-thermal facility is slated to be completed in 2017 and located at the Amal West oil field in South Oman.
The solar plant will be built by Petroleum Development Oman, a joint venture between the Omani government, Shell and Total, and GlassPoint Solar, a Fremont, Calif.-based solar manufacturer.
The construction of a giant solar plant is the latest measure taken by Oman in its fight to halt any decline in its production capacity. Oman is heavily dependent on oil for its economy and its energy sector accounts for about half of gross domestic product and three-quarters of government revenue.
Oman is the biggest Middle Eastern oil producer that isn’t a member of the Organization of the Petroleum Exporting Countries. It boosted its output from about 700,000 barrels a day in 2007 to more than 950,000 barrels a day in 2014 with the help of “enhanced oil recovery” techniques like injecting steam, natural gas and polymers into wells, according to the U.S. Energy Information Administration. “The use of solar for oil recovery is a long-term solution,” said Raoul Restucci, managing director of Petroleum Development Oman.
Enhanced recovery technology, known as EOR, commonly uses natural gas to extract heavy and viscous oil from difficult-to-access oil fields. Unlike solar panels that generate electricity, solar EOR uses large, curved mirrors to focus sunlight on a boiler tube containing water. The concentrated energy boils the water to produce steam which is then injected into a reservoir to heat the oil and reduce its viscosity, making it easier to extract and pump to the surface.

Petroleum Development Oman, which is the biggest oil producer in the country, expects the technology to account for around a third of its total production by 2023. Mr. Restucci said the solar project would free up the country's natural gas, which had been used to help crude-oil recovery, for domestic use and exports.
Robin Mills, a Dubai-based energy analyst, said Oman had "complicated geology" and fields that were mature and not easy to recover all of their potential. He said Oman was "certainly the most advanced country in the Middle East" using enhanced oil recovery techniques. He said other countries with heavy oil resources such as Iraq, Iran, Kuwait and Egypt could benefit from similar technology. "This is particularly important for Oman, given gas shortages and its need for EOR for its large heavy oil reserves," said Mr. Mills.
The Miraah plant will comprise 36 glasshouse modules and will generate an average of 6,000 tons of solar steam daily for oil production. A glasshouse module is a self-cleaning structure that encloses and protects the solar collectors from wind, sand and dust storms common in Oman and throughout the Gulf region.
The total project area, including all supporting infrastructure, will span three-square kilometers, an area equivalent to more than 360 football pitches.
In 2011, GlassPoint Solar partnered with California oil producer Berry Petroleum to develop what it says was the first commercial solar EOR project on a hundred-year-old oil field in Bakersfield, Calif. Later that year, Chevron Corp. and BrightSource Energy Inc. unveiled a 29-megawatt solar-thermal power plant in the San Joaquin Valley, Calif.
Geert van de Wouw, managing director of Shell Technology Ventures, Shell's corporate investing arm through which the energy giant has invested in the Miraah project, said that it "demonstrates the scale of opportunity for the oil and solar industries to expand together."
Miraah will save 5.6 trillion British Thermal Units of natural gas each year, the amount of gas that could be used to provide residential electricity to 209,000 people in Oman, the companies said.
However, according to Mr. Mills, recent lower oil prices casts doubt on the economics of high-cost EOR projects. Brent crude, the global benchmark, is trading at about $56 a barrel, about half its price this time last year. "We are aiming to secure greater recovery of oil while at the same time reducing our energy consumption and our costs," Mr. Restucci added. He wouldn't disclose the cost of the project, but said that the solar EOR will be competitive compared with natural gas EOR. *(Wall Street Journal)*

Kenya, Tanzania invite bids for construction of a high-voltage power line
Kenya and Tanzania have invited bids for the construction of a high-voltage power line connecting the two, part of efforts to meet growing demand for electricity and deepen integration of their economies.
The two countries will build approximately 510 km of 400 kilovolt (kV) power lines and several substations to allow them trade in power, they said in a statement published in Kenya's Daily Nation newspaper.
The tender did not indicate the cost of the project to be funded through financing by the African Development Fund (ADF) and the Japan International Cooperation Agency (JICA). Bids are due by Sept.9.
The African Development Bank (AfDB) said in February it had approved a $145 million loan to fund the building of the electricity line between Kenya and Tanzania to improve regional power connections.
East Africa has some of the fastest growing economies on the continent but power shortages deter investment, pushing up business costs and sustaining poverty and inequality.
Kenya, which relies heavily on renewable energy like geothermal and hydro power, aims to expand installed capacity to about 6,700 megawatts (MW) by 2017, from about 2,500 MW now. It also aims to halve bills from around $0.17-0.18 per kWh in three or four years.
As well as expanding generation, Kenya has plans to add 5,000 km of power lines to its existing 3,800-km network by 2017. Only a third of Kenya's 44 million people are connected to the grid, according to its energy ministry.
Neighbouring Tanzania aims to double its generation capacity to 3,000 MW by 2016. Southern Africa already has a series of interconnections linking countries, including South Africa, Zambia, Zimbabwe and Mozambique, which allows them to trade power. *(Reuters)*

Power crisis offers investment opportunity in sub-Saharan Africa
WHILE South Africans bemoan regular electricity load shedding, a new report points out that the current power crisis in sub-Saharan Africa offers a huge investment opportunity.
The report from McKinsey and Company, titled 'Brighter Africa: The growth potential of the sub-Saharan electricity sector', concludes that while the sub-Saharan African power sector faces many challenges there is a silver lining: the region is incredibly rich in potential power-generation capacity. This, combined with the fact that there is real momentum for change, means that the potential exists to take development of the sector to the next level, it avers.
But to achieve success, the report argues that there needs to be a combination of political will, regional integration and financial viability. Private-sector involvement is critical and central to effectively delivering new capacity.
Professor Anton Eberhard, chair of deputy president Cyril Ramaphosa's energy advisory panel and director of the Management Programme in Infrastructure Reform and Regulation at University of Cape Town Graduate School of Business (UCT GSB) agrees. He says the ongoing success of South Africa's Renewable Energy Independent Power Providers Procurement Programme (REIPPPP) in particular points the way on how to procure alternative energy

projects quickly and effectively in developing countries. "South Africa's power crisis has brought an acceleration of solutions in the form of IPPs, which has successfully channelled substantial private sector expertise and investment into grid-connected renewable energy in South Africa at competitive prices," Mr Eberhard says.
SA's REIPPPP is the fastest growing renewable energy programme in the world and has already seen significant investment flowing into the country. Private sector investment in renewable energy generation is expected to reach R193bn following the recent announcement of another 13 preferred bidders for wind and solar photovoltaic (PV) projects by Energy Minister Tina Joemat-Pettersson.
The programme's success has led to one investor labelling it "the most successful public-private partnership in Africa in the last 20 years." It is among the top ten privately funded renewable energy programmes in the world.
Mr Eberhard, who also teaches an executive education and professional short course in power sector reform and regulation at the UCT GSB, says a great advantage of the SA REIPPP is it provides an African-specific example from which to learn.
The UCT GSB course annually brings together leaders working in the power sector from around 12 to 15 African countries, creates a powerful learning network and seeks to empower participants to engage specifically with the challenges of adapting to new regulatory regimes and reforming utilities to deliver expanded and affordable services for the poor, while underpinning and supporting economic growth. Private sector participation is frequently on the agenda, including the introduction of Independent Power Producers (IPPs).
With funding from the British High Commission's Prosperity Fund, Mr Eberhard's group is looking at ways in which lessons from the REIPPP may be applied to other African countries. Not all REIPPPP success factors can be easily duplicated, says Mr Eberhard, particularly in low-income countries. Some can be replicated with proxies; others may be ignored. He adds: "The South African experience tells us what factors are essential in countries where the government and private sector players are strongly committed to rolling out a renewable energy programme." Perhaps the most important lesson to transfer from the REIPPPP is the benefits of a well-designed and transparent procurement process. Mr Eberhard says: "The REIPPPP experience has shown that private sponsors and financiers are willing to invest in renewable energy if the procurement process is well designed and transparent, transactions have reasonable levels of profitability, and key risks are mitigated by government."
According to Chairperson of the African Union, Nkosazana Dlamini-Zuma, regional demand for electricity is expected to at least double over the next quarter century and the continent aims to have half of all electricity produced from clean, indigenous, cost-effective renewable power options by 2030 to meet the region's energy needs. From an electricity-access point of view, sub-Saharan Africa's situation is the world's worst. It has 13% of the world's population, but 48% of the share of the global population are without access to electricity.
Speaking at the United Nations Secretary General's Climate Summit last year, Ms Dlamini-Zuma told delegates: "Africa's surging economic growth can be fuelled by an energy mix that emphasises the development of its vast renewable energy resources." Mr Eberhard says in most developing countries, a convincing case needs to be made repeatedly to justify the procurement of renewable energy. REIPPPP was preceded by years of policy proposals that supported climate change mitigation. This background, combined with the looming threat of power shortages in the country, and frustration with Eskom's lack of action on IPPs, meant that REIPPPP was initially given the benefit of the doubt, even by critics of renewable energy costs. Mr Eberhard says: "Africa's perfect storm of energy supply and demand must be weathered with cost-effective renewable power options and enabling frameworks to attract investments, only then will the continent's vast renewable energy resources have the power to dramatically accelerate economic growth, job creation, energy security and the increasing generation of clean electricity on the continent." *(BDLive)*

The Power of Africa: A picture is worth a thousand Watts
Two years ago, President Obama launched Power Africa: a private sector-led initiative aimed at doubling access to electricity across sub-Saharan Africa. Two out of three Africans— more than 600 million people — lack access to electricity. Power Africa brings together the world's leaders in energy, commercial lending, innovation, and trade to provide opportunity and economic growth.
In June, the World Economic Forum in Africa brought many of those same key partners together and forced us to ask each other a very important question. What does the impact look like? Is the difference we're making significant and sustainable?
Since its launch, Power Africa has evolved from a U.S. government initiative into an effort that now involves a host of multilateral organizations and more than 100 private sector partners. That's why, in August of 2014, President Obama expanded Power Africa's reach to all of sub-Saharan Africa and tripled the original goals, setting objectives to add 30,000 MW of new and cleaner power generation and grant access to electricity for at least 60 million new households and businesses.
This summer, President Obama returns to the continent where he'll find that Power Africa's impact is being felt. Our teams are on the ground throughout the continent, working every day with citizens and entrepreneurs, private sector businesses from around the world, the global public sector, and our government counterparts in African nations, to advance Africa's energy sector. We see real change — sometimes small discrete steps, sometimes large and obvious — showing us that the cumulative work of so many is building toward something powerful. We know that Power Africa is

changing people’s lives, businesses, and governments, but a signed deal or a new megawatt are not always easy to visualize. That’s why in celebration of our two year anniversary, we are showing the world what “Power Africa” looks like. With the creativity and vision of our partners, we’ve been able to shed light on innovation increasing access to power in Africa. This month we announced the eight winning photos of the Power Africa photo contest. We asked our partners, our colleagues, and our implementers to answer a simple question with their photos: what does energy innovation look like? The responses surprised us. More than sixty photographs showcase the diversity of our collective impact and reach. Access to electricity is more than just a signature on a dotted line when project developers close the financing for a project. It’s the face of a girl as she holds her first solar lamp, it’s the handshake of two people agreeing to do things differently, it’s a classroom of women taking over an entire sector led for generations by men, and it’s a solar field built in a village recovering from genocide.
Whether it’s through our Beyond the Grid solutions, our early-stage financing, our feasibility studies, or our support to overcome a policy issue, Power Africa is delivering diverse clean energy solutions and more importantly, opportunities for the future.
Over the next month, as much of the world’s focus turns to discuss the challenges facing Africa’s energy situation, we at Power Africa remain focused on the innovators that are changing and shaping Africa’s future one connection and watt at a time. The rest of the world should too. That’s the real power of Africa, it’s the people, their vision, and their determination to be the power for a brighter tomorrow. *(World Economic Forum)*

MINING

Cupric to spend $200 mln to build Botswana copper mine
Cupric Canyon Capital, a private equity firm backed by a unit of Barclays Plc, will spend $200 million to bring its copper-silver mine in Botswana to production, the company said. Construction of the mine, which will be built by Cupric's Botswana unit Khoemacau, is set to start in 2016 with the first copper expected to be shipped to the markets in 2018. Cupric acquires undeveloped copper assets with the aim of developing them and then exiting via sales or a public listing. Cupric's Africa chief executive Sam Rasmussen told reporters the mine would produce 50,000 tonnes of copper and 1.8 million ounces of silver per year. "The cost of the mine would have been much higher had it not been for the processing plant we have acquired," he said. Khoemacau recently concluded a deal to buy the mothballed Boseto Mine, which is 30km (18 miles) away from its new mines site. Khoemacau country manager Johannes Tsimako said the company is in negotiations with the government to connect the northwestern copper region to the electricity national grid. Sparsely-populated Botswana is the world's top diamond producer and the government is keen to diversify the economy to reduce its dependence on gem production and sales. *(Reuters)*

Indian group CIL plans to dispose of 75 % of two coal blocks in Mozambique
Indian state mining group Coal India Ltd (CIL) plans to dispose of 75 % of the area of two coal blocks acquired in Mozambique about six years ago, said a company official cited by Indian newspaper the Economic Times.
The paper added that this decision came after the government of Mozambique approved the doubling of the costs associated with maintaining the blocks, which to date have not revealed the presence of coal in commercial quantities.
“At a meeting of the board held last week, it was decided that Coal India Africana Ltd African would retain just 54 square kilometres of the 205 square kilometres that it had acquired,” said the official, according to the newspaper. The source also said the decision was taken after completion of a three-year prospecting programme, which revealed that over 75 % of the combined area of the two blocks contained nothing that could be dubbed coal. About six years ago, CIL acquired an exploration and development license valid for five years on the A1 and A2 blocks in the central province of Tete, after which it formed the subsidiary Coal India Africana Ltd.
A source cited by the Indian newspaper said that initially the group was told the two blocks contained a blend of quality coking and thermal coal with reserves estimated at 1 billion tons but said, “a three-year prospecting programme revealed that over 75 % of the combined area of the two blocks contained nothing that could be dubbed the coal.” *(Macauhub)*

Congo state miner sells copper concession to Chinese investors
Democratic Republic of Congo's state miner Gecamines said it has sold an exploitation permit for a copper and cobalt concession in southeast Katanga province to Chinese investors for $52 million. In a statement on its website, Gecamines said that it sold the roughly 13 square kilometre concession to Congo Dongfang International Mining, a subsidiary of Chinese company Zhejiang Huayou Cobalt Co, Ltd. The concession contains reserves of 354,619 tonnes of copper and 62,903 tonnes of cobalt, Gecamines said, and was controlled by its former subsidiary, Compagnie Miniere du Sud Katanga (CMSK SAS), which Gecamines has since absorbed. Gecamines and another state-owned company, Simco, acquired full ownership of CMSK SAS in 2012 by purchasing a 60 % stake from Belgian investor George Forrest's Entreprise Generale Malta Forrest (EGMF) for $58 million. The statement said that the main reason for the sale was the significant distance between the concession and the concentrator it uses to process the extracted minerals, which Gecamines said imposed substantial transport costs. Gecamines added that it had gained capital with the sale as it retains control of a concentrator and several other exploitation and research permits previously held by CMSK SAS.

Last month, the International Monetary Fund (IMF) said that Gecamines' failure to publish the terms of a sale of state shares in a joint copper and cobalt mining venture to a Glencore unit breached government regulations and an agreement with the World Bank.A Gecamines representative was not immediately available for comment. *(Reuters)*

China buys US$3.5 billion of graphite extracted in Mozambique

Graphite mining operations in Mozambique can now move ahead after Chinese companies signed long-term purchase contracts worth US$3.5 billion, according to the Economist Intelligence Unit (EIU). The most advanced of the projects underway is one run by Australia's Triton Minerals in Nicanda (Cabo Delgado), already considered the world's largest graphite reserve, which recently signed a contract with Chinese raw materials trading company Shenzhen Qianhai Zhongjin, securing financing of US$200 million.

In addition to this financing, split into equity in the project and credit, the Chinese partner has committed to buying 200,000 tons of graphite in the long term. The mineral is used to manufacture batteries, steel and lubricants for the automotive and electrical sector and other products. Triton had already signed a similar agreement with Yichang Xincheng Graphite Co. (YXGC), valued at US$2 billion and so far has signed sales agreements totalling US$3.5 billion for the next 30 years, along with US$232 million in Chinese funding, said the EIU. "In addition to increasing export earnings and government tax revenues, the project could bring wider economic benefits" such as job creation, said the EIU. YXGC and Triton Minerals also extended the partnership to invest in two graphite processing lines, with annual production of 10,000 tons of derivative products, with an estimated annual turnover of US$30 million.

This project, the EIU said, "will signal that Mozambique has the potential to develop a value-added production chain alongside the extraction of raw materials, which will be vital to ensure that the country's mineral wealth supports broad development."

Headquartered in the region of Yichang, Hubei Province, YXGC develops products for various industries such as oil, chemical, metallurgy, machinery, automotive, aerospace, among others, acting in the Chinese market and in more than 20 countries. Australia's Syrah Resurces is another company developing graphite extraction projects and has also established sales agreements with a Chinese company, China Aluminum International Engineering Corporation (Chalieco).

The global demand for graphite has been growing and Mozambique has abundant reserves and low mining costs. "If successful, these projects will establish Mozambique as a graphite producer with global expression and although graphite mining continues to be much more limited in scale than other resources, it will contribute to the diversification of the country's export base and limit vulnerability to price shocks in the coal industry," the EIU said. Given the large weight of the Chinese market in these projects, the EIU also warned of the risk that a slowdown in the Chinese economy is likely to have on their development. The developments in mining and, in particular, investment in the mining sector, support projections of "robust economic growth" between 2015 and 2019, at an annual average of 7.4 %. *(Macauhub)*

OIL & GAS

Italian group ENI announces investments in Angola

Italian oil group ENI plans to invest US$4.5 billion over the next two years in oil exploration in Angola the chief executive of the group said in Rome during a meeting with the Angolan president. "We will invest to develop the 15-06 block over the next two years," said Claudio Descalzi, quoted by Italian news agency AGI (Agenzia Giornalistica Italia), adding that the group would reach production of 100,000 barrels per day by the end of 2015 "an amount that will double in the next three and a half to four years." Descalzi said he had spoken to José Eduardo dos Santos "about the gas we found in Angola" and said he presented a proposal for exploration with the aim not to export it but to sell it to Angolan industrial customers.

The meeting was also used to discuss other issues, particularly in the energy sector, such as the development of renewable energies, especially solar energy production in remote areas of Angola, and the possibility of building transmission lines, both in coastal and inland areas. The visit by dos Santos to Italy came a year after Italian Prime Minister Matteo Renzi visited Angola to strengthen bilateral economic ties, and a meeting between the two took place. *(Macauhub)*

Mozambique LNG industry to propel economic growt

Mozambique could become one of the largest exporters of liquefied natural gas (LNG) in the next decade, if it moves to exploit the large offshore natural gas discoveries made in the country since 2010, research firm Frost & Sullivan said.

In 2014, the country produced 151.3-billion cubic feet of LNG, of which 94.3% was exported to South Africa. As of early this year, the country was estimated to have more than 180-trillion cubic feet of recoverable gas resources. The company noted that the discoveries – mostly in the Cabo Delgado province – marked out the country as a new investment destination in sub-Saharan Africa, but cautioned that certain conditions would need to be met to avoid the "resource curse" that countries such as Angola and the Democratic Republic of Congo had experienced. Frost & Sullivan said in its 'Rising Export Opportunities to Anchor Mozambique as Regional Gas Hub' report that there were

several key drivers that would drive the development of the industry between 2015 and 2030. “Urbanisation and industrialisation trends are creating demand for gas used in gas-to-power, gas-to-liquid, fertiliser and petrochemical industrial facilities, as well as for process heating and modern transportation projects. Potential for additional significant gas discoveries exists as new concessions for exploration and distribution will be awarded in the course of [the year],” the report stated. The planned confirmation of anchor projects would ensure that a minimum level of gas consumption was a prerogative for the development of a local gas industry and gas-related infrastructure, which required high upfront capital costs. “As long as there is enough long-term demand from gas-consuming regions or countries, gas production projects in the lower-cost quartile, such as in Mozambique, will be pursued,” the report highlighted. Further, the company noted that a stable and transparent regulatory framework would attract foreign investors, which was “essential, given the size of the infrastructure investment required to implement gas monetisation strategies in Mozambique”. It stated that good progress had already been made with the enactment of the revised Petroleum Law and the LNG Special Regime Decree in 2014. Additional regulations relating to the revised Petroleum Law still needed to be published. The diversification of the power generation mix was also identified as a key driver of development, as countries which were heavily reliant on one resource – such as Mozambique with its dominant hydropower sector – needed to diversify, which was essential to ensure the long-term security of power supply. CHALLENGES Frost & Sullivan emphasised that the development of the Mozambique LNG industry would not be without its challenges, noting a number of constraints. “The volatility of oil and gas prices can restrain the development of a gas hub in Mozambique. LNG is a commodity traded on international markets, and whose prices have historically been (at least partially) indexed to international crude oil prices. Because the exploration and production concessionaires aim to market most of their gas in the form of LNG to global markets, it is imperative that stakeholders conclude long-term offtake agreements including a floor price, which would protect the economic fundamentals of the Mozambican gas production projects,” it said. Further, it averred that the Mozambique financial sector and State-owned petroleum companies lacked the financial resources to fund LNG projects, such as the export facility to be built in Palma. “Hence, they rely entirely on international private investors and multilateral financing institutions. A lot of conditions need to be met before projects become bankable and attract enough funding,” it pointed out. Political instability and corruption were highlighted as other challenges. “[These] have undermined economic development in Mozambique. Although serious progress has occurred since the end of the civil war, political unrest re-emerged in 2013 between Frelimo, the ruling party, and Renamo, the former rebel group and main opposition party. Mozambique ranked 119th out of 175 economies in 2014 on the Corruption Perceptions Index published by Transparency International,” the report pointed out. It also believed that the lack of skilled labour was a challenge for international oil and gas companies and associated infrastructure investors, which needed to adhere to strict local content requirements. *(Engineering News)*

Angola’s Sonangol Plans $1 Billion Cost Savings on Oil Slump

Sonangol EP, the state-run oil company in Angola, is seeking $1 billion in cost savings by the end of the year to help cope with plunging crude prices. The company plans to renegotiate contracts with partners and probably won’t fire workers, Chief Executive Officer Francisco de Lemos Jose Maria told reporters in the capital, Luanda.

Sonangol said in February it will cut this year’s spending by 25 percent, end most retail fuel subsidies and reduce contract costs by as much as half. A more than 40 percent slump in oil prices in the past year has slashed revenue in Africa’s second-largest crude producer, forcing the government to scale back spending and devalue the currency.

The company, the biggest in Angola, denied reports in Portuguese media on the weekend that it was technically and financially bankrupt. Sonangol is “stable” and doesn’t expect substantial changes in its business this year, it said in a statement. Operations in Houston, Singapore, London, Brazil, Venezuela and Cuba are continuing, it said.

Sonangol will publish the names of 62 companies that can qualify as explorers in 10 onshore concessions by the second half of the year, Maria said. The government last year asked local companies to file interest for seven blocks on land in the Kwanza basin south of Luanda and three ashore in the Lower Congo basin near the northern border with the Democratic Republic of Congo.

Companies such as Total SA, Exxon Mobil Corp, BP Plc and Chevron Corp. pumped almost all of Angola’s 1.87 million barrels a day in June from fields offshore the southwest African nation, according to data collected by Bloomberg. *(Bloomberg)*

TELECOM

South Africa's Vodacom plans outsourcing to cut costs

South African telecoms group Vodacom is planning to outsource maintenance to cut costs, the company said, raising union concerns amid a strike by workers at competitor MTN.

The domestic cutbacks at Vodacom, which is spending billions of dollars to expand its data network, is part of a wider trend in the mature South African telecoms market, where peers MTN and Telkom are also cutting costs. Around 2,000 MTN workers in South Africa have been on strike for two months over a pay dispute. Vodacom, which is majority owned by Vodafone, said there would be no job cuts and that it was consulting with its employees. "Vodacom is investigating the possibility of consolidating existing outsourced maintenance contracts and potentially outsourcing

some of our field maintenance activities," spokesman Richard Boorman said. "There would be no job losses if the envisaged changes go ahead," Boorman added.
Two company sources said China's Huawei, Alcatel-Lucent, Ericsson and Neotel were among companies shortlisted for a three-year maintenance contract, which would start on Nov. 1. It was not clear what the value of the deal to maintain radio base stations and the transmission network would be. Vodacom declined to comment on the potential contracts.
The Communication Workers Union (CWU), whose members are leading the MTN strike, has expressed concern about Vodacom's plans. "We are shocked and dismayed again that you are busy outsourcing our members without consultation with the union," CWU general secretary Aubrey Tshabalala wrote in a July 7 letter to Vodacom seen by Reuters. Employees said this could be the first step in wider cutbacks that would include job cuts. "This is just the first phase, the beginning, so we don't know who is going to be next or what is next," one Vodacom employee told Reuters. ($1 = 12.3897 rand) *(Reuters)*

RETAIL

Starbucks Strikes Deal to Open Stores in South Africa Starting Next Year

The coffee chain has agreed to a licensed partnership with management group Taste Holdings

Starbucks Corp. has struck a deal to push into sub-Saharan Africa next year.
The Seattle-based coffee chain has agreed to a licensed partnership with management group Taste Holdings Ltd. to open its first store in Johannesburg in the first half of 2016, with more locations in South Africa to come. The deal allows Taste to open full-size stores that carry the full range of Starbucks food and drinks.
Although Africa is a major sourcing hub for Starbucks—which gets coffee from Rwanda, Uganda, Tanzania, Ethiopia, Kenya, Burundi, Zambia, Cameroon, and the Democratic Republic of Congo—the company has a very small presence on the continent. Elsewhere in Africa, Starbucks has just a small handful of stores in Cairo and Casablanca. Taste, which also has a licensee deal with Domino's Pizza in Southern Africa, will own and operate the Starbucks stores directly. The model follows one Starbucks has turned through most of Europe, the Middle East and Africa, where it uses licensees to run all its stores. The exception is the U.K., where the company stumbled by opening stores mostly in high-rent shopping areas in big cities. There, Starbucks has used franchising as a way to make quick inroads in more remote areas where its executives have little familiarity.
Last year, Starbucks opened 171 net new stores in EMEA, all of which were licensed. It closed 10 company-owned stores. The chain reported net revenue for the EMEA region of $321.8 million for fiscal 2014, up 9.7% from a year earlier. Starbucks has roughly 21,000 stores in over 65 countries.
In South Africa, the chain will serve the same arabica coffee it sells elsewhere but will tweak its menu to cater to local tastes, including Rooibos tea, made from the Fynbos plant grown locally. Growth in South Africa, the continent's second-largest economy by gross domestic product, but its most advanced, has slowed in recent years, while the country has been racked by joblessness, labor disputes and power blackouts. Growth at South Africa's retail coffee shops has also slowed in recent years. Volumes grew an estimated 5.4% in 2014 according to most recent data from Mintel, down from around 10% in 2012. The amount South Africa's population spends at coffee shops has also slipped, dropping to an estimated $12.94 per capita in 2014 from $16.76 in 2011, as the dollar has strengthened against the rand over this period. *(Wall Street Journal)*

AGRIBUSINESS

Realizing the potential for high returns from agriculture

Over the last decade, African economies have grown faster than any others in the world. But most of this growth has occurred outside of agriculture, even though agriculture employs one half to two-thirds of the population. This fact more than any other explains why Africa's economic expansion has failed to generate benefits for the majority of Africans.
At this week's International Conference on Financing for Development in Addis Ababa, heads of state, senior government officials and business leaders from around the world can help spur more inclusive growth in Africa by emphasizing investment in smallholder agriculture – food production on farms that are typically less than a hectare in size. These smallholder farms are the mainstay of Africa's agriculture system. And with the right mix of policies and investments from the public and private sector, they have potential to be global players.
According to the World Bank, the value of Africa's agricultural output could soon triple, from an estimated $280 billion today to around $800 billion by 2030. That output could flow to Africa's urban food markets, which are expected to increase fourfold, and satisfy Africa's overall demand for food, which is projected by the African Union to almost triple by 2050, increasing by 178% compared to 89% in India and 31% in China. But, most importantly, if the investment is channelled to family farmers and local agriculture businesses, the benefits will accrue to the half billion Africans, many still mired in poverty, who rely on farming for food and income.

We have a long way to go. Today, African farmers and agriculture businesses are attracting only 5.8% of total commercial lending on the continent, a strong signal that the majority of investors are not yet buying into this sector's potential returns.
African governments recently pledged to increase significantly their investments in our smallholder farmers. Many believe a critical mass is gathering to mount a major turnaround in African agriculture. But for this transformation to occur, we must confront the fundamental challenges in production and marketing, along with the weak agriculture policies and institutions that have caused this sector to chronically underperform.
The issues start in the field. African farmers use a smaller fraction of fertilizers, high quality seeds and basic farm machinery like tractors than their peers in other developing regions. Only 6% of cultivated land in Africa is irrigated. And when production challenges are addressed and yields increase, farmers often struggle to capitalize on their surplus.
For example, due to a mix of infrastructure challenges and outdated trade policies, Africa's farmers and agriculture businesses still have enormous difficulty accessing markets – from the urban centres in their own countries, through their African neighbours just across the border, to potential buyers in regional markets. Moreover, food processing and other "value-added" agriculture activities, and the employment, income and investment that come with them, still occur largely outside of Africa for African markets with a resultant huge food import bill, not to mention the lost opportunity in exported jobs for African youth.
There are examples in several countries where targeted reforms and a focus on attracting private sector investment in smallholder agriculture have achieved rapid results. In just a few years, Nigeria's imports of rice, sugar and fish fell from $11 billion to $7 billion. In Rwanda, Uganda, Malawi, Ethiopia, Ghana, Tanzania, Kenya, Zambia and Mali, increased access to seeds, fertilizers and other technologies is doubling and even tripling yields of critical food staples.
Today, we are seeing that Africa's agriculture sector can expand rapidly and its benefits shared broadly when the focus shifts from traditional public sector-driven agriculture to more private sector-led endeavours. Then, government policy, spending and regulatory frameworks – aided by development partner support – can focus on positioning smallholder farmers and local African businesses in functioning markets to act as entrepreneurs and engage in partnerships with local, regional and international businesses that can facilitate inclusive economic growth.
Even with the recent oil price slump, Africa remains the world's fastest growing region for foreign direct investment. As leaders meet in Addis this week, governments, business and international institutions need not only to embrace policies and incentives that can help fast track investment, but also direct a greater share of this capital to African farmers and African agriculture businesses.
Making the right investment and policy decisions now will determine whether the fruits of Africa's enormous agriculture opportunities are harvested for the benefit of the 530 million Africans that depend on agriculture for food and income. It will also determine how inclusive Africa's economies become and whether the promise of African agriculture comes to fruition or remains unripened in the realm of a potential that is never realized.*(World Economic Forum)*

Angola plans to increase corn production

Angola plans, in the next two years, to produce 63 percent of the corn it consumes and to spend 100 billion kwanzas on the Support Plan for Corn Production in Angola, approved by presidential decree.
The plan aims to increase corn production to 4.9 million tons, compared to production of 1.3 million tons in 2014 from Explorações Agrícolas Empresariais (EAE) and over 359,900 tons from Explorações Agrícolas Familiares (EAF), an amount which covered just 40 percent of national needs (4.2 million tons).
The programme includes measures such as financial support for work animals and mechanisation with funding of 50,000 EAF, in a total area of 50 hectares, or corrective work for production in an area of 45,000 hectares, benefiting 90,000 families. The programme, which came into force on 22 June and the details of which have know been made public, stipulates that 70.4 billion kwanzas will be paid out by the state, and the remaining funding will be raised through credit. This year Angola is already expected to produce 48 percent of its corn requirements, thus reducing imports, which is another objective of the programme. Just five of the provinces – Kwanza Sul, Benguela, Huíla, Huambo and Bié – covered by this programme account for 78 percent of the over 1.8 million Angolan families that in 2014 were involved in artisanal corn production. (macauhub

Ghana Cocobod seeks US$1.8bn loan

The Ghana Cocoa Board (Cocobod), the state-run cocoa regulator, is seeking a syndicated loan of US$1.8bn to finance purchases for the 2015/16 (October-September) cocoa season.
Cocobod's attempt to secure a US$1.8bn loan has caused some comment locally, given that this is an increase on the US$1.7bn sought for 2014/15, and that output in the current season is expected to be lower than initially forecast. Cocobod initially anticipated a harvest of at least 900,000 tonnes of cocoa, but subsequently revised this down to some 700,000 tonnes, and as of end-June had only purchased approximately 650,000 tonnes. A number of reasons have been given for this shortfall, including low rainfall, a plant fungus, a lack of access to certain fertilisers and a particularly severe harmattan (seasonal wind), which destroyed the flowers from which the cocoa pods are formed. Ghana is the world's second-largest producer of cocoa-accounting for about one-fifth of global output-and cocoa is its

third-biggest export, after gold and crude petroleum. The shortfall in output-the harvest is thought to be one of the smallest in five years-has thus had a broader impact than just on the country's estimated 800,000 cocoa farmers. However, although cocoa production dropped this season, Cocobod's purchases are still sufficient to service its US$1.7bn loan obligations, and the government is upbeat about the sector's prospects, currently projecting that output will rise to around 900,000 tonnes in 2015/16. Farmers' organisations are also optimistic, citing favourable weather conditions, and the impact of agro-chemicals, which were applied too late to benefit the 2014/15 crop, but will help the 2015/16.

With Cocobod revising its initial forecast, and a shortfall in output of cocoa, investor confidence in the board's ability to forecast cocoa production accurately has waned. However, given the current combination of favourable conditions, it is likely that 2015/16 cocoa output and earnings will be up on 2014/15 totals. *(Economist Intelligence Unit)*

Ghana cocoa farmers say output to bounce back next season

Some cocoa farmers in Ghana say the next main crop will easily outstrip the disappointing 2014/15 season, adding weight to a government forecast that next season's output will rise to around 900,000 tonnes.

Investors confidence in Ghana's ability to forecast its cocoa output took a hit this year, when regulator Cocobod revised an initial prediction of more than 1 million tonnes made at the start of the season in October to around 700,000 tonnes.

The revision, and the fact that it came relatively late in the season with little warning, rattled global cocoa markets because Ghana is the world's largest producer after Ivory Coast.

Rains earlier in the year have yielded a good crop of the flowers that should turn into cocoa pods given the right conditions, said farmers in two of the country's main growing regions.

"We are anticipating that in the (next) main crop we will experience a bumper harvest," said Douglas Amankwah, a buyer outside Kumasi in Ashanti Region. "The application of agro chemicals last season was late so it did not have an impact on 2014/15. These agro chemicals will have the result on the 2015/16 main crop," he said.

His comment was echoed by farmers including Lawrence Adu who pointed to the budding cocoa flowers on the trees on his 13-acre farm at New Tafo, Eastern Region. "The weather is encouraging," he said, because of rains that fell in June and the sun," he said. Adu estimated that his farm could produce around 25 64-kg bags of cocoa in the season to end in 2016, up from around 21 bags total this season and 23 bags the season before that.

Farmers cited a variety of reasons for the drop in production this season including old trees, a lack of pesticides and other inputs that caused diseases such as black pod and insufficient farmer education about crop maintenance.

Cocoa is a backbone of Ghana's economy along with gold and oil. Ghana has more than 1 million cocoa farmers who rely on the crop and the lower production this season also hurts government revenue at a time when the country is following an International Monetary Fund loan package aimed at restoring fiscal stability.The government is hoping to take out a $1.8 billion loan to fund its cocoa purchases for next season, up from $1.7 billion in 2014. The country saw growth slow sharply in 2014 due to lower global commodity prices and economic instability including a sharply falling currency, damaging Ghana's reputation as one of sub-Saharan Africa's boom markets. At the same time, several farmers in four regions also said prospects for the light crop looked good after a disappointing main crop.

Overall light crop production, however, would be reduced because of a decision by Cocobod to delay its official opening. The light crop produces only around 10 percent of the total output for the October-September season.

The relative failure of the main crop was the reason for the delay, farmers said. A spokesman for the government-run Cocoa Research Institute in Tafo declined to comment. "The light crop will be better (than last year) because we can see the pods shooting up ... but they (Cocobod) are starting it too late," said Yao Kei Adu, a farmer in Maase village outside New Tafo. Cocoa beans were spread out to dry on the ground outside the buyer's office where he sat.Johnson Mensah, selected by his peers as chief farmer in Western Region South, said the pods already on the trees were evidence that this light crop would beat last year's. Several buyers in Tafo and the neighbouring town of Osiem said their purchases had dwindled sharply in the preceding weeks, though they said rains in the last couple of days were a good sign for the coming main crop. *(Reuters)*

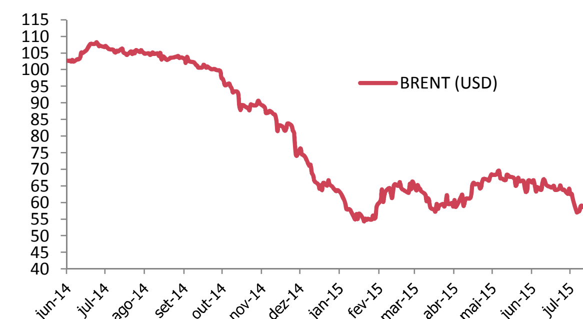
MARKET INDICATORS
20-07-2015

STOCK EXCHANGES		
Index Name (Country)	**20-07-2015**	**YTD % Change**
Botswana Gaborone Domestic Index (Botswana)	10.747,31	13,11%
Bourse Régionale des Valeurs Mobilières (Ivory Coast)	289,05	12,00%
Case 30 Index (Egypt)	8.022,91	-10,12%
FTSE NSE Kenya 15 Index (Kenya)	205,85	-4,47%
Morocco Casablanca Stock Exchange CFG 25 (Morocco)	20.570,47	1,65%
Nigerian Stock Exchange All Share Index (Nigeria)	31.047,99	10,57%
FTSE/JSE Africa All Shares Index (South Africa)	52.915,97	6,32%
Tunindex (Tunisia)	5.677,44	11,54%

Source: Bloomberg and Eaglestone Securities

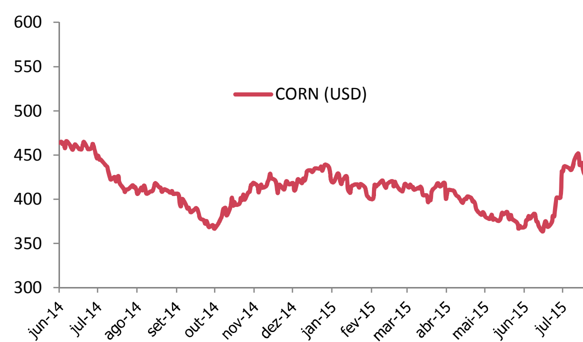
METALS		
	Spot	**YTD % Change**
Gold	1.110	-6,30%
Silver	15	-5,96%
Platinum	986	-18,41%
Copper $/mt	5.480	-13,02%

Source: Bloomberg and Eaglestone Securities



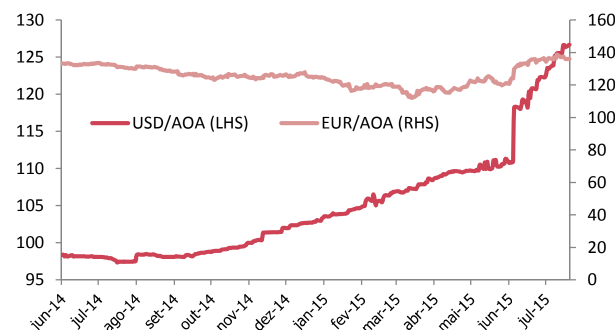
ENERGY		
	Spot	**YTD % Change**
NYMEX WTI Crude (USD/barril)	50,6	-6,75%
ICE Brent (USD/barril)	56,6	-4,39%
ICE Gasoil (USD/cents per tonne)	512,3	-3,30%

Source: Bloomberg and Eaglestone Securities



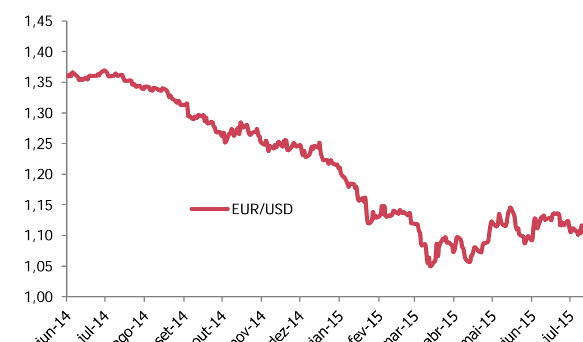
AGRICULTURE		
	Spot	**YTD % Change**
Corn cents/bu.	422,3	5,36%
Wheat cents/bu.	544,0	-8,49%
Coffee (KC) c/lb	127,5	-24,69%
Sugar#11 c/lb	11,7	-21,78%
Cocoa $/mt	3326,0	15,01%
Cotton cents/lb	65,3	6,98%
Soybeans c/bsh	991,3	-3,81%

Source: Bloomberg and Eaglestone Securities



CURRENCIES	
	Spot
KWANZAS	
USD	126,176
EUR	136,074
GBP	195,331
ZAR	10,089
BRL	39,006
NEW MOZAMBIQUE METICAL	
USD	38,528
EUR	41,757
GBP	59,946
ZAR	3,096
SOUTH AFRICAN RAND SPOT	
USD	12,446
EUR	13,489
GBP	19,364
BRL	3,866
EUROZONE	
USD	1,08
GBP	0,70
CHF	1,04
JPY	134,75
GBP / USD	1,56

Source: Bloomberg and Eaglestone Securities



UPCOMING EVENTS

East African Power Industry Convention, 27 – 28 August 2015 KICC, Nairobi, Kenya Optimising East Africa's Power Supply Capabilities. *www.eapicforum.com*

New York Forum AFRICA, 28-30August Libreville, Gabon, the world's leading pan-African business summit *www.ny-forum-africa.com*

AFRICA – JAPAN BUSINESS INVESTMENT FORUM 31st August - 2nd September 2015, Addis Ababa , Ethiopia - For information: Erika Atzori e.atzori@icpublications.com

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

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

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

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

London: East Africa Pensions and Sovereign Funds Investment Forum: 22 - 24 September 2015

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

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

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

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

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Disclosures

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

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

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

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

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