INSIDE AFRICA

Now is the time to invest in Africa

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EAGLESTONE
SECURITIES

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BRIEFS

The IMF forecasts sub-Saharan GDP growth of 6% in 2014, up from 5% in 2013. Inflation is forecast at 6.3% in 2014, the lowest annual average for the region in 30 years.

In 2012, an estimated 30m migrant sent cross-border remittances worth $60bn to recipients in Africa.

Africa's agribusiness will be worth $1 trillion by 2030.

AfDB has invested an additional $10m in the Atlantic Coast Regional Fund (ACRF) to support fragile states and low-income countries in Western and Central Africa. The ACRF is a $72m regional fund focused on 29 countries on or near the African Coast of the Atlantic Ocean from Morocco to Angola.

African water utilities lose as much as $800m a year or 35% of total production, due to leaks, fraud and unpaid bills.

According to the World Bank, consumer spending accounted for more than 60% of sub-Saharan Africa's economic growth last year.

In Lagos there are three malls for 20m inhabitants. Developers are rushing to build more malls to serve Africa's rapidly expanding middle class but are struggling to keep pace with the demand for more consumption.

Mobile money in Kenya increased from $1.96bn recorded transactions in 2008 to $17.7bn in 2012

37% of Nigerians are unaware of mobile money services, a survey found

In-depth:

Assessing risk and opportunity in Africa

Foreign direct investment (FDI) into sub-Saharan Africa has grown at a compound rate of 22.3% between 2007 and 2012. For companies seeking to grow and investors seeking higher returns, the African growth story has stood out.

However, Africa remains a complex and challenging environment in which to do business, and making well informed choices about which markets to enter and via which mode is crucial. This is according to EY's ***Africa by numbers: Assessing risk and opportunity in Africa*** report, released.

The report seeks to stress the importance of having fact-based conversations about Africa, informed from a basis of rational analysis rather than anecdotes and conjecture. It is a follow up to EY's flagship Africa attractiveness report, and profiles eight of the most popular investment destinations across different parts of the continent, assessing their top five investors for FDI, top performing sectors, FDI outlook, and providing a breakdown of active infrastructure projects. The diverse group of countries, most of which have experienced strong compound growth in FDI projects over the past five years, are: Cameroon, Egypt, Ethiopia, Ghana, Kenya, Mozambique, Nigeria and South Africa.

EY Africa CEO Ajen Sita says: "It is no longer enough to just look at numbers when one considers which markets to enter on the continent. The sheer size of the continent can prove daunting and different sets of rules, regulations, stakeholders and market dynamics exist across each of the continent's 54 countries. This report provides a useful and factual guide to support companies in shifting the emphasis from developing a growth strategy for Africa to accelerating the execution of that strategy."

A related report by EY, entitled ***Positioning South Africa in the context of the Africa growth story***, draws on the data from ***Africa by numbers*** to assess how South Africa is doing from an FDI perspective relative to other African markets. Contrary to perceptions that South Africa is losing ground both in terms of its gateway status and competition for FDI, the EY research shows that there remains an overwhelming preference for South Africa as a business and investment destination and that there has been a robust growth in levels of FDI projects into South Africa. Over the period of 2007-2012, FDI projects into South Africa have grown substantially at a compound rate of 22.4%, well above the average for the African continent as a whole. This growth is also off a relatively large base in comparison to most other countries; in fact, in 2012, South Africa attracted more than twice as many FDI projects as any other country in Africa.

Michael Lalor, lead partner for the Africa Business Center at EY, says: "There has been strong growth in FDI projects into many parts of sub-Saharan Africa over the past five years, and this is indicative of the continent's rising status as an investment destination. Our analysis shows that South Africa has been very much part of this story, and remains by far the most important destination and hub for investment into the continent across a range of sectors."

The longer term outlook remains relatively positive

Although the trend in South Africa's FDI numbers has been positive, there is a strong probability that we will see a dip this year. Factors such as labour unrest, ratings downgrades and the current account deficit, will have an effect. At the same time, the ongoing malaise affecting the global economy directly affects the South African economy and will also negatively affect FDI flows. The report, however, does anticipate that growth in the global economy will begin to pick up in 2014, and the long term outlook for South Africa's growth (around the 4% mark) is relatively positive when benchmarked against a selection of other developed and emerging economies.

Lalor further comments: "Our relative optimism in this regard is based on several factors, but perhaps most notably, the government's track record of sound macroeconomic management (which, we believe, is sometimes far too casually discounted) and the comparative policy certainty provided by the National Development Plan (NDP). In this context, we expect growth in FDI into South Africa to resume in 2014. This is partly because investor interest in Africa will continue to grow, and also because South Africa remains an attractive investment destination when compared to other African markets. This is the case because on any kind of objective risk versus opportunity analysis of African markets, South Africa will be among the best positioned markets for the foreseeable future."

Positioning South Africa in the context of the African growth story

However, highlighting some of these more positive aspects of South Africa's relative positioning as an investment destination is only part of the picture. In a global context in which investor focus has shifted decisively towards emerging markets, the African growth story is difficult to ignore. South Africa's attractiveness in a global and emerging market context therefore becomes all the more compelling when positioned relative to the rest of the African continent.

South Africa does provide a stable platform from which to invest and do business in other parts of the continent. South Africa's comparative advantages – for example, a strong services-based economy, a relatively large domestic economy, strong financial framework and robust democracy – make it an attractive entry point for foreign investors, particularly those that are still wary about investing in Africa. In the context of changing global dynamics and the shift in capital flows towards emerging markets, a South Africa that is purposely integrated and provides a stepping stone into other parts of Africa could genuinely rival the BRICs in the imagination of international investors.

In this context, South Africa is also playing an increasingly important role as a source of FDI for other, faster growing African economies. South Africa is ranked fifth overall in terms of investing in FDI projects in the rest of Africa since

2003 (i.e. overall, South African-headquartered companies have invested into the fifth most FDI projects on the continent in the past decade). These numbers are also increasing steeply, with compound growth of 57% in South African-originated FDI projects into the rest of Africa since 2007. In fact, when one strips out investment from other countries into South Africa itself, South Africa became the single largest investor in FDI projects in the rest of Africa in 2012.

In conclusion, Sita says: “It is imperative for government and business to work together to drive the consolidation and implementation of the NDP in South Africa. It is through close collaboration that we can agree on a common purpose and agenda, accelerate regional integration and drive investment in regional infrastructure. It is through this that South Africa can maintain its status on the continent and play a greater role in positioning Africa as a great investment destination in the global context.”*(How we made it in Africa)*

SOVEREIGN RATING

The new head of Angola's $5 billion sovereign wealth fund (FSDEA) said on Tuesday his appointment by his father, President Jose Eduardo dos Santos, was not part of a campaign to groom him for the presidency. Jose Filomeno dos Santos, who was appointed to head the fund's board in June, said he had long been in the financial sector, dismissing speculation that his 71-year-old father might try to forge a dynasty in Africa's second biggest oil producer. "This has in no way anything to do with a political campaign of any kind," said the 35-year-old finance graduate, who founded Banco Kwanza Invest, Angola's first investment bank, in 2008. "In my career I have been in the financial sector most of the time, in insurance and banking, doing similar investment assessments to the ones that we are doing." His father, who has been in power for 34 years and secured a another five-year term in 2012, has long kept everyone guessing about his political plans. In an interview with Brazil's TV Band last month, he signalled he was preparing a succession, saying his MPLA party was discussing a transition of power internally. He did not name a chosen successor. Many observers see Vice-President Manuel Vicente as the favourite candidate, but some analysts say the president's eldest son, who has no direct political experience, could be an alternative. Angola launched the FSDEA in October 2012 to help diversify an economy which depends on crude for over 95 percent of export income and 45 percent of economic output.

The fund is meant to help Angola protect itself from oil price shocks but the president's appointment of his son raised new questions about transparency and nepotism in a country that has a woeful record on corruption. "We are on the right track on transparency, governance and efficiency. That is how we would like to be assessed, especially now that we have independent auditors to objectively verify our accounts," the younger dos Santos said, adding the fund had not made any investments since its launch in October 2012. The fund on Monday named Deloitte as its auditor. Dos Santos said the fund would report quarterly to the finance ministry, while annual audited accounts would be presented to parliament and published in local media. "We have made no investments to date. The endowment of the fund remains at the central bank. Now that we have the auditors in line and prepared to work for us, we will be able to start the investments in the coming months," he said. The fund said in June that half of its investments would be in investment-grade fixed income and equities in the G7 leading industrialised countries and the rest in high-yield emerging market assets in Africa and projects to improve education, health and energy in Angola. *(Reuters)*

25-11-2013	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
Eurozone	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Austria	Aaa	AA+	AAA	P-1	A-1+	F1+
Belgium	Aa3	AAu	AA	NR	A-1+u	F1+
Cyprus	Caa3	CCC+	B-	NP	C	B
Estonia	A1	AA-	A+	NR	A-1+	F1
Finland	Aaa	AAA	AAA	NR	A-1+	F1+
France	Aa1	AAu	AA+	NR	A-1+u	F1+
Germany	Aaa	AAAu	AAA	NR	A-1+u	F1+
Greece	C	B-	B-	NP	B	B
Ireland	Ba1	BBB+	BBB+	NP	A-2	F2
Italy	Baa2	BBB u	BBB+	NP	A-2	F2
Luxembourg	Aaa	AAA	AAA	NR	A-1+	F1+
Malta	A3	BBB+	A	NR	A-2	F1
Neherlands	Aaa	AAAu	AAA	P-1	A-1+u	F1+
Portugal	Ba3	BB-	BB+	NR	B	B
Slovakia	A2	A	A+	NR	A-1	F1
Slovenia	Ba1	A-	BBB+	NR	A-2	F2
Spain	Baa3	BBB-	BBB	P-3	A-3	F2

Sources: Bloomberg, Eaglestone Advisory

25-11-2013	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
North and South America - Asia	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
USA	Aaa	AA+u	AAA -	NR	A-1+u	F1+
CANADA	Aaa	AAA	AAA	NR	A-1+	F1+
BRAZIL	Baa2	BBB	BBB	NR	A-2	F2
ARGENTINA	B3	CCC+u	CC	NR	Cu	C
URUGUAY	Baa3	BBB-	BBB-	NR	A-3	F3
COLOMBIA	Baa3	BBB	BBB-	NR	A-2	F3
INDIA	Baa3	BBB-u	BBB-	NR	A-3u	F3
CHINA	Aa3	AA-	A+	NR	A-1+	F1+
MACAU	Aa3	NR	AA-	NR	NR	F1+
JAPAN	Aa3	AA-u	A+	NR	A-1+u	F1+
SINGAPORE	Aaa	AAAu	AAA	NR	A-1+u	F1+
AUSTRALIA	Aaa	AAAu	AAA	NR	A-1+u	F1+

Sources: Bloomberg, Eaglestone Advisory

	Region - Africa/Middle East					
	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
25-11-2013	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Angola	Ba3	BB-	BB-	NR	B	B
Bahrain	Baa2	BBB	BBB	NR	A-2	F3
Benin	NR	NR	WD	NR	NR	WD
Botswana	A2	A-	NR	NR	A-2	NR
Burkina Faso	NR	B	NR	NR	B	NR
Cameroon	NR	B	B	NR	B	NR
Cape Verde	NR	B+	B+	NR	B	B
Egypt	Caa1	B-	B-	NR	B	B
Emirate of Abu Dhabi	Aa2	AA	AA	NR	A-1+	F1+
Gabon	NR	BB-	BB-	NR	B	B
Ghana	B1	B	B	NR	B	B
Iran	NR	NR	NR	WR	NR	NR
Israel	A1	A+	A	NR	A-1	F1
Jordan	B1	BB-	NR	NR	B	NR
Kenya	B1	B+	B+	NR	B	B
Kuwait	Aa2	AA	AA	NR	A-1+	F1+
Lebanon	B1	B-	B	NR	B	B
Lesotho	NR	NR	BB-	NR	NR	B
Libya	NR	NR	WD	NR	NR	WD
Mali	NR	NR	WD	NR	NR	NR
Mauritius	Baa1	NR	NR	NR	NR	NR
Morocco	Ba1	BBB-	BBB-	NR	A-3	F3
Mozambique	B1	B+	B+	NR	B	B
Namibia	Baa3	NR	BBB-	NR	NR	F3
Nigeria	Ba3	BB-	BB-	NR	B	B
Oman	A1	A	NR	NR	A-1	NR
Qatar	Aa2	AA	NR	NR	A-1+	NR
Republic of Congo	Ba3	B+	B+	NR	B	B
Republic of Zambia	B1	B+	B	NR	B	B
Rwanda	NR	B	B	NR	B	B
Saudi Arabia	Aa3	AA-	AA-	NR	A-1+	F1+
Senegal	B1	B+	NR	NR	B	NR
Seychelles	NR	NR	B	NR	NR	B
South Africa	Baa1	BBB	BBB	P-2	A-2	F3
Tunisia	Ba2	B	BB-	NR	B	B
Uganda	NR	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

AFRICAN DEVELOPMENT BANK

Boosting African green growth: AfDB invests US $25 million and mobilizes US $39.5 million in Africa Renewable Energy Fund

The Board of Directors of the African Development Bank (AfDB) approved on November 13, a US $25-million equity investment in the Africa Renewable Energy Fund (AREF) and acknowledged the mobilization of US $39.5 million from other partners. AREF is a private equity fund that will invest in small- to medium-sized renewable energy projects in Sub-Saharan Africa (SSA), excluding South Africa, with a targeted fund size of US $150 million to $200 million.

The resources needed for Africa to adapt to climate change and embark on low-carbon growth paths are estimated to range from US $22 billion and US $31 billion per annum between now and 2015. However, few pan-African infrastructure funds have scope to make clean technology investments, whereas there is a dearth of funds that are dedicated to renewable energy investment or that have an investment focus targeting SSA.

AREF will have a significant impact in facilitating greater private capital inflows into clean energy technology industries across Africa, while lowering greenhouse gas emissions currently associated with the energy sector. By investing in clean technology solutions, AREF will assist Governments in meeting their renewable energy (RE) and

carbon emission targets, while contributing to job creation, income generation, increased delivery of services and Government revenues.

AREF has been set up to contribute to the investment needs and, through the demonstration effect, catalyze the additional investment required to build sustainable RE industries across SSA. The AfDB played a key role as the lead in the fund's conceptual development, including the structuring of the fund and selection of the fund manager. Moreover, AfDB is one of the sponsors and anchor investors in the fund, along with **Sustainable Energy Fund for Africa (SEFA)**, which will also contribute US $25 million to the fund. In addition, SEFA will provide US $10 million to the Project Support Facility (PSF), which will provide AREF with additional resources to prepare and structure bankable projects. Lastly, the **Global Environment Facility (GEF)** will invest US $4.5 million in equity from an AfDB-managed public-private partnership platform program.

Berkeley Energy LLP (BE), AREF's manager, established in 2007, raised a US $110 million Renewable Energy Asia Fund (REAF) in 2009 and deployed 80% of its capital within three and a half years. The REAF investment remit is substantially similar to AREF, with the BE team demonstrating over 60 years of relevant project development experience in emerging markets, including experience within the team of delivering operating energy assets in Africa.

The AREF mandate, aligned with the **AfDB's Ten-Year Strategy for 2013-2022**, is focusing on energy security and inclusive green growth as the pathway to sustainable development and creating broad-based prosperity. The fund is also well aligned with the Bank's Energy Policy, the Banks' Clean Energy Investment Framework and Climate Change Action Plan, which aim to help its member countries to transition to a cleaner energy mix and support investments to reduce Africa's vulnerability to climate change.

AfDB, Government of Rwanda and development partners discuss role of natural resources in Africa's structural transformation

The African Development Bank, the Government of Rwanda and development partners launched **the 2013 African Economic Outlook (AEO)** on November 6 in Kigali, underscoring the role of Africa's agricultural, mining and energy resources in supporting the continent's economic growth and advancements in human development. The Economic Commission for Africa and the United Nations Development Programme, AEO partner institutions alongside the AfDB and the Organization for **Economic Co-Operation and Development (OECD)**, also participated in the launch. The Government of Rwanda was represented by the Government Chief Economist, Leonard Rugwabiza, the Bank by its Resident Representative, Negatu Makonnen.

The discussions emphasized that Africa's main short-term challenge is to consolidate stable macroeconomic conditions in the face of a more volatile economic environment. It was noted that the continent's economic outlook for 2013 and 2014 remains favourable, an indication of its healthy resilience to internal and external shocks and its role as a growth pole in an ailing global economy.

However, participants reiterated the fact that past growth has been accompanied by insufficient poverty reduction, persisting unemployment, increased income inequalities and in some countries, deteriorating levels of health and education.

"Harnessing the continent's vast natural resources presents prospects for promoting structural transformation and inclusive growth," said Makonnen. However, he cautioned that African economies today face the formidable challenge of creating gainful employment opportunities for millions of people not just by sustaining the pace of growth, but also by making it more inclusive. "Thus, structural transformation is fundamental to meeting this challenge and Africa's abundant natural resource wealth can provide the base," he added.

Rugwabiza echoed the AEO's findings that Rwanda's economy has demonstrated resilience in the midst of a weak global economy and suspension of budget support disbursements in 2012. He added that "the design and effective implementation of sound macroeconomic policies during the past 10 years have greatly contributed to the country's resilience." He singled out three key policy imperatives being pursued by his Government to achieve the target 11.5% average real GDP growth during the period 2013-2018: (i) support to improvements in agriculture productivity; (ii) fiscal consolidation aimed at expanding the tax base and allocating adequate resources to infrastructure development; and (iii) promoting job creation through expansion of private sector credit and skills development.

Burkina Faso receives $11.5 million to increase forest carbon sequestration and reduce rural poverty

With African Development Bank (AfDB) support, Burkina Faso has received an $11.5 million grant from the **Climate Investment Funds' (CIF) Forest Investment Program (FIP)** to undertake the **Gazetted Forests Participatory Management Project for REDD+** to create critically needed transformation of 12 of its gazetted forests.

With 48.8 per cent of its land mass covered by forest, Burkina Faso is a country heavily dependent on its forest sector for socio-economic development; but today, with growing deforestation, the country is suffering from increased biodiversity loss and degraded soil production. The FIP- and AfDB-supported project is designed to contribute to a triple-win transformation: building carbon sequestration capacity in the forests, improving local people's resilience to climate change, and reducing their poverty by diversifying their income sources, developing gazetted forest wood and non-wood products such as almond and shea processing and beekeeping.

The main outcomes expected from the project are development of an MRV (measurable, reportable, verifiable) system for REDD+, improvement of forest governance, securitization and management of 284,000 hectares (ha) of gazette forests, and establishment of a socio-economic support infrastructure for neighbouring municipal councils. The project is designed to directly benefit 5,400 producers including 2,700 women, and indirectly benefit nearly 850,000 people – half of them women – in council areas adjacent to the project sites.

"The project is in direct support of the country's strategic priorities for its vast forest sector, which include improved governance, environment-friendly socio-economic development, and sustainable management of forest resources and wooded areas," stated Laouali Garba, AfDB's Task Manager of the project. "We are pleased to have the chance to support Burkina Faso in this ambitious undertaking and to help ensure a combined transformation of poverty reduction, climate resilience, and low-carbon development."

Project components include:

- Reinforcement of forest governance, including the REDD+ legal framework and administrative capacity building through training and scholarships and standards revision;
- Participatory development and management of gazetted forests, including forest securitization and development through demarcation, boundary marking and development of 12 gazetted forests totally 284,000 ha, building stakeholders' operational capacity, support for neighbouring communities through construction of five community facilities nearby;
- Project coordination and management, including procurement and financial management, monitoring and evaluation, and auditing.

With this project, the approval process for projects in AfDB's FIP portfolio is complete, and the Bank will work with its partner countries and the FIP to begin full-fledged implementation and a growing improvement in sustainable management and climate-friendly development of African forests.

DRC Inga mega hydropower plant implementation advances with AfDB support

The Board of Directors of the African Development Bank Group (AfDB) approved US $68 million in financing for the multinational Inga Site Development and Electricity Access Support Project (PASEL). The project will further the development of the Inga hydropower plant located on the banks of the Congo River with a vast hydro-electric potential estimated at 44,000 MW – half of the continent's installed electricity capacity. The AfDB's support, which comes in the form of a **Fragile States Facility** grant of US $7.7 million and an **African Development Fund** grant of US $60.6 million, accounts for 43% of the total project cost of US $169 million. With this approval, the support of the AfDB to the Inga project, since the inception of the mandate to lead the implementation of the NEPAD Infrastructure Action Plan, will amount to US $90 million.

PASEL will finalize the preparation of the first phase of the Grand Inga Hydropower Project, called the Inga 3 Project, which will consist of developing a power-generating capacity of 4,800 MW on the Inga site and building power transmission lines that will supply electricity to the Democratic Republic of the Congo (DRC) and to the Republic of South Africa.

Specifically, this project will facilitate the development of the local institutions and skills necessary (technical, legal and financial advisors will be provided) to attract private capital for the completion of Inga 3 which is a complex project. In addition, capacity-building efforts will enable local actors to make a wise choice for the project's principal investor-developer under the public-private partnership. Improved access to electricity is also expected in the semi-urban areas of Kinshasa for more than 25,000 households.

"This is the right project for the DRC and the Bank – at the right time," said Alex Rugamba, Director of the AfDB's Energy, Environment and Climate Change Department. "It is timely because it facilitates the implementation of Inga 3 whose investment costs would otherwise be difficult to mobilize in the current context of the DRC."

The AfDB's financing will be used to cover the cost of technical assistance to ensure the completion of preparatory activities for the Inga 3 Project. It will also help address electricity scarcity in remote areas that are not directly covered by Inga but where the DRC intends to develop electrical systems around micro- or mini-hydropower plants. The Bank will put several advisers at the disposal of the Inga Site Development and Promotion Authority and conduct several studies on the Inga project that will generate real-time gains in the overall project schedule.

PASEL builds on previous AfDB support to the Inga Hydropower Project, which led to: the development of institutional and technical plans; a feasibility study, which defined the development pattern of the Grand Inga by successive phases; and the identification of an innovative approach to the project that will guarantee the full realization of Inga's hydro-electricity potential and promote continental integration.

The Inga 3 Project will increase access to more reliable and cheaper energy in the DRC, contributing to an increase from the current 9% to over 40% by 2020. It is also expected to improve the business climate and productivity of the economies of beneficiary countries.

Current demand for electricity in the region is huge and steady, guaranteeing a market for the energy to be produced from the hydropower plant. Indeed, South Africa has already signed an agreement with the DRC to import about half of the electricity that will be produced, guaranteeing the bankability of project. Signed by the presidents of South Africa

and DRC in October 2013, the treaty, which is the framework for the energy-purchase agreement, is awaiting ratification by their respective national parliaments.
Inga Hydropower project in DRC: Sustainable Energy for Millions
The Congo River, one of the most powerful rivers in Africa, has very high hydropower potential that could contribute significantly to the needs of the continent. Currently, only the Inga site of the river is being harnessed for hydropower generation, with an installed capacity of only 1775 MW compared with Inga's potential of 40,000 MW.

ADF Financing, Project Preparation, Advisory and Brokering Role

The AfDB has been an active partner in rehabilitating Inga 1 and laying the groundwork for Grand Inga, implemented between 1993 and 1997, with ADF funding.

ADF-11

ADF-11 has invested US$ 15 million to finance project preparation work leading to feasibility analysis for Inga 3 project, the first phase of Grand Inga. The Bank is providing active counsel and assistance to the DRC Government. It led a DFI coordination process. Without its intervention, the project would have stalled.

ADF-12

ADF-12 made a technical assistance grant of US$ 37 million for feasibility studies to realize the potential for 4,800 MW of Inga 3 which will be an investment of US$ 10 billion. The Inga project is a ***PIDA*** *priority project.*

ADF-13

ADF-13 is expected to play a crucial role in the realization of the project

INVESTMENTS

Top US private equity players share their thoughts on investment in Africa

Two of the biggest names in the US private equity industry, David Rubenstein and David Bonderman, recently shared their thoughts on investment in Africa at *The New York Times* **DealBook conference, held last week in New York City.**

Answering a question from the audience on where in the world he sees the best returns coming from in 10 years time, Rubenstein, co-founder of the Carlyle Group, identified sub-Saharan Africa as one such geography.
"An area that hasn't gotten as much attention is sub-Saharan Africa. There are 45 countries in sub-Saharan Africa, 80m people. By their definition of middle class, now 300m people. Seven of the 10 fastest growing countries in the world are in sub-Saharan Africa," said Rubenstein.
He said the region could present investment opportunities due to growth in the extractive industries, as well as a rising middle class.
However, Rubenstein highlighted corruption, the relatively small size of many African economies and management quality as challenges.
"It is not for the faint of heart, and it is not easy to do deals there. It is not one country like China, where pretty much the same language and pretty much the same techniques can be used, but it is an opportunity where I think over the next 10 years you are going to see a lot of private equity firms going there," said Rubenstein.
According to Bonderman, a founding partner at TPG, investment in emerging markets is influenced by the outlook for the global economy. "In bad times there will be a flight to quality [investments], which always means US. In good times, people move up the risk scale, looking for higher returns, and that means emerging markets. Where the best places will be depends a lot on your view as to what is going to happen in the world."
He said sub-Saharan Africa is "beginning to be interesting", but that the continent's rapid economic growth is still off a low base.
"Having 45 countries is a disadvantage, not an advantage, because it means with the exception of South Africa, and probably Nigeria, these markets are small. It is one thing if you've got a few dollars to invest, it is very nice. But if you are running a Carlyle and you are trying to invest $500m at a crack, it is not so easy," Bonderman said. *(How we made it in Africa)*

SAP boss highlights three areas of transformation in Africa

Africa is attracting increasing investment from international companies thanks to the continent's growing middle class, mineral resource discoveries, a rapidly growing population and improving governance. However, doing business in the continent still presents many risks and challenges to investors. Getting it right in Africa's diverse market of 54 countries with different business cultures is a concern for foreign companies expanding into Africa

"The most important thing to do when you come to Africa to do business is the same thing you would do if you went to do business in France; you learn French," says Luis Murguia, senior vice president of ecosystem and channels for SAP in Europe, Middle East and Africa.
SAP is a technology company that builds applications which help companies operate better. SAP is active in 46 countries in Africa.

According to Murguia, international companies expanding into Africa need to understand how business is conducted on the continent. "Make sure that you recruit local talent [and] bring foreign talent only to do knowledge transfer. Africa needs to be run by Africans the same way that the French like to be run by the French." Murguia says companies should also focus on innovation and bring the world's best technologies and ideas to Africa. "The beauty of fast growth markets like Africa and Brazil is that they skip the innovation cycle. Make sure you bring here the best of the best because you have a higher chance of adoption here in Africa than you have in Western Europe, for example."
Despite growing criticism about the Africa rising narrative, Murguia told ***How we made it in Africa*** he has "no doubt" that Africa is truly taking off.

Economic transformation

According to Murguia, there are three major transformation forces that are making African countries critical economies in the world. "First is the demand for commodities. With the rise of the middle class there has been increased demand for devices, food and other products and services," he says, adding that Africa is a "great source of commodities".
"The second force is the surge of family conglomerates. These local economic groups that started in trading are suddenly diversifying at a time when the second generation of family owners are getting training in the US and Europe and coming back with new ideas on innovation and taking these business across the continent." Murguia says e-government initiatives which are being adopted in most African countries will also "have massive impact on the economy". "For instances, what happens with a single process like getting a birth certificate. Imagine if in Africa we had 40m people working four extra hours [in a year] because they don't have to queue to get a birth certificate. That is economic growth happening." The opportunities notwithstanding, Murguia says there are certain risks foreign investors are likely to face in Africa. "The number one risk they will find is Africa's lack of strong credit system… but what I am seeing now is many financial institutions are adopting the latest technologies in terms of techniques to manage fraud management," says Murguia. "As financial institutions adopt mobile and other smart technologies, we will see a strengthening of the financial system which will then be the oil that will lubricate the transformation happening in Africa." *(How we made it in Africa)*

BANKING

Banks

Angola's central bank to launch deposit guarantee programme

The governor of the Angolan National Bank (BNA), José de Lima Massano, announced that families and companies with savings in the Angolan banking system would have a programme in place to guarantee their deposits as of 2014, according to Angolan weekly newspaper Expansão.
This system of deposit guarantees is one of the moves the Angolan banking regulator is putting in place to encourage increased use of banking services and savings by the population, said the Angolan financial newspaper. The BNA thus plans to create a system that guarantees the safety of bank customers' savings against all eventualities, such as a bank going bankrupt, for example.
In August 2011 the Angolan central bank launched a programme called Banquita, which allowed bank accounts to be opened with just 100 kwanzas (for current accounts) and 1,000 kwanzas (for savings accounts), as part of the financial inclusion programme. The Banquita programme led to over 226,000 new bank accounts being opened, and since then some customers have migrated to ordinary bank accounts. "These figures show that the idea that you need a lot of money to open a bank account and that it is costly to maintain is disappearing ," said Massano, adding that, amongst other advantages, the Banquita accounts do not "have any maintenance costs" or costs for using a Multicaixa debit card. *(Macauhub)*

Nigeria's banks are facing a profit squeeze this year as a result of new measures to help the country's economy that are also partly designed to get them to lend more to domestic businesses and consumers. The banking sector, which was bailed out in a 2009 financial crisis, has been making bumper profits by mopping up government deposits and using the cash to buy high-yielding treasury bonds. As a result, the banks have had little incentive to lend to Nigeria's real economy. But new reserve requirements from the central bank in the summer may change all this. They have already put pressure on bank earnings. Some banks are looking at lending for power projects and advisory work on energy deals to try to compensate. The financial sector in Africa's second biggest economy is growing fast, as banks tap into GDP growth of 7 percent. The sector accounts for 40 percent of the local stock market. Total banking assets have almost doubled in two years to 21 trillion naira ($132.1 billion) as at December, 2012. But bank lending is mainly to government or multinationals rather than to domestic businesses or retail customers. Nigeria, Africa's most populous country, with more than 160 million people, has a housing shortage of some 17 million units. But housing finance is limited. There are only 20,000 mortgages in the country in 2013, according to Ministry of Finance data. This is partly because banks have been making easy money by paying 1-2 percent interest for holding government deposits and using the cash to buy government bonds yielding around 14 or 15 percent. Banks' holdings of

government deposits were about 10 percent of total deposits and 25-30 percent of total loans before the new rules came in, according to central bank data. The central bank's action was mainly aimed at bolstering the naira and dampening inflation. But central bank governor Lamido Sanusi said at the time he wanted to remove a perverse incentive whereby banks could profit by lending the government its own money. The new measures raised the cash reserve requirement for banks holding government money to 50 percent from 12 percent, which means they have to hold half of those deposits with the central bank. Since then, nine-month profits are down for five banks that have released results and the trend is expected to continue into the fourth quarter. "The directive by the central bank ... will continue to have a negative impact on banks' ability to create earning assets," said George Bodo, banking analyst at Ecobank, adding that he expected fourth quarter bank earnings to decline by 10 percent.
Unity Bank, where government funds are more than a third of its deposits, reported a 73 percent fall in third quarter profit year-on-year. Diamond Bank said last week that the reserve requirement hike would negatively affect the industry. It expects to only meet the low end of its profit forecast of 30-35 billion naira. Last year's profit was 27.5 billion naira. "We grew all the indicators on the balance sheet but did not generate income in the same proportion," Francis Ikenga, head of strategy for Fidelity Bank told Reuters, attributing a 16 percent profit fall to the tighter liquidity. The stock market index of Nigeria's top-10 banks has priced in lower profits, shedding 2.5 percent in the last two weeks, but is still 17.5 percent up on the year. The IMF has warned in a note on Nigeria in October that the increased cash reserve requirements imposed additional costs on banks, which would be passed on to the economy. So far, though, there are signs banks are looking at new avenues for lending to compensate for the profit pain. A number have been advising oil and gas deals in Nigeria, Africa's top oil producer, with several asset sales by oil majors to local buyers in the works. Some are also lining up to finance power projects after Nigeria sold its power plants in a $2.5 billion privatisation in September. United Bank for Africa, with operations in 19 African countries, has spent $700 million in financing power assets this year and plans to put $2 billion into power projects in the next three years. Fidelity, Access Bank and GT Bank have raised $1 billion in total in Eurobonds for the power sector and oil and gas lending. First Bank, Nigeria's biggest bank by total assets, is to buy ICB's West African banking assets to diversify earnings. And retail customers are on the radar. First Bank, which accounts for around a tenth of Nigeria's total banking assets, said in first-half results that 10 percent of its 2.1 trillion naira ($13.2 billion) loan book was to consumers. Ecobank's Bodo says the next phase will be consumer lending. "Nigerian banks will have to start consumer lending. Their current lending model is not sustainable at all," he said *(Reuters)*

Markets

Angola Central Bank Sells $250m FX at Avg 97.79 Kwanzas/Dlr

Luanda-based institution sold 11.7b kwanzas of 182-, 364-day T-bills at 3.05%, 5.81% last wk, according to statement published on its website.

• C. bank issued 6.9b kwanzas of 2-, 3-, 4-, 5-yr bonds at 7.28%, 7.74%, 7.99%, 8.25%, debentures valued at 24.2b kwanzas

• Overnight Luanda interbank offered rate, known as Luibor, falls 3bps to 5.32% vs wk earlier *(Bloomberg)*

Local investors bought heavily into Tanzania's first-ever auction of 15-year bonds, with more bids than paper, the central bank said. Bids totalled 36.048 billion shillings for the 15 billion shillings worth of bonds on offer. The sale comes one month before Tanzania plans to open its capital markets to investors across east Africa as part of plans aimed at relaxing government controls in the economy. "The government's new 15-year Treasury bond was very successful. It was over-subscribed and the yield was at very good levels," Hamisi Mwakibete, head of trading at Commercial Bank of Africa Tanzania said. The central bank accepted bids worth 15 billion shillings at a yield of 16.6492 percent. The 15-year security carried a 13.5 percent coupon rate. It said the bond offer was a continuation of efforts to "lengthen the maturity profile of domestic debt, develop the country's financial markets, raise funds for long-term development projects." The government hopes to widen the scope of investors in the market, increase competition and lower the cost of borrowing by relaxing its tight capital transaction rules. Amount offered 15.0 bn Total tendered 36.048 bn Successful bids 15.0 bn Weighted average price for successful bids 82.7666 Weighted average yield to maturity 16.6492 Redemption date 14/11/2028. *(Reuters)*

The introduction of Enterprises Growth Market (EGM) on the Dar es Salaam Stock Exchange (DSE) has come timely because small scale investments hold the key in creation of jobs and prosperity of the economy. The beauty of EGM is that it poises to unlock financial constraints that small Hbiutss: i6n9esses are facing given the fact that 69 per cent of them have no easy access to finance. The UK Secretary of State, International Development, Ms Justine Greening, said they are not only concerned with financing big business in Tanzania but also small enterprises. “The EGM is an incredibly exciting initiative for providing much needed finance for small and growing companies,” Ms Greening said during her visit to Dar es Salaam. According to Wikipedia, the London’s Alternative Investment Market (AIM) launched in 1995 has raised almost 24 billion pounds and has helped more than 3,000 small-medium-sized companies raise equity to support their growth.

Basically, EGM is a sub-market of DSE that allows small companies to float shares with a more flexible regulatory system than that applicable to the DSE's Main Investment Market (MIM). EGM for the starting-up or refinancing firms does not mean that companies listed or return of investment or its contribution to the economy is trivial. The DSE Chief Executive Officer, Mr. Moremi Marwa, said the beauty of EGM is that it's not that riskier as many investors might think as listed companies are heavily regulated to ensure matters related to good corporate governance are well managed."ÉIt is a requirement that these companies must have the Nominated Adviser (Nomad) at all times both before and after admission to the Exchange," Mr. Marwa told 'Business Standard' in an interview. In the run up to admission, the Nomad will: assess whether the company is appropriate for the market, secondly explain to the company the EGM rules and ensure that directors and anchor shareholders are aware of their responsibilities and obligations. Also, thirdly Nomad coordinates the work of other professionals for instance accountants, lawyers, PR, and so on, who are all involved in preparing the company for public issuance and admission into the Exchange. "Thereafter," the DSE Chief said, "the Nomad will give ongoing advice and guidance on the EGM continuous listing obligation rules". However, the beauty of alternative market listed firms may graduate and be admitted into the Main Investment Market (MIM). "This will happen when the company listed into the EGM has met the listing or admission criteria for the MIM," Mr. Marwa said adding "these include three years history of smooth operations and profitability." Other criteria are the amount of capital issued to the public reaches 500m/-, number of shares issued to the public at a minimum of 25 per cent or one-million shares, at least 1,000 shareholders, among others.

On the other hand, there is possibility of the company in the MIM to opt or may be required into re-listing to the EGM once it fails to meet the continuous listing obligation of the MIM as required by rules, but still it meets the requirements to be admitted into the EGM segment. Mr. Marwa said: "other markets, as is in the DSE, that do have or do not have the two - tier market system have the ways and means to ensure observation of continuous listing obligation by listed companies. "Upon failure to comply, the Exchange has various mechanisms and approaches that it can put into use for the purpose of protecting investors' interest." Among those mechanism are that the Exchange may decide to either put the company into the default board of the DSE or suspend the firm from being listed or may delist the company. "These disciplinary approaches may be used in either the MIM or the EGM," the DSE Chief said. The challenge now is to bring small businesses on EGM board. The Financial Sector Deeping Trust, Technical Director, Mr. Sosthenes Kewe, said the journey of bringing at least 10 per cent of the country's three million has begun. "The challenge now is to bring at least 10 per cent to the EGM and image its impact to the GDP," Mr. Kewe said. The establishment of the EGM is a result of recommendations of a study conducted by the CMSA on the appropriate capital markets structure for Tanzania in its efforts to develop and strengthen the capital markets.

The EGM is expected to create vibrancy of the capital markets and facilitate implementation of national policies aimed at economically empowering Tanzanians. It estimated that SMEs are contributing between 30 and 35 per cent of the country's GDP and employing between

20 and 30 per cent of the labour force-thus ranked the second employer, after agriculture. The fact is the advantages of alternative investments lie primarily in the possibility of achieving a profit ratio higher than that normally found in traditional investments. More often than not, according to wisegeek.com, alternative investment carries a high degree of risk and is frequently encountered in the fields of new or emerging technologies. But economists believe that the higher the risk the higher the returns, as most of millionaires and billionaires are risk takers and not risk averse. Why? Because the lure of potentially quick and high returns leads many an investor to take a roll of the dice and engage in a quick and high return speculative plunge. *(Daily News)*

How can African stock exchanges encourage more listings?

African stock markets have, in some ways, come a long way in the last five years. According to Nerina Visser, head of Beta and ETFs at Nedbank Capital, it was not that long ago that the only way to receive information about trading activity in some of these stock markets was by fax or email.

Fast forward five years and these African markets are now electronic. "When I say electronic, that doesn't mean that they necessarily have an automated trading system in place but at least they are connected in an electronic way where they can capture their trading activity and [convey] that information to the bigger world electronically which I think is already a big improvement in terms of accessibility to those markets," Visser told ***How we made it in Africa***.

"Because really your first step always is about research; about understanding what the investment opportunity is all about. And if one cannot get that information electronically it makes it extremely difficult to really assess that opportunity properly."

Other markets have adopted an automated trading system, such as Botswana a year ago. Not only has the Botswana Stock Exchange gradually extended its daily trading hours, but according to Visser, it has seen a significant increase in trading volumes since implementing the automated trading system.

However, despite these improvements in African stock exchanges in recent years, the question remains: why haven't more local companies listed on African stock markets?

What are the deterrents for companies?

"I think there are a couple of aspects to this," said Visser. "Obviously with the lack of liquidity and trading activity that we used to have, and still have to some extent, for many companies that is a deterrent. What is the value-add for a

company to go list in a particular market if there are such low levels of liquidity? Because if you think about it, the role of the stock exchange or a market like that is essentially a place to raise capital for a company. But if there are such limited opportunities available for trading, the companies don't see that as a viable capital raising place – especially when it comes to, for example, the mining companies. The amount of capital and especially the riskiness of the capital that they are looking to raise from a market is often not really available in many of your African markets because these exchanges and the market's [participants] often don't necessarily understand what mining activity really entails."

Visser said this is why African mining companies often list on global exchanges such as in London or the Johannesburg Stock Exchange (JSE). "Because those are markets that traditionally have got a big resource or commodity base anyway, so you have got market participants that actually understand resources, understand mining, know how to value it, know how to trade in it, how to raise capital and so on," she explained. "That's been one of the biggest impediments to attracting especially African mining companies to list on the stock exchanges in Africa."

In terms of large, African companies, many of those that list on their local African stock exchanges find their listed shares are tightly held by typically the large pension funds in a country.

"There are some huge companies, great multinational companies operating [in Africa] but the shares are just not freely available because they are essentially all held by the government pension funds," continued Visser. "Even when you get the listings then you don't get the secondary market liquidity because those shares are typically invested in and then held almost [perpetually] and basically they just receive the dividends that are paid out from those investments."

Another deterrent for companies is the stock exchange listing fees, alongside other costs such as legal fees and the cost of making company trading information accessible to shareholders.

"So let's take a company that is operating in several African countries, if one would want them to be listed in all of the countries in which they operate you are expecting that company to not only go and incur multiple listing fees, but also this cost of being listed, of engaging with the market in multiple jurisdictions," explained Visser. "And that is where the companies sort of stop and ask 'why do we want to incur these extra costs if we don't really see this as a viable capital raising market for us?' It then becomes so much easier for them to then go and list in a market which they know they can easily interact with, they can get lots of liquidity, lots of capital and so on."

What should African stock exchanges be doing?

Visser suggested that African stock markets should firstly make listing on them as easy as possible. The Stock Exchange of Mauritius is a good example of this.

"They have worked very closely with the regulator in their own market – whether that is the financial market regulator or whether it is the Ministry of Finance or whether it is the central bank – they engage directly with those regulators to make sure that the regulations that are put in place make it as transparent, simple, straightforward and easy as possible for companies to go and invest in Mauritius or to be invested on the Mauritius stock exchange. That level of interaction is certainly something that can go a long way towards facilitating additional listings in a market," she continued.

"But often it's not even your laws or your regulations… If you look at things like what your pension funds are allowed to invest in, in many of these markets the majority of their investments are still represented by bonds; a lot of them don't actually allow for a lot of equity investments by their pension funds. So to expect a company to go and list on a stock exchange but then the pension funds of [their] own market are not allowed to really invest in a lot of the shares, means you are sort of placing a natural limit on the amount of investment that can be raised by equity capital markets. And it's those sorts of regulations that all need to be addressed almost proactively by all the role-players in a particular market… of which the stock exchange is really just one."

Visser added that the Stock Exchange of Mauritius has done well in terms of creating a feasible environment in which companies can list. "It's wonderful to see the market in which they have been able to do it so successfully, you know Mauritius definitely comes to mind. I know that they specifically would like to position themselves as the gateway to Africa in terms of financial markets," she continued.

"When I look at Botswana to see also the extent to which they facilitate amongst the specific regulators [and] all the involved parties really, to improve just the working of the market, what is necessary, what needs to be done… [that] speaks to a stock exchange that is proactive enough to engage pre-emptively, almost helping to make these things happen and that is really what is necessary." *(How we made it in Africa)*

Moroccan insurance company Saham Finances has bought the second-largest insurance provider in the Angolan market, AG Angola Seguros SA, for an undisclosed amount, it confirmed. Saham Finances is owned by Groupe Saham, founded in 1995 by Moroccan tycoon - and current trade and industry minister - Moulay Hafid Elalamy. The group, which also controls CNIA Saada, one of Morocco's biggest insurers, had revenues of 1.9 billion dirhams in the first half of 2013. Banking sources said French bank Societe Generale had arranged the deal, negotiations for which had taken about a year and which was concluded before Elalamy became a minister. Saham's communication department confirmed the deal was signed on October 22, but gave no further details. Saham Finances has subsidiaries in 19 African countries through its two subsidiaries Colina and Mercantile. GA Angola Seguros is Angola's first privately owned insurance company, offering cover to industrial and mining firms, and holds a 16 percent share of the market there. *(Reuters)*

The Central Bank of Nigeria (CBN) disclosed plans to extend the cashless policy to other states in the country before June 2014.

The Deputy Governor (Operations), CBN, Mr. Tunde Lemo, revealed this Thursday in an interview with journalists at the 20th anniversary of the Nigeria Interbank Settlement System Plc (NIBSS) titled: "The Evolution to the Future Cashless Nigeria: Positioning the Nigerian Payment and Settlement Ecosystem for Cash-less Reality," held in Lagos. The cashless policy, which was introduced in Lagos in January 2012 was extended to Abuja, Kano Rivers, Ogun, Abia and Anambra States in July this year. Its aim is to reduce the dominance of cash as a means of payment in the economy. According to Lemo, in order to ensure effective nationwide rollout by next year, the central bank would collaborate with other stakeholders in the payment system to integrate mobile phones into point of sale (PoS) machines. "We have been talking about how to enhance connectivity and one of the things agreed was to work with some service providers. But beyond that, we looked and decided what else to do, particularly outside Lagos now that we have rolled out the cashless policy to six other states. Today, we have licensed about 21 mobile money operators, so how do we now link mobile money to our PoS? If mobile phones can serve as touch points, our transactions would go up rapidly.

"We hope to rollout to all the states by the second quarter of next year and we hope that by next year, as we roll out more PoS machines, we have to see how we can integrate the mobile phones into the network because in the hinterlands, the challenges would be more," Lemo explained. The CBN deputy governor said the 20th anniversary of the NIBSS was an opportunity to discuss how to continue to transform the Nigerian payment system, adding that the value and volume of electronic payment has grown significantly. Lemo said: "We haven't done badly at all in the last four years, but there are still a lot to be covered and we have made significant progress in the area of infrastructure provision, particularly led by the cash-less programme of the CBN. We believe that if we continue to drive this, then we will make the payment system a lot more efficient. "An efficient payment system is good for the transmission of monetary policy and that is why it important to us at the CBN. It is also good for financial stability because a stable financial system is seen through how efficient the payment system is. "Once a payment system is in turmoil, it affects the financial system. So a very effective payment system is going to be an effective anchor for the transformation of our economy even as we strive to be one of the 20 biggest economies in the world by 2020." *(This Day)*

Deals

Private Equity investment firm Brainworks Capital is set to make a mandatory offer to all listed African Sun shareholders. This is after the group recently completed an acquisition of 36,51 percent of the total shares amid indications that the hotel group together with its landlord Dawn Properties are set to be combined back into one entity. The offer is being made to comply with Chapter 9 of the Zimbabwe Stock Exchange listing requirements which compels shareholders to make a mandatory offer to minorities once their shareholding passes the 35 percent level. Brainworks acquired a shareholding in African Sun through a share-swap deal with former controlling shareholder Mr Shingi Munyeza. The remaining two tranches of the transaction made up of 29 million shares and 14 million shares were completed in the past two weeks. African Sun is expected to issue a cautionary statement on the take-over. The firm also completed transactions in Dawn Properties after the disposal of a 12 percent shareholding or 294 705 134 shares by African Sun at a 53 percent premium from the last trading price at US1,47c, through its subsidiary Lengrah Investments. Brainworks went on to raise its stake last week in a book-over on the stock exchange to 16 percent. This means that African Sun together with Brainworks now control 32 percent of Dawn. If they increase it above 35 percent they will be forced to make another mandatory offer to minorities and delist the group if that is successful. Well-placed sources told the Herald Business that pieces of the deal are coming together with the intentions of Brainworks pointing to a re-bundling of Dawn and African Sun. African Sun unbundled Dawn in an effort to unlock value in its properties but wrangles between the two started in 2010 when the hotel group tried to register a US$12 million bond over Crowne Plaza Monomotapa without board approval.

In 2012 former chief executive Mr Mike Manyika left the group after an acrimonious year in which he tried to evict African Sun from eight hotels citing breach of the lease agreement. With a lack of collateral, African Sun has been struggling to refresh its product and has been saddled with short term debt. However, with the coming on board of Brainworks, African Sun has been able to restructure its debt while the private equity firm is expected to unlock further value by raising international capital for the group. The disposal was in line with African Sun's target of reducing the net debt to below US$10 million. Net proceeds from the disposal will be applied entirely towards reduction of short-term debt with the following benefits expected to accrue to the company. Analysts say if Brainworks is to emulate the Ecobank deal where the then Premier Bank partnered with a reputable foreign institution, then African Sun can only benefit from the group's international exposure. The main African Sun deal held two investors, one from Australia and one from New Jersey. Both investors are said to be experienced entrepreneurs in the hotel sector. They are expected to lead a technical team which will work together with Mr Munyeza to expand and create value for shareholders. Brainworks have also raised international capital for BancABC through the African Development Corporation. ADC's activities in growth markets align to African Sun's regional activities. It is expected that ADC will play a key role in bringing in new hotel developments through its linkages. *(Herald)*

The National Social Security Authority blocked business tycoon, Mr Nicholas van Hoogstraten from acquiring Capital Bank's 21 percent stake in First Mutual Life, a deal that would have made the businessman one of the major shareholders. Mr van Hoogstraten had proposed to buy Capital Bank's 79 million shares at US20c per share, but on condition NSSA would dispose of an additional 12 percent stake in FML to him. This would have given him about 35 percent stake in FML, including 3 percent he already owns, while NSSA's shareholding would have been whittled down to 39 percent. NSSA, the 86 percent shareholder in Capital Bank, formerly Renaissance Merchant Bank has 51 percent direct interest in FML and 21 percent through the bank. NSSA is winding up Capital Bank's operations and since it already enjoys a direct controlling interest in FML, the authority has already authorised the disposal of the shares. The proceeds will partly pay off depositors. Sources at Capital Bank said it was now considering bids from other potential investors. "Although his proposal was attractive in monetary terms, the conditions attached to it were not favourable at all," said one source who spoke on condition of anonymity. No comment could be obtained from Mr van Hoogstraten by the time of going to print yesterday. At US20c per share, Mr van Hoogstraten would have paid US$15,8 million for Capital Bank's 21 percent stake in FML. This represents a 66 percent premium at yesterday's price of US12c. When NSSA resolved to invest in Capital Bank, it had high expectation of return on the investment. Initially, the authority invested US$24 million. In February this year, it converted its deposits in the bank to equity in a rights issue. As such, the total invested in the bank by way of equity amounted to US$30,2 million equivalent to 86 percent stake.
The revival of the bank did, however, not materialised as the debtors' book did not perform as had been intimated by the curator. The fresh capital injected was used to settle old depositors leaving little or no funds for new lending. Despite rebranding to attract depositors, non-performing old loans militated against the revival of the bank. Even a fresh cash injection of US$6 million by NSSA in a rights issue did not help. Instead, the financial situation of the bank worsened with capital levels falling from US$20,1 million in March last year to about US$17,3 million by August 2013. With the winding up of Capital Bank, NSSA said it may write off the US$30 million it invested. But it has accrued more benefits through FML and Peal Properties and RTG. The investment in Capital Bank provided NSSA with an opportunity to end up in FML group as the major shareholder which was initially the main reason for NSSA to consider the investment. The value contributed by FML group to NSSA's balance sheet was US$176 million as at end 2012. *(Herald)*

Tech

Africa is the flavour of the month for global companies wanting to expand their footprint in emerging markets, but, says Peter Harvey of PayGate, some operators have a lot to learn about what works in each country. Any company which "tries to do e-commerce in Africa offering only global payment methods is setting itself up for failure", says Harvey. "Africa is characterised by huge diversity in payment methods and preferences, which means every region or country needs to be approached as a distinct market." For example, says Harvey, "M-Pesa is wildly popular in Kenya, where there are more mobile money accounts than bank accounts. But it's never taken off in South Africa and is not even a blip on the radar in Nigeria." The Nigerian payment method of choice, he says, is the Interswitch Verve card issued through 16 of the country's major banks. "There are over 10m Verve cards active in Nigeria, far outnumbering Mastercard and Visa credit cards. Those have a definite presence in the country and will continue to grow, but anybody selling into the Nigerian market who doesn't take Verve payments is going to struggle."Africa's diverse payment methods also come with different risk profiles for merchants, adds Harvey. "We find some merchants are wary of M-Pesa, for example, because mobile money is such a new thing. But in fact, because it's a direct cash transfer system it's incredibly safe for merchants – I haven't yet heard of a way to defraud someone using M-Pesa." Card payment systems are more vulnerable, which means merchants need extra protection. "In the case of Mastercard and Visa you have the option of using 3-D Secure; that's not available for Verve cards, but there are other steps you can take as a merchant to protect yourself." The bottom line, says Harvey, "is that any company thinking of doing e-commerce in Africa needs to research its market very carefully. Assume you will need a different approach for each country, and find a skilled and experienced local payment services provider to advise you*." (How we made it in Africa)*

Strong growth in data and mobile money services in the six months through September propelled Safaricom to the best half year performance since listing at the Nairobi bourse in 2008.
The company's net profits for the period increased by almost a half to Sh11.3 billion, up from the Sh7.77 billion reported during a similar period last year. Chief executive Bob Collymore said the company had solid growth all round with non-voice services being key contributors. "Non-voice service revenue streams continue to deliver solid growth having increased by 30 per cent," Mr Collymore told investors in Nairobi. Total revenues went up by 17 per cent to Sh69.2 billion, with voice, the firm's biggest revenue stream, contributing about 61 per cent from 20.8 million customers. SMS (Short Messaging Services) had the highest growth of any single revenue stream at 48.7 per cent to Sh6.35 billion. Growth was stimulated by promotions such as the recently concluded Bonyeza Ushinde na Safaricom. Earnings from data, on the other hand, grew at 37.4 per cent to Sh5.7 billion, triggered by an increase in customers from 5.59 million the previous period to 8.48 million. However, the average revenue per user in mobile data fell by 5.18. "We gained 2.9 million customers in the data segment but they have not yet grown to match the spending of earlier

adopters," said Safaricom chief financial officer, Mr John Tombleson. In the wake of dwindling revenues from the traditional voice revenues, the firm hasearmarked data and mobile money as its future drivers of growth.
In the period under review, M-Pesa, the firm's mobile money service, which was started in 2007, remained key contributing 18 per cent of total revenue. The service generated Sh12.5 billion due to a 19 per cent increase in active M-Pesa customers from 9.7 million to 11.6 million and an increase in the average number of transactions per customer. M-Pesa agent outlets also grew by 73 per cent to 78,856. Mshwari, the saving and credit service offered on M-Pesa had 2.3 million active users, with Sh1.7 billion deposits and Sh700 million lent out. "We also launched the Lipa na M-Pesa service which enables cashless merchant payments and facilitates trade between businesses and their customers," Mr Collymore said. "We are well on course in our strategy to deepen financial inclusion and embed the service as an integral part of the Kenyan society and economy". "As part of our commitment to democratize access to affordable broadband in Kenya, we have requested the Government of Kenya to allocate to Safaricom additional spectrum resources to facilitate the nationwide rollout of a 4G or LTE networks over the next 24 months," Mr Collymore said. The company's shares at the Nairobi Securities Exchange eased to close Tuesday trading at Sh9.65 after touching an all-time high of Sh9.90 on Monday. *(Daily Nation)*

PayPal partners with Equity
PayPal, the payments services arm of eBay, has entered a partnership with one of East Africa's biggest lenders, Equity Bank. The California-based business entered South Africa three years ago. Equity Bank, the largest by customers in Kenya, hopes to offer the services to the rest of East Africa, where it has outlets in Tanzania, Rwanda, Uganda and South Sudan. The service links PayPal online accounts with accounts at the bank, allowing shoppers and merchants to buy and sell across the globe through the internet. Equity also expects the millions of Kenyans abroad to tap the PayPal service, raising its share of the remittances business to 30% from 16% in a year. *(African Business)*

ENERGY

EU says to plug financing gap for 300 MW Kenyan wind power farm
Financing for a 300 MW wind farm in northern Kenya is complete after the European Union (EU) plugged a 25-million euro funding gap, the EU said. The power plant is part of Kenya's plans to fill a power supply shortfall which, coupled with a dilapidated grid network, means frequent power outages that hamper industry in east Africa's biggest economy.The EU mission in Kenya said the funds would "help to ensure construction can start as soon as possible."A co-developer of the project, one of the largest undertakings of its kind in Africa, said in September construction should commence by the first quarter of next year if financing was arranged by the end of 2013.Denmark's Vestas Wind Systems will supply some 365 wind turbines at the site. The wind farm had been due to start generating power in June 2011 but the project had been dogged by financing difficulties. *(Engineering News)*

South Africa: RustMo 1 PV plant (7MW) in South Africa begins commercial operation.
The RustMo 1 solar farm, which is located in South Africa's North-West province, has begun commercial operation one week ahead of schedule. Built by juwi Renewable Energies, the utility scale solar farm has an installed capacity of 7MW and is capable ofgenerating more than 12.5M kWh of clean solar power annually. The plant boasts 29,000 PV modules provided by Juwi. The RustMo 1 plant is one of four solar projects in juwi's South African solar portfolio. The company also has three additional EPC projects in the pipeline, won during South Africa's first tendering round for the Renewable Energy Independent Power Producer Programme (REIPPP). Brought into commercial operation ahead of schedule, the company also hopes that its two, 10.7MW utility scale solar farms in the Northern Cape area of the country will be in operation soon, with the completion dates scheduled for Dec 2013. Construction will begin on a fourth project (a 5MW solar plant in Western Cape) towards the end of 2013, which will sell power to state-owned utility Eskom. *(PV Magazine)*

Cameroon and Electricite de France have agreed to build a 400 billion CFA hydroelectric plant to generate 360 megawatts, and most of that power will be used to double production at a major aluminium plant, government officials said. Work on the plant at Nachtigal Falls on the Sanaga River, around 60 km (37 miles) north-east of Yaounde, is due to start within six months when another hydropower project, Loom Pangar, is completed. EDF will contribute 40 percent of the cost, the International Finance Corporation 34 percent and the government 26 percent. Aluminium is an important part of Cameroon's manufacturing sector. The new power project should enable a doubling of production at the Alucam aluminium factory at Edea, a joint venture between Rio Tinto Alcan and the government, officials said. Cameroon has two hydro plants, Edea and Song Loulou, and is expected to have more hydropower potential, but only 22 percent of its people are connected to the power system, a figure the government hopes to boost to 48 percent by 2020, according to 2009 African Development Bank figures. "It's a very important project for our country that will allow supplementary production of electricity up to 400 megawatts," said Water Resources and Energy

minister Basile Atangana Kouna at the signing on Saturday. He referred to the potential to produce electricity above the initial 360 MW target. *(Reuters)*

Camargo Correa SA, Brazil's third-largest construction company, will consider bidding on hydro-power projects in Ghana, where the government plans to spend $4.5 billion to double power capacity, Brazilian Ambassador Irene Vida Gala said. The Sao Paulo-based company, the biggest generator of hydroelectric power in Brazil, will be the fifth construction company from Latin America's largest economy to operate in Ghana, Vida Gala said in an interview yesterday in Accra. Angola and Mozambique are the only African countries with more Brazilian builders operating locally, she said. Camargo Correa didn't immediately reply to an e-mail and phone call seeking comment yesterday. "They are already in talks to come and establish a company and offices here. It's preliminary talks but they will come," she said. "They are going very much into what they are good in: electric generation of hydroelectric power." Ghana will add 2,500 megawatts of power in the next 10 years to halt outages and meet domestic demand estimated to grow 10 percent annually, Ebenezer Tagoe, finance director of the state-owned Volta River Authority, said last month in an interview. Power outages are curbing economic growth in West Africa's second-largest economy. Ghana gets about half of its electricity from thermal energy and uses imported oil to fuel the plants because of a natural-gas shortfall. Brazilian companies from plane maker Embraer SA, to the nation's largest builder Odebrecht SA are turning to African nations that weren't former Portuguese colonies to capture spending on infrastructure fueled by the discovery of oil, gas and other commodities. Kenyan President Uhuru Kenyatta met with representatives from Brazilian companies in July. Odebrecht and Queiroz Galvao SA already operate in Ghana. Brazil more than doubled the number of its embassies in Africa to 37 in the past decade as part of a strategy under former President Luiz Inacio Lula da Silva to strengthen political and commercial ties with the continent, Vida Gala said. Ghana and Brazil have been discussing a possible $1 billion credit facility for Ghana since 2011, she said, declining to give any more details. Trade with Ghana was $400 million last year, she said. Give any more details. Trade with Ghana was $400 million last year, she said. *(Bloomberg)*

Financing for a 300 megawatt wind farm in northern Kenya is complete after the European Union (EU) plugged a 25 million euro funding gap, the EU said on Wednesday. The power plant is part of Kenya's plans to fill a power supply shortfall which, coupled with a dilapidated grid network, means frequent power outages that hamper industry in east Africa's biggest economy. The EU mission in Kenya said the funds would "help to ensure construction can start as soon as possible." A co-developer of the project, one of the largest undertakings of its kind in Africa, said in September construction should commence by the first quarter of next year if financing was arranged by the end of 2013. Denmark's Vestas Wind Systems will supply some 365 wind turbines at the site. The wind farm had been due to start generating power in June 2011 but the project had been dogged by financing difficulties. *(Reuters)*

MINING

New monthly coal transport record for Rio Tinto Coal in Mozambique

Rio Tinto Coal Moçambique (RTCM) achieved last October a new monthly record for outflow of coal to the port of Beira, with 95,000 tons transported by the Sena railway line, the company's coal chain director announced. A statement released by Carlos Galego specified that 38 trains were used to transport the coal tonnage sent to the Sofala province capital's port. The new record was made possible by "ongoing improvements in the Sena Line" and the consequent increase in RTCM's rolling stock, Galego said.

The Rio Tinto group is based in the United Kingdom and comprises Rio Tinto plc, traded on the London and New York stock exchanges, and Rio Tinto Limited, traded on the Australian Securities Exchange. The group is active around the world, especially in Australia and North America, and also has significant mining business in Asia, Europe, Africa and South America. *(Macauhub)*

Gold demand falls 21% in third quarter – World Gold Council

JOHANNESBURG (miningweekly.com) – Gold demand fell 21% in the three months to September 30, compared with the same period last year, the World Gold Council said. The council's 'Gold Demand Trends' report put 2013 third-quarter demand at 868.5 t and supply at 1 145.5 t – a 277 t excess. The average gold price for the quarter was $1 326/oz, 20% lower than in the third quarter of last year. This pushed third-quarter gold value down to $37-billion – a drop of 37%. Outflows of nearly 700 t from gold exchange traded funds (ETFs) in the West were partly balanced by the strong uptake of gold jewellery, bars and coins in the East. "The growth we're seeing in jewellery, bars and coins, in particular, demonstrates once again the unique diversity of gold demand," World Gold Council MD investment **Marcus Grubb** commented, pointing to different market sectors increasing in prominence at different points in the global economic cycle. Central banks were net buyers of gold for the eleventh consecutive quarter, purchasing 93 t, and technology demand remained stable at 103 t. Third-quarter consumer demand in China grew 18% to 210 t and jewellery consumption outside China, in South East Asia, grew 28% in Hong Kong, 14% in Vietnam, 57% in Thailand and 19%

in Indonesia. Jewellery demand also rose 9% in the Middle East and 14% in the US. However, Indian government restrictions on importing gold through official channels supressed consumption to 148 t and caused Indian gold recycling to increase fivefold to 61 t. Demand lifts in countries with close India links is, however, fuelling suspicion that gold is making its way into India along illicit channels. *(Engineering News)*

Indian miner invests in Ethiopia
Mumbai-based miner May Flower Mining Enterprise will invest $116m in Ethiopia's Delbi Mining's coal mine over three years. The mine is 400 km from Addis Ababa: its 39.2 sq km has an estimated coal deposit of 11.4bn tonnes. Delbi Coal Mining is set to extract 30,000 tonnes and plans to increase production coal to 200,000 tonnes. It owns 70% and Delbi retains 30%. It will import mining machinery, mining experts and provide finance for exploration and mining. *(African Business)*

OIL & GAS

Trafigura, one of the world's largest commodities trading houses, has raised $500m from the sale of a 10 per cent stake in Puma Energy in a deal that makes a flotation of the fast growing petrol station and oil terminal unit less likely. The company, which is looking to expand beyond pure trading, has previously said that it would consider shedding all of Puma to fund growth and expansion. Sonangol, the state-owned oil company of Angola, increased its holding in the fuel and storage unit, which employs close to 6,000 people around the world, from 20 per cent to 30 per cent. Details of the deal, which places a value of almost $5bn on Puma, are contained in the prospectus to a €500m bond issue. The documents reveal a sharp dip in profits as Trafigura battles tough trading conditions. They also show that the historically publicity-shy trading house is looking to expand in the liquefied natural gas sector and the former Soviet Union. In an interview with the Financial Times, Christophe Salmon, Trafigura's chief financial officer for Europe, the Middle East and Africa, said that a stock market flotation of Puma was not the "preferred option" because it brings "constraints" and "management disruption". "We prefer the private model as it allows management to focus on business execution and growth rather than investor communication. Puma is well funded by its existing shareholders and has no immediate needs to go to the markets." He said that Trafigura, which now holds 49 per cent of Puma, wanted to remain the leading shareholder and did not envisage a further dilution of its stake. Cochan, a diversified Angolan business group, holds 15 per cent of Puma and a group of related-party investors holds the rest. In the nine months to June, Trafigura recorded net profits after tax of $606.8m, down from $903.2m in the same period a year earlier, the prospectus shows. Revenues were $99.1bn, up from $92.9bn. Trafigura, which is owned by its employees, is the world's second-largest independent metals trader behind Glencore Xstrata, and the third-largest oil trader after Vitol and Glencore. Trafigura made profits of $991.9m in the year to September 2012 and a record $1.11bn in 2011. Mr Salmon said that the decline in group profits in the nine months to June reflected a "less attractive trading environment". The figures highlight the tough conditions facing trading houses in their core businesses, where a lack of volatility has hit moneymaking opportunities. As a result, Trafigura and its trading rivals are moving away from their traditional "middleman" business of buying and selling raw materials to investing in production, refining and logistics. *(Financial Times)*

Mozambique Govt plans to increase stake in offshore gas fields
Mozambique's national oil company ENH has disclosed its plans to increase its stake in offshore fields operated by Anadarko Petroleum and Eni. ENH currently holds a 15% stake in the Rovuma-1 field operated by Anadarko and a 10% stake in fields operated by Eni. LNG proponents in Mozambique are reportedly seeking to develop 20mmtpa of LNG capacity (4 x 5mmtpa) by the end of the decade. (*Bloomberg)*

Afren hits two year high on Nigeria oilf ield upgrade
Shares in Afren, the Africafocused oil explorer, rose to a two-year high after it increased its estimates for the size of a big oil discovery off Nigeria. The FTSE 250 company said the Ogo prospect contained 774m barrels of oil equivalent of recoverable resources, compared with earlier expectations of 202m boe. "Based on the well data, the partners have identified volumes in excess of our pre-drill estimates," said Osman Shahenshah, chief executive. The shares rose by as much as 12 per cent to 167p, their highest intraday level since July 2011, before falling back to 161p. Ogo is part of the OPL310 licence offshore Nigeria, in which Afren has a 40 per cent stake. Its partners are Lekoil and Optimum, each with a 30 per cent interest. The three plan to drill an appraisal well in the second half of next year and will carry out further 3D seismic surveys of the block. Mr Shahenshah said the Ogo find "continues a 100 per cent exploration record". Jamal Orazbayeva, of Westhouse, said the announcement was "positive for Afren, as the upgrade to estimates is significant and further confirms our initial view that this is a large structure". In August, Afren reported a 13 per cent year-on-year rise in first-half production from 42,000 to 48,000 boe a day, largely from its offshore Nigerian fields. *(Financial Times)*

Anadarko Petroleum spent US$15 million on goods and services from Mozambican SMEs
Anadarko Petroleum, which is prospecting for oil in northern Mozambique, has spent US$15 million this year to buy goods and services from small and medium sized Mozambican enterprises, the American group indicated in Maputo.
The amount should grow as demand for goods and services increases. It was distributed among the 100-odd companies involved in activities such as construction, transport, meal supply and other services in this phase of the group's establishment in the country.
The AIM news agency reported that the information was revealed during a meeting to explain the Anadarko Mozambique project, which mainly addressed Mozambican SMEs interested in opportunities offered by that group. The US group's activities are concentrated in the Rovuma Basin, where 124 trillion cubic feet of natural gas have been discovered. Plans call for the exploitation process to begin in 2018.
Trade and Industry Minister Armando Inroga said at the meeting's opening that SMEs account for more than 90 percent of all Mozambican companies and are thus crucial for competitiveness and promoting employment. *(Macauhub)*

Senegal is considering whether to build an offshore liquefied natural gas (LNG) terminal, a document from the state-run utility showed, in a move to lessen its dependence on expensive fuel oil imports. The energy-poor country plans a three-month study to explore ways to introduce LNG into its energy mix, the document by utility Senelec showed. Senegal, unlike many of its neighbours, pumps no oil or gas of its own and has failed to discover hydrocarbon reserves. It imports oil from OPEC member Nigeria. "I can confirm that we launched a tender and that we have a shortlist of consultants for our study," Bakary Diop, director of studies for Senelec, said. One option under consideration is to build an offshore regasification terminal through a private sector partnership, the document said. Under the proposed scheme, tankers carrying LNG would discharge it into the floating terminal's storage tanks, where it would be regasified and sent via pipeline to shore. Another option is to import gas-generated power from neighbouring Mauritania. The results of the study will be available by next June, the document said. In 2010, Senegal spent 647 billion CFA Francson fuel, accounting for about 36 percent of its trade deficit, it showed. *(Reuters)*

INFRASTRUCTURE

AfDB board approves $120m to upgrade Nairobi's outer ring road
The board of the African Development Bank (AfDB) approved the $120-million financing for the four-year Nairobi Outer Ring Road Improvement Project, in Nairobi City County, Kenya.
The project, which would start in 2014, involved upgrading the existing single carriageway road to a two-lane dual carriageway complete with service roads, grade-separated intersections, pedestrian bridges, walkways and cycling tracks over the entire length of the road.
On completion, the 13 km project was expected to directly enhance the traffic circulation and eliminate traffic bottlenecks to various economic activity centres, such as the industrial zone, and the vast populous residential areas of Eastlands, due east of Nairobi's city centre.
AfDB Eastern Africa regional director **Gabriel Negatu** said the financing was "a mix of grant and loan" from the Africa Development Fund (ADF), with the Kenyan government being the counterpart financier of the project, the total cost of which was $130-million.
"The AfDB group will provide 89.8% financing for the total project through the ADF loan of $115.9-million and grant of $5-million. We believe that this road will not only reduce travel time from 45 minutes to 15 minutes but will transform the socioeconomic welfare of the people living along the transport corridor," he noted.
The road traversed Nairobi's East and North districts, serving an estimated population of at least 2.2-million, which represented some 70% of the Nairobi City County population. Other beneficiaries of the project included users of major city connecting arterial roads, namely the Nairobi–Thika highway, Eastern Bypass, Northern Bypass, Mombasa road and those connecting to the Jomo Kenyatta International Airport.
Negatu pointed out that the key outcomes of the project would include improved property values arising from reduced congestion and an improved business environment for informal traders, owing to access to new market facilities and improved sanitation.
Other complementary civil works elements included 250 market stalls and associated sanitary facilities, the planting of 4 500 trees along the corridor, a children's traffic safety park and three wellness centres for HIV/Aids and related illnesses.
It was further estimated that by improving the existing road, the yearly vehicular greenhouse gas emissions rates in tons for the corridor would drop by at least 70% owing to improved average traffic operating speeds along the project corridor, particularly with the expected integration of a bus rapid transit system by 2022.
"Our approach to this and every project that we have undertaken is guided by our commitment as a bank to realise inclusive and green growth in Africa. Under this project, at least 500 disadvantaged youth from the informal settlements will gain from an artisan training programme aimed at enhancing their skills to assure long-term gainful employment," Negatu added.

The AfDB previously financed the successful completion of the 50 km Thika superhighway, which was jointly financed by China and the Kenyan government. The Outer Ring Road Improvement Project brought the total kilometres of road financed by the bank in the Nairobi metropolitan to 63 km. *(Engineering News)*

Kenya has awarded a Ksh1.2 trillion tender of building the Mombasa-Malaba Standard Gauge Railway line to a Chinese firm. Transport and Infrastructure Secretary Michael Kamau on Thursday said the decision was in accordance to the terms given by the China government when Nairobi signed a loan agreement with Beijing. Mr Kamau appeared before a parliamentary committee to address concerns raised on the manner in which China Bridges and Roads Company was awarded the contract. “We had to follow their (China’s) procurement procedure,” said the cabinet secretary. The options, the committee heard, were limited to picking China Bridges and Roads Company, which signed a memorandum of understanding with the Kibaki government in 2011. In the memorandum, the firm promised to assist in a government-to-government deal supported by concessional loans from the China Export Import (Exim) Bank. In August, President Uhuru Kenyatta visited China and signed a Sh425 billion loan, a large portion of which is to fund the new railway line. National Assembly Speaker Justin Muturi last week directed the parliamentary Transport committee to investigate claims raised by Nyali MP Hazron Awiti on whether the government followed due process. The Transport cabinet secretary said that after due diligence was done by both governments, the firm was found competent. “This money has been guaranteed by the Chinese government and they cannot channel Sh1.2 trillion to a briefcase firm,” noted Mr Kamau. China Bridges and Roads Company, Mr Kamau said, has branches in 40 countries globally and has the financial and technical capacity to construct a high scale railway line. The company will have a major role in the Northern Corridor Transport and is currently building the northern by-pass road. Mr. Awiti called for government to provide evidence of the due diligence on the Chinese firm as well as other big projects it had handled. “We need to know if the company has the professional qualification for railway construction awarded by the ministry of Housing and Urban Rural Development of the People’s Republic of China,” said Mr Awiti. Mr Kamua, accompanied by his permanent secretary Nduva Muli, added that China Bridges and Roads listed 14 railway projects and was deemed fit to carry out the work. The government intends to construct the new railway between Mombasa and Malaba in the next three years to ease movement of goods and services, and is set to commence on Thursday next week. *(Daily Nation)*

AGRIBUSINESS

South African agriculture related businesses are increasingly looking at opportunities in the rest of Africa, according to Hennie Heymans, managing director of DHL Express South Africa
“We have noticed that the source of the calls and the enquiries that we get are a lot more agriculture focused than what they were in the past so it is absolutely clear that there is a new and intensified focus from the agricultural sector in South Africa to further expand into Africa,” said Heymans in an interview with ***How we made it in Africa***. He added that a lot of this growth in DHL’s business is seen through the transportation of agricultural equipment from South Africa to other countries in Africa, particularly in the movement of spare parts. “Then also a lot of documentation as [South Africans] decide to set up businesses abroad,” Heymans continued. “So we see a lot of document flow from the sector.”
In line with the general growth of many of these African markets, Mozambique in particular has become a popular destination for the transportation of agriculture related business for DHL. Ethiopia, Kenya, Ghana, Nigeria and Uganda have also seen increased movement in this sector. “I think there are a couple of reasons driving this trend,” said Heymans. “I think the whole issue in South Africa around property rights is something that is hot on the table at the moment. The second part of it is that there is a lot of arable land available all around Africa, as well as water.”
Furthermore, Heymans explained that many African governments have a high regard for the skills and expertise of South African agricultural companies. “Africa has sort of a huge appreciation for the skill of the agri sector in South Africa, so they are pretty much welcomed wherever they go across the continent,” he continued.
Africa’s potential for agriculture
According to the World Bank’s estimates, sub-Saharan Africa has 60% of the world’s uncultivated arable land and with worldwide food security increasingly becoming a topic of discussion, the continent has the potential to not only feed its own growing population, but the rest of the world too. “Africa as you know is the last [frontier] for growth in the world and therefore everybody is trying to get a piece of Africa at the moment. South Africa is the best position for that. In fact, this year South Africa is the biggest foreign direct investor into Africa [on the continent],” emphasised Heymans.
“At the moment the agriculture industry in Africa is around US$313bn and we definitely have the potential, across sub-Saharan Africa certainly, to take that to a trillion dollars or more. Firstly because of the arable land and the water resource that is still available, and secondly simply because of the consumer demand and spend that is becoming available. It’s no secret that the middle class is on the rise in Africa and that’s also going to be driving a lot of the growth that we are going to see for the next 15-20 years on the continent.”
Where should South African companies look in Africa?

Heymans said South African agricultural companies could potentially follow the investment trail and expansion of Shoprite in the African market for business opportunities. The South African retailer has been expanding rapidly across the continent in recent years with a presence in 16 African countries. The opportunity to ensure the flow of fresh produce to Shoprite in many of these countries should be something South African agriculture companies look into, according to Heymans. He also advised South African businesses to do adequate research on the African markets they are considering entering, as each country is unique and comes with its own set of opportunities and challenges. "I think Africa by its very nature is a complex market," explained Heymans. "My advice to the small and medium enterprises is to always choose markets very carefully. They shouldn't start with those complex markets; they shouldn't start with French West Africa for a couple of reasons. The first and probably the most obvious one is the language. They should choose a country where English is still the main language because it more than often means that that the legal system is based on the English or Dutch legal system which is something that we as South Africans are pretty familiar with. Then the second part of that is to make sure that you choose your partners really, really carefully before you venture into Africa." He added that DHL believes the South African agricultural sector's interest in Africa will continue to grow, but this growth is not only limited to this industry. "We are seeing a lot of growth in the mining industry. We are seeing a lot of growth in the IT industry. And then also in the medical field there is a lot of [interest]. So we are certainly experiencing growth across these sectors at the moment and the agri sector is certainly the latest one that has joined the list of growth sectors for [DHL's business]," said Heymans. *(How we made it in Africa)*

Mozambique reduces rice imports by 100,000 tons

The increase in rice production in the agricultural campaign that has just finished in Mozambique made it possible to reduce the amount of rice imported into the market, the Mozambican Agriculture Minister, José Pacheco said recently. According to Pacheco, Mozambique has an average annual consumption of around 600,000 tons of rice and in the 2012/2013 agricultural campaign increased rice production by 100,000 tons. "We have reduced the rice deficit from 300,000 tons to 200,000 tons," said Pacheco, cited by the Mozambican press, adding that "for other crops," such as maize and cassava, the country has already "achieved levels of self-sufficiency," and is now seeking to "sell its production surpluses." At the start of the 2013/2014 agricultural campaign, launched last week in Gaza province, Minister José Pacheco said that it was likely that in the 2017/1018 campaign Mozambique would be producing all the rice it consumes, given that rice production and processing projects are underway in the provinces of Gaza, Sofala, Zambézia and Nampula. Last week Chinese company Wanbao Grains & Oils Co. announced it planned to invest US$10 million from the Fund for Cooperation between China and the Portuguese-speaking Countries in a rice production project in Mozambique. The project has an estimated total cost of US$200 million. *(Macauhub)*

Agri-Vie invests in olive business

Agri-Vie, the private equity fund focused on food and agribusiness investments in Sub- Saharan Africa, has announced a 63 percent stake in Cape Olive Holdings (Pty) Ltd. Executive director at Agri-Vie, Izak Strauss, said that the decision to become a major shareholder in Cape Olive comes after the private equity firm identified major growth opportunities for the company in the retail and food services sectors. Cape Olive is currently the largest table olive supplier in SA packing, among others, the market leading Buffet Olives brand. *(African Business Review)*

Higher demand, price recovery to bode well for sub-Saharan African sugar producers

Rising demand and a subsequent recovery in international sugar prices would contribute to a positive long-term outlook for sugar companies in sub-Saharan Africa (SSA), provided that the producers were able to withstand the current price volatility and market conditions. This was according to investment banking and asset management group Imara, which released its 2013 SSA Sugar Sector report this week. The report stated that global sugar production was at a record level, with the US Department of Agriculture forecasting production of 175-million tonnes for 2013/14. Demand was likely to amount to 167.35-million tonnes.

"However, global sugar consumption has been growing at a compound annual growth rate of 2% for the past five years and, should this trend continue in the long run, we do not see the current sugar market surpluses as being sustainable," Imara said, adding that this would affect the global sugar price and subsequently impact positively on sugar companies. Similarly, the outlook for sugar demand and consumption in SSA remained positive, owing to several key drivers, such as rising populations, rising income levels and rising urbanisation rates. Currently, Egypt and South Africa were the top sugar producers in Africa, contributing more than 40% of the total sugar produced on the continent.

Meanwhile, the report stated that, while white sugar prices in the European Union (EU) remained firmly above world market prices, the programmes under which African countries have been exporting to Europe were being phased out and the preferential price benefit of selling into the EU was being eroded. "Of all the African countries we currently cover, we expect Mauritius, which has traditionally been one of the biggest African exporters into the EU, to be affected the most as the gradual quota removal will impact most of its major producers' revenues significantly. "Nevertheless, most of the sugar-producing companies we cover in SSA will be affected to varying degrees by the phasing out of export quotas by the EU over the medium term. As a result, they may need to overhaul and restructure their operations significantly in order to remain profitable and competitive," Imara said.

Further, the company also expected several legislative changes to be made that would have a material impact on several sugar producers across SSA. The first of these was the expiry of the Common Market for Eastern and Southern Africa (Comesa) tariffs and safeguards in March next year. The removal of duties and tariffs for Comesa countries is expected to materially impact competition within Kenya, one of the region's main markets. Kenyan sugar producers, such as Mumias, will be negatively affected owing to current high costs of production for sugar, the company said.
Further, the report expected a more positive legislative environment to prevail for sugar manufacturers in West Africa, where consumption and demand levels have regularly exceeded production levels over the last few years *(Engineering News)*

Angola plans to revive its agricultural sector

In the most expensive city in the world, Angola's capital Luanda, everything is expensive but time. Even with pre-scheduled meetings, people can leave you waiting for more than an hour and then apologize for it with just a smile; a smile that I will come to understand over the course of my assignment in the country and that translates simply into: "Sorry, traffic."
Navigating the streets of the capital is an onerous task, and it can take two to three hours to move between districts, a clear indicator that Luanda's infrastructure is not catching up with the city's exponential and visible growth. Construction projects that are springing up across Luanda's skyline to meet the growing demand for office and living space, as well as the changing spending habits of a non-negligible proportion of the population are testament to the country's growth. Mercedes and other upscale car dealerships, and expensive restaurants, have no trouble finding a local clientele. Unfortunately, the vast majority of Angolans can't count themselves among that clientele, just yet.
After its ill-remembered civil war, Angola stumbled upon a wealth of natural resources, including oil, gas and diamonds. However, revenues from these resources are taking a considerable amount of time (hindered by bureaucracy among other things) to be transformed into enough projects to generate employment for the local youth and to create a welcoming economy for foreign investors. Aware of the current predicament, Angola's government has set up strategies to revive and diversify the country's economy. One of the sectors of central importance to Angola's economic future is agriculture. After gaining independence in 1975, Angola became self-sufficient, and a top exporter of various food crops, including bananas and coffee. Fast forward to 2013: the country imports the majority of its food needs and has almost no industrial capacities to process what it produces into agricultural consumer goods.
In various interviews given to Infomineo by top government officials, big farmers and heads of industrial companies, the key messages highlighted a few simple ideas that can hopefully develop the local agricultural sector.
First, more focus should be placed on small-scale farmers who are responsible for 90% of the agricultural production in Angola, by improving their yields and training them in basic sales and marketing. Second, the cost of local production, which is still high compared to neighbouring economies, should be brought down and, most importantly, incentives to ease investments in the food processing industry to substitute the country's heavy reliance on imports should be offered. If this is done, the rest is simple: Angola is already endowed with high quality soil and water resources. Thus, there is no reason why the country shouldn't fulfil its agricultural potential and find its way back to self-sufficiency and, eventually, rejoin of the podium of top food exporters.
Mohamed Zin El Abidine is a senior analyst at Infomineo.
Infomineo is a business research company, focusing on Africa and the Middle East. The company provides its clients, including the majority of the leading global management consulting firms and several Fortune Global 500 companies, with ad hoc data on countries, markets, companies and people gathered through primary and secondary research. For more information please contact info@infomineo.com or visit www.infomineo.com. (How we made it in Africa)

Mozambique is first country to benefit from Fund for Cooperation between China and the Portuguese-speaking countries

Chinese company Wanbao Grains & Oils Co. plans to invest US$10 million from the Fund for Cooperation between China and the Portuguese-speaking Countries in an agricultural project in Mozambique, under the terms of an agreement signed Wednesday in Macau. The agreement was signed by the President of the Cooperation Fund, Chi Jianxi and the chairman of Wanbao Grains & Oils (Hubei) and Wanbao (Africa) Agricultural Development (Moçambique), Chai Shungong, on the sidelines of a meeting between businesspeople from China and the Portuguese-speaking countries and a seminar and contact meeting about projects supported by the fund.
The investment will be made by the company in an agricultural project in the Lower Limpopo region, in the Mozambican coastal province of Gaza. Total investment in the project is expected to be US$200 million. This project, which may eliminate Mozambique's need to import rice, will have two phases, the second of which will add greater value to the product by processing the harvested rice. Mozambique is thus the first Portuguese-speaking country to benefit from the Cooperation Fund, for which China provided funding of US$1 billion. *(Macauhub)*

TRADE

West Africa agrees to integrate

The 15-nation Ecowas summit approved a single customs regime from 2015 and aims to introduce a single currency throughout the bloc by 2020.The eightnation Economic and Monetary Union of West Africa (UEMOA), whose members form part of ECOWAS, already has a single-tariff scheme and a shared currency. Ecowas groups Cape Verde, Gambia, Ghana, Liberia, Mali, Nigeria, Sierra Leone and the members of UEMOA - Benin, Burkina Faso, Cote d ' Ivoire, Guinea, Guinea-Bissau, Senegal, Niger and Togo. The summit also approved a i.5% levy to finance the activities of the community, replacing an existing 0.5% tax, which will be phased in over five years. *(African Business)*

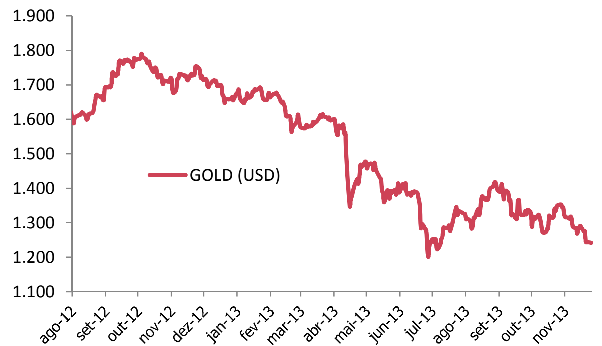
China opens mission in Sao Tome and Principe

China plans to open a trade mission in Sao Tome and Principe, 16 years after diplomatic relations broke down between the two countries, Minister Osvaldo Abreu said Wednesday in Sao Tome.
The Sao Tome Public Works, Infrastructure and Natural Resources minister, said that the “link of a commercial nature” with Beijing had been made official Tuesday at the former Chinese embassy in the Sao Tome capital. The minister said that “the move is intended to safeguard the interests of the people of Sao Tome and Principe,” from an economic point of view and noted that the mission was related to a number of trade and business projects between the two States.
The minister said that Chinese traders and businesspeople from the industrial sector were due to visit Sao Tome and Principe within the scope of the new mission, and mentioned that construction of a deep water port, costing over US$400 million.
The new trade mission follows a visit by Sao Tome’s Minister for Foreign Affairs, Cooperation and Communities, Natália Umbelina, to China in October and the Minister for Planning and Finance, Hélio Almeida, to take part in the 4th Ministerial Conference of the Forum for Economic and Trade Cooperation between China and the Portuguese-speaking Countries, at the beginning of November, as an observer. China cut off diplomatic relations with Sao Tome and Principe in 1997 when the West African archipelago established diplomatic relations with Taiwan. Diplomat Zhang Hanwu was nominated to head up the mission in Sao Tome and Principe. *(Macauhub)*

MARKET INDICATORS
25-11-2013

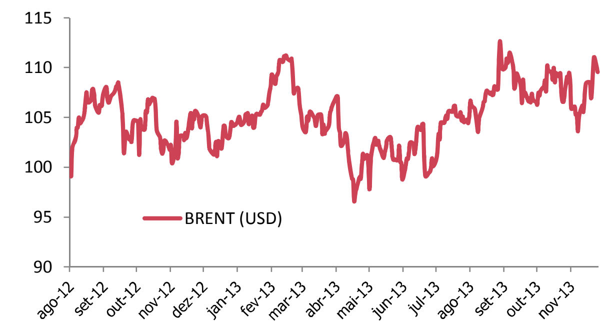
STOCK EXCHANGES		
Index Name (Country)	**25-11-2013**	**YTD % Change**
Botswana Gaborone Domestic Index (Botswana)	8.826,01	17,52%
Bourse Régionale des Valeurs Mobilières (Ivory Coast)	218,87	31,39%
Case 30 Index (Egypt)	6.356,47	16,37%
FTSE NSE Kenya 15 Index (Kenya)	181,01	43,94%
Morocco Casablanca Stock Exchange CFG 25 (Morocco)	18.944,90	-1,04%
Nigerian Stock Exchange All Share Index (Nigeria)	39.222,02	39,69%
FTSE/JSE Africa All Shares Index (South Africa)	44.527,09	13,44%
Tunindex (Tunisia)	4.492,77	-1,90%

Source: Bloomberg and Eaglestone Securities



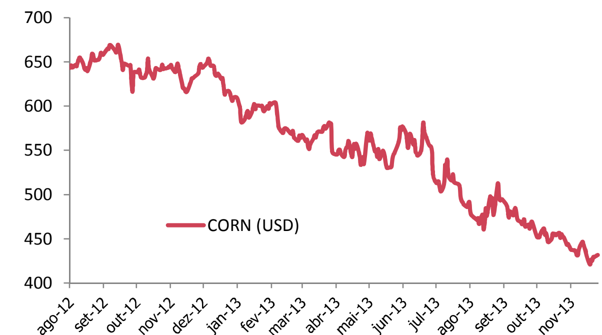
METALS		
	Spot	**YTD % Change**
Gold	1.241	-25,90%
Silver	20	-34,37%
Platinum	1.387	-9,92%
Copper $/mt	7.095	-10,54%

Source: Bloomberg and Eaglestone Securities



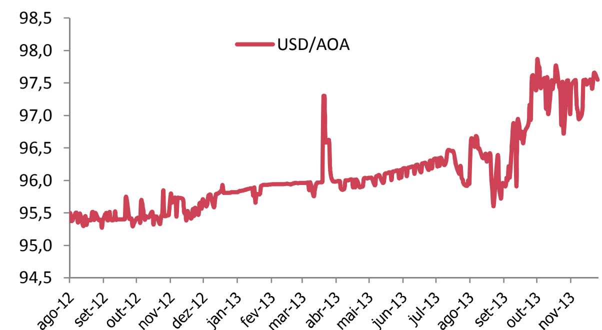
ENERGY		
	Spot	**YTD % Change**
NYMEX WTI Crude (USD/barril)	94,0	0,94%
ICE Brent (USD/barril)	109,6	1,00%
ICE Gasoil (USD/cents per tonne)	931,5	1,72%

Source: Bloomberg and Eaglestone Securities



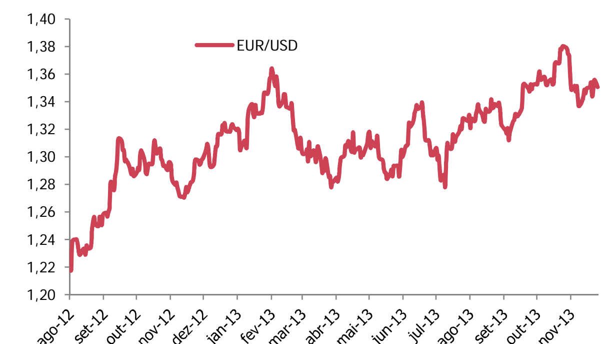
AGRICULTURE		
	Spot	**YTD % Change**
Corn cents/bu.	432,0	-38,31%
Wheat cents/bu.	661,3	-16,06%
Coffee (KC) c/lb	107,4	-26,82%
Sugar#11 c/lb	17,4	-11,70%
Cocoa $/mt	2796,0	24,05%
Cotton cents/lb	77,6	2,28%
Soybeans c/bsh	1313,8	-6,11%

Source: Bloomberg and Eaglestone Securities



CURRENCIES	
	Spot
KWANZAS	
USD	97,550
EUR	131,753
GBP	157,715
ZAR	9,703
BRL	42,647
NEW MOZAMBIQUE METICAL	
USD	29,750
EUR	40,181
GBP	48,099
ZAR	2,959
SOUTH AFRICAN RAND SPOT	
USD	10,055
EUR	13,579
GBP	16,254
BRL	4,396
EUROZONE	
USD	1,35
GBP	0,84
CHF	1,23
JPY	137,43
GBP / USD	1,62

Source: Bloomberg and Eaglestone Securities



UPCOMING EVENTS

45th AFRAA AGA-Mombasa, Kenya November 24-26
The AGA and Summit is a high profile air transport event dedicated to airline CEOs and invited top executives in the aviation industry. Annually it brings together more airline Chairmen, CEOs, top executives and principal decision-makers in the aviation industry than any aviation event in Africa. *(http://aga45.afraa.org/)*

Water Africa 2013, International Trade Exhibition – Abuja – Nigeria , 25-27 November 2013 *(http://www.mbendi.com/ace/events/e97p.htm)*

20th Africa Oil Week/Africa Upstream - Cape Town, South Africa- 25 - 29 November 2013, Cape Town International Convention Centre
The world's leading meeting on Africa for corporate deal-making, Roadshows and senior-level networking across the oil/gas industry in and on Africa, and designed to build the African Continent's economic future.
(*http://www.petro21.com/events/?id=790*)

Brazil - Africa Leadership Forum 2013 - New Partnerships for the 21st century, 27 November 2013 | Johannesburg, South Africa. The Second annual Brazil Africa Leadership Forum, organised by This is Africa and Financial Times Live, brings together key players in driving this strategic partnership. As the global economy shifts, and both Brazil and Africa take on increasingly important international roles, this one day summit will provide a platform for constructive dialogue on how to deepen the relationship between the two regions. (*http://event.ft-live.com/ehome/index.php?eventid=70801&)*

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

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

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Disclosures

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

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

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

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

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