INSIDE AFRICA

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26 May 2014

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SECURITIES

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BRIEFS

Africa

- Economic growth in Africa to rise, average 4.8 % this year -AfDB
- Standard Chartered plans expansion in four African countries

Algeria

- Petrofac wins USD 970m Algerian contract

Angola

- Angola consumer inflation slows to 7.22 % in April
- African bank gives Angola USD 1bn loan to develop energy network

Ghana

- Ghana annual inflation rises to 14.7 % in April
- Oil & Gas fund to raise GHC 50m
- Ghana to distribute free fertiliser to cocoa farmers

Kenya

- KenGen seeks advisor to secure funds for 140MW geothermal plant
- Kenya secures payment extension for $600 mln loan
- Kenya extends syndicated loan, giving it time to resolve Eurobond delay

Morocco

- Morocco's Managem ends gold extraction at Akka, to focus on copper
- Morocco's royal investment vehicle to sell stake in Lesieur

Nigeria

- FCMB Set to Close Financing Deal for 450mw Azura IPP
- Diamond Bank issues USD 200m Eurobond

Zambia

- Zambia Sugar projects high cane yield

Zimbabwe

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- Zimbabwe to Use Diamonds to Secure Loan

In-depth:

Sub-Saharan Africa economy: Size guide

Just weeks after the Nigerian government published revised national accounts showing that its economy has finally overtaken that of South Africa to become the continent's largest, the World Bank has released the latest version of its International Comparison Program (ICP) report, which conveys a rather different impression. The ICP report-whose calculations are updated only every six years, and whose latest version assesses 2011-shows that in purchasing power parity terms Egypt was the continent's largest economy in that year, followed by South Africa. Nigeria's GDP rebasing will boost its position, but the country will remain well behind South Africa and Egypt in terms of spending per head.

The ICP uses a common currency-the purchasing power parity (PPP) dollar-to compare the GDPs of national economies, computed in their own domestic currencies. Such comparisons can be done by using either market exchange rates or purchasing power parities, which make it possible to compare individual country or regional GDPs by removing the price-level differences between them. The PPP system corrects for the fact that in conventional exchange-rate-based crossborder comparisons, the size of high-income economies with high price levels is overstated and the size of low-income economies with low price levels is understated. For example, in PPP dollars, Nigeria's 2011 GDP is US$511bn-more than twice its US$247bn size when GDP is calculated conventionally using exchange rates. In contrast, in a high-price-level economy such as Sweden, GDP calculated on a PPP basis is 30% smaller than when foreign-exchange rates are used.

Where the PPP price index figure exceeds 100-the world average-a country's GDP is smaller using the PPP techniques, and where the index is below 100, it is higher. In Nigeria's case the index is 62 but in Sweden it is 175. Globally prices are highest using this price-level index figure in Switzerland, which has an index of 209. The average for 50 African states is 58.6, with Angola having the highest national figure (94), followed by Gabon (86.9) and South Africa (84.8). On the whole, prices are higher in the more prosperous African economies in terms of income per head, such as Gabon, South Africa, Equatorial Guinea and Namibia.

Rebasing will boost Nigeria's position

Because of its very low price level index of only 35, Egypt is Africa's top economy in PPP terms, with a GDP valued at US$844bn in 2011, followed by South Africa (US$611bn) and Nigeria (US$511bn). If conventional exchange-rate comparisons are used, South Africa was the largest economy, at US$420bn, followed by Nigeria, at US$247bn, and Egypt in third place, at US$230bn. But because South Africa's price level (84.8) is much higher than those of either Nigeria or Egypt (at a respective 62 and 35), its PPP valuation ratio is lower.

However, since these calculations were made, Nigeria has revalued its GDP by 78%, taking it to US$510bn in 2013 at current exchange rates. This compares with South Africa's US$351bn, and after allowing for its much higher price level index it is clear that Nigeria's economy will emerge as Africa's largest on both PPP and conventional calculations.

Other oil exporters spend more

Of course, economic size is not a simple determinant of national welfare. So while Egypt on PPP data for 2011 is Africa's largest economy, on the basis of expenditure per head it ranks eighth-behind Equatorial Guinea (Africa's richest on a per capita basis), Seychelles, Gabon, Mauritius, Botswana, Algeria and South Africa. Nigeria, with a per capita expenditure figure of US$3,146 on a PPP basis, is a long way behind fellow oil exporters like Equatorial Guinea (with US$39,440) and Gabon (US$16,483). South Africa's expenditure per head is US$12,111-nearly four times Nigeria's figure, while Egypt's is three times greater, at US$10,600. Nigeria's African ranking is 20th out of 50 countries, and even if this is increased by 78%, as in the GDP calculation at current exchange rates, Nigeria would still be well down the per capita table, in 16th position. Unfortunately because the World Bank's ICP calculations are made only every six years, adjustment to reflect Nigeria's revalued GDP will probably not be available until 2020.

It is clear that despite the recent growth and development, the region remains small by global standards. Africa's PPP valuation in 2011 was US$4.1trn, or 4.5% of the US$90.6trn global economy. This makes it the world's smallest region economically-smaller than the single state of Japan (US$4.4trn) and the Commonwealth of Independent States (US$4.3trn). The Middle East (also US$4.1trn) is fractionally larger, while Latin America and the Caribbean comes in at US$5trn, and Asia (excluding Japan) at US$27.2trn, of which China accounts for almost half (US$13.5trn). On a PPP basis the world's largest economy is the US (US$15.5trn). *(Economist Intelligence Unit)*

Sub-Saharan Africa economy: EAC integration gathers momentum

Integration within the East African Community (EAC)-comprising Burundi, Kenya, Rwanda, Tanzania and Uganda-is gathering momentum and leading to improvements in the business environment. Obstacles remain, and not all members are moving at the same pace, but several recent developments show that concrete progress is being made. These include the recent launch of a crossborder payment system and the expansion of the single customs territory (SCT), which is scheduled to become fully operational on July 1st. In tandem with ongoing investment in infrastructure and the gradual liberalisation of capital flows, these initiatives will boost business activity by reducing logistics delays and cutting transaction costs.

The East African Payment System (EAPS), which allows for real-time crossborder payments between Kenya, Uganda and Tanzania, was officially inaugurated on May 16th after six months of testing. Burundi and Rwanda are not yet connected but plan to join later. The EAPS, a partnership between regional central banks and commercial banks,

integrates the real-time gross settlement systems of the three states, thereby allowing public and private entities to send or receive money in any regional currency.

This will lead to lower transaction costs, speedier processing and reduced risks of error and fraud, and will facilitate intra-EAC trade. The EAPS handled more than 1,100 payments, worth US$37.6m, during the pilot phase, but the amount will rise sharply following the formal launch. The initiative marks a key step in the creation of a single financial market and will also facilitate the ultimate goal of monetary union by 2024.

Single customs territory will speed trade flows

The SCT-whereby all duties and taxes are paid at the port of entry into the EAC, not at border posts between states-will have an equally significant impact, by speeding trade flows and reducing costs. EAC leaders endorsed the SCT at a summit in November 2013, and pilots have been running since April 1st in Kenya, Uganda and Rwanda. These initially covered cement and cigarettes but have since been extended to steel, edible oils, confectionery and milk. The three participants may not be ready for full implementation by the July 1st target date but their commitment to the SCT is not in question. However, Tanzania and Burundi-which are on a slower track of integration-have yet to start the pilot and are will probably delay joining the scheme until they have assessed the impact in the other three member states.

Kenya launches a digital trade window

Logistics will also be facilitated by Kenya's launch, on May 2nd, of a single electronic trade window that allows importers and exporters to fulfil all documentation requirements online rather than dealing with several different agencies. This will reduce clearance times at Mombasa port from seven days to five, and at Nairobi international airport from three days to one, according to Kenya's president, Uhuru Kenyatta. Similar systems will gradually be rolled out in other EAC states with the eventual aim of creating a single EAC-wide framework. Reinforcing the benefits of the single-window system, Kenya also plans to open the first three of six proposed one-stop border posts with Uganda and Tanzania by the end of May as part of a World Bank-funded programme.

Deficiencies in infrastructure will persist

Ongoing improvements in the regulatory environment will clearly boost integration and create new business opportunities, but infrastructure bottlenecks will persist. Numerous projects have been launched or are in the pipeline-including a new standard-gauge railway, expansion at Mombasa port, the Lamu Port Southern Sudan Ethiopia Transport (LAPSSET) corridor and various road projects-but the deficiencies will take time to correct.

Nonetheless, despite the constraints affecting transport capacity, Kenya estimates that the time taken to move goods from Mombasa to Uganda has already fallen from 18 days to just four. Illustrating the improvement, Kenya jumped to 74th place (out of 160 countries) in the World Bank's Logistics Performance Index for 2014, 48 slots higher than in 2012, after recording improvements in all sub-components (namely customs, infrastructure, international shipments, logistics competence, tracking and tracing, and timeliness). Rwanda and Burundi, included for the first time, ranked 80th and 107th respectively, although Tanzania tumbled to138th (from 88th) because of deterioration in some areas and relatively slow progress in others. Uganda is not rated.

Closer integration within the EAC-a fast-growing market of 130m people with strong tourism assets and significant oil and gas potential-will create a raft of new business opportunities. These range from providing goods and services (both to consumers and other firms) to financing and building infrastructure, including via public-private partnerships. However, the region also has common problems, including an overreliance on commodity exports, growing insecurity (linked to civil wars in Somalia and South Sudan), fiscal imbalances and vulnerability to drought. Business executives also cite difficulties in obtaining work permits and disparities in taxation. In addition, Tanzania and Burundi are less committed to the integration process, especially as regards the EAC's stated aim of eventual political federation, which may prove to be unattainable. Nonetheless, despite the obstacles and inevitable glitches, business prospects in the EAC are set to continue to improve. *(Economist Intelligence Unit)*

Angola economy: AfDB to fund energy sector reform

Angola is to receive a US$1bn loan from the African Development Bank (AfDB) for energy sector reform.

Analysis

The US$1bn AfDB loan will be used to provide technical support for the government as it goes about a much-needed overhaul of its utilities and service provision. The Angola Power Sector Reform Support Programme will focus on three main components: restructuring the energy sector and improving its regulatory environment; fostering private-sector investment in the energy sector; and enhancing transparency and efficiency in public financial management.

These are all crucial areas for Angola, whose state-owned utility firms are bloated, inefficient and loss-making. In addition, despite significant monetary investments in electricity provision, power outages are common and a reliance on diesel generators makes manufacturing prohibitively expensive.

Irregular power supplies are also a key reason why domestic industry and the non-oil economy have been so slow to develop. With the introduction of a new-and highly protective-customs tariff regime in March, it is essential that the government starts to supply more power to enable local companies to benefit from that protection. As well as building new electricity-generation infrastructure, which the government is doing, there needs to be attention to the way in which the sector is managed if the benefits to local industry are to be fully felt.

Valued at US$1bn, the power-sector loan far exceeds previous financing deals that Angola has had with the AfdB, underscoring the size of the challenge facing the country, but also suggesting an increase in the bank's confidence in the government and its programming. If successful, the deal may open the way for other development bank financing in the future. *(Economist Intelligence Unit)*

Angola economy: For a few dollars more

The Banco Nacional de Angola (BNA, the central bank) is claiming success for its de-dollarisation programme. This effort has largely been driven by the 2013 foreign-exchange law, which obliges all oil companies and their service providers to make payments in the national currency (the kwanza) and carry out their transactions in local banks. However, a creeping gap between official and parallel exchange rates suggests that demand for dollars remains strong, and with oil production (and thus state revenue) running below previously expected levels, economic difficulties could be building.

At a conference in the Angolan capital, Luanda, in mid-May, the BNA's governor, José de Lima Massano, hailed the banking sector for its efforts towards the de-dollarisation of the country's economy. He noted that kwanza deposits as a percentage of all deposits-which in 2001 were as low as 18%-had grown from 48% in early 2011 to 65% as of March 2014. This is a significant achievement, especially given the trend for increased dollarisation elsewhere in Sub-Saharan Africa (SSA), and should give Angola more control over its economy and monetary policy.

There had been fears that the new foreign-exchange law would lead to bottlenecks both in the oil industry-because payments would be delayed-and in the wider economy. These do not appear to have occurred, however, and the new law has enabled partial liberalisation of the foreign-exchange market, with commercial banks now able to source US dollars, a right previously reserved for the BNA. As well as inflation falling to its lowest rate (7.22%) since records began in 1995, Angola has also kept its kwanza:dollar exchange rate steady, at around Kz97.5:US$1, a significant achievement considering the volatility of its neighbour's currencies.

Gap between official and parallel rates widens

However, demand for US dollars appears to be building up. In the period after the new law's introduction, the gap between the official and the parallel exchange rates narrowed to near zero, but in recent months, this has reversed, with street traders currently reported to be buying US$1 at between Kz110 and Kz120. The total size of the parallel market is unknown and some have dismissed it as an inaccurate barometer, but it is clearly a trend worth monitoring. In 2009 kwanzas were selling for 25% less on the street than at the bank, and this put huge pressure on the economy and led to the kwanza being de-pegged from the dollar. However small the parallel market, the BNA will want to avoid the gap widening any further, because if unchecked it could push up inflation and start a run on US currency.

One explanation for the pull in the informal exchange rate is dollar rationing by the BNA, whose foreign-exchange reserves-though still substantial-have been under some pressure since the start of 2014. One banking source has blamed the dollar shortages-which are not acknowledged by officials-on the Federal Reserve (the US central bank), which has limited dollar flows because of anti-money-laundering (AML) procedures. However, lower than forecast oil production and slipping oil prices are a more likely explanation.

Oil output below budget

According to the Ministry of Finance, oil production in March was 1.47m barrels/day (b/d), well below the forecast of 1.8m b/d and the 2015 target of 2m b/d. The low levels of output have been blamed on technical issues and unplanned maintenance shutdowns, but other factors include over-optimistic official forecasts and a difficult operating environment where visa delays, high costs, dependence on imports and low skill levels affect delivery times. Angola has built its post-war economic growth on oil, and exploration interest certainly remains substantial, but the fact that it is consistently failing to meet production targets is a matter of concern both for the oil sector and in terms of government revenue.

The government has done its best to deflect attention away from the slipping production rates; a highly anticipated block auction will take place this year and early reports from pre-salt exploration are very promising. However, there is speculation in the oil sector that the big new projects due to come on stream in the next three to five years will not dramatically boost output, as expected by government officials, but rather only offset declining production from more mature blocks. The country's financial position is not at a critical stage, but Angola, which is estimated to have recorded a budget deficit (of 1.5% of GDP)

in 2013 for the first time since 2009-and which is officially forecasting another deficit in 2014-needs to ensure that these collective issues do not combine into a much bigger problem. If oil revenue continues to decline, this could lead to a cutback in government investment, which would have an impact on efforts to diversify the economy. *(Economist Intelligence Unit)*

Angola economy: Financial screening technology adopted

Angola has adopted specialist banking technology that allows it to screen financial transactions and ensure that they are not violating global sanctions.

Analysis

The application of the Sanctions Screening Service-provided by an international banking security firm, SWIFT-is the latest move by Angola to improve its banking security, and its general reputation as a place to do business. Angola is the fourth country in Sub-Saharan Africa to use the sanctions screening technology. The system works by screening transactions against several dozen global sanctions lists, including the US Treasury's Office of Foreign Assets Control. Its adoption sends a strong message that Angola is trying to clean up its act.

This is necessary because perceptions of corruption in the country have long been poor-Angola was ranked 153rd out 177 states in Transparency International's 2013 Corruption Perceptions Index, while graft is regularly cited as a barrier to doing business there. In addition, bank fraud is believed to be common, and in 2010 a criminal investigation was launched into the wiring of US$160m from the central bank, the Banco Nacional de Angola (BNA), into overseas accounts. Meanwhile, several high-ranking officials have been accused of laundering money out of Angola into bank accounts in Portugal, Luxembourg and Switzerland-although none has been convicted.

For these reasons, most large firms operating in Angola tended to keep their cash offshore, but legislation that came fully into effect in October 2013 requires all companies involved in the oil industry to bank locally and in kwanza. Many such firms were concerned about anti-fraud and anti-money-laundering (AML) provisions, despite the opening-up in the market of international banks such as South Africa's Standard Bank and London-listed Standard Chartered.

The government has been sensitive to this and has taken various steps to improve banking security. In early 2013 parliament passed new AML legislation, and the BNA has been working hard under the governor, José de Lima Massano, to clean up its image and become more transparent. Introduction of the SWIFT technology should assist in this process. *(Economist Intelligence Unit)*

SOVEREIGN RATINGS

Eurozone

	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
26-05-2014	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Austria	Aaa	AA+	AAA	P-1	A-1+	F1+
Belgium	Aa3	AAu	AA	NR	A-1+u	F1+
Cyprus	Caa3	B	B-	NP	B	B
Estonia	A1	AA-	A+	NR	A-1+	F1
Finland	Aaa	AAA	AAA	NR	A-1+	F1+
France	Aa1	AAu	AA+	NR	A-1+u	F1+
Germany	Aaa	AAAu	AAA	NR	A-1+u	F1+
Greece	Caa3	B-	B	NP	B	B
Ireland	Baa1	BBB+	BBB+	P-2	A-2	F2
Italy	Baa2	BBB u	BBB+	P-2	A-2	F2
Latvia	Baa2	BBB+	BBB+	NR	A-2	F2
Luxembourg	Aaa	AAA	AAA	NR	A-1+	F1+
Malta	A3	BBB+	A	NR	A-2	F1
Neherlands	Aaa	AA+u	AAA	P-1	A-1+u	F1+
Portugal	Ba2+	BBu	BB+	NR	Bu	B
Slovakia	A2	A	A+	NR	A-1	F1
Slovenia	Ba1	A-	BBB+	NR	A-2	F2
Spain	Baa2	BBB	BBB +	P-2	A-2	F2
United Kingdom	Aa1	AAAu	AA+	NR	A-1+u	F1+

Sources: Bloomberg, Eaglestone Advisory

Region - Africa/Middle East

26-05-2014	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Angola	Ba3	BB-	BB-	NR	B	B
Bahrain	Baa2	BBB	BBB	NR	A-2	F3
Benin	NR	NR	WD	NR	NR	WD
Botswana	A2	A-	NR	NR	A-2	NR
Burkina Faso	NR	B	NR	NR	B	NR
Cameroon	NR	B	B	NR	B	NR
Cape Verde	NR	B	B	NR	B	B
Egypt	Caa1	B-	B-	NR	B	B
Emirate of Abu Dhabi	Aa2	AA	AA	NR	A-1+	F1+
Gabon	NR	BB-	BB-	NR	B	B
Ghana	B1	B	B	NR	B	B
Iran	NR	NR	NR	WR	NR	NR
Israel	A1	A+	A	NR	A-1	F1
Jordan	B1	BB-	NR	NR	B	NR
Kenya	B1	B+	B+	NR	B	B
Kuwait	Aa2	AA	AA	NR	A-1+	F1+
Lebanon	B1	B-	B	NR	B	B
Lesotho	NR	NR	BB-	NR	NR	B
Libya	NR	NR	WD	NR	NR	WD
Mali	NR	NR	WD	NR	NR	NR
Mauritius	Baa1	NR	NR	NR	NR	NR
Morocco	Ba1	BBB-	BBB-	NR	A-3	F3
Mozambique	B1	B	B+	NR	B	B
Namibia	Baa3	NR	BBB-	NR	NR	F3
Nigeria	Ba3	BB-	BB-	NR	B	B
Oman	A1	A	NR	NR	A-1	NR
Qatar	Aa2	AA	NR	NR	A-1+	NR
Republic of Congo	Ba3	B+	B+	NR	B	B
Republic of Zambia	B1	B+	B	NR	B	B
Rwanda	NR	B	B	NR	B	B
Saudi Arabia	Aa3	AA-	AA	NR	A-1+	F1+
Senegal	B1	B+	NR	NR	B	NR
Seychelles	NR	NR	B	NR	NR	B
South Africa	Baa1	BBB	BBB	P-2	A-2	F3
Tunisia	Ba3	NR	BB-	NR	NR	B
Uganda	B1	B	B	NR	B	B
United Arab Emirates	Aa2	NR	NR	NR	NR	NR

Sources: Bloomberg, Eaglestone Advisory

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

North and South America - Asia

26-05-2014	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
ARGENTINA	Caa1	CCC+u	CC	NR	Cu	C
AUSTRALIA	Aaa	AAAu	AAA	NR	A-1+u	F1+
BRAZIL	Baa2	BBB-	BBB	NR	A-3	F2
CANADA	Aaa	AAA	AAA	NR	A-1+	F1+
CHINA	Aa3	AA-	A+	NR	A-1+	F1+
COLOMBIA	Baa3	BBB	BBB	NR	A-2	F2
INDIA	Baa3	BBB-u	BBB-	NR	A-3u	F3
JAPAN	Aa3	AA-u	A+	NR	A-1+u	F1+
MACAU	Aa2	NR	AA-	NR	NR	F1+
MEXICO	A3	BBB+	BBB+	WR	A-2	F2
SINGAPORE	Aaa	AAAu	AAA	NR	A-1+u	F1+
URUGUAY	Baa3	BBB-	BBB-	NR	A-3	F3
VENEZUELA	Caa1	B-	B	NR	B	B
USA	Aaa	AA+u	AAA	NR	A-1+u	F1+

Sources: Bloomberg, Eaglestone Advisory

AFRICAN DEVELOPMENT BANK

Exim Bank of India and Nigeria sign US $100 million loan for energy development

The Export-Import Bank of India (Exim Bank) and **Nigeria** signed a US $100-million line of credit agreement on May 22, for the financing of three energy projects in the provision of electricity transformers to solar electrification in rural areas.
The agreement was signed on the **sidelines** of the African Development Bank's **Annual Meeting** in Kigali, Rwanda.
Speaking after the signing, the Chairman and Managing Director of Exim Bank, Yaduvendra Mathur, said, "Exim Bank is very proud to engage with Nigeria in the area of electricity development. We are looking forward to further corporation in different sectors."
The US $100 million will be spent on distribution of transformers for 96 communities in three senatorial zones of Enugu State, in the eastern part of Nigeria; a substation including solar mini grid electrification and solar street lighting in the state of Kaduna to the north, as well as the construction of two 26 MW gas-based power plants in the cross river state in the Delta Region of the southern part of Nigeria.
Nigeria's Minister of Finance, Ngozi Okonjo-Iweala, said the agreement had been in negotiations for seven years and that its implementation signifies a great shift in the relationship between Exim Bank and Nigeria.
"We are more interested in having a programmatic type of discussion; so that we tell you the areas that we feel we want to work with you. This is a beginning," she said.
Under the new Line of Credit, Exim Bank will reimburse 100% of the contract value to the Indian exporters upfront upon the shipment of equipment and goods as well as the provision of services.
Major export items from India to Nigeria are transport equipment, machinery and instruments, pharmaceuticals, rice and electronic goods.
The agreement with Nigeria brings the number of credit lines made by India Exim Bank to 191 covering 76 countries in Africa, Asia, Latin America, Europe, and Oceania and with a total commitment of over US $10 billion.

AfDB announces US $2 billion fund with China

The African Development Bank ("AfDB") and the People's Bank of China ("PBOC") on Thursday, May 22 entered into a US $2 billion co-financing fund to be known as the Africa Growing Together Fund ("AGTF"). The resources from the AGTF are expected to be provided over a 10-year period and will be used alongside the AfDB's own resources to finance eligible sovereign and non-sovereign guaranteed development projects in Africa.
Donald Kaberuka, President of the African Development Bank Group, commented that "the AGTF marks an important milestone in the long-standing relationship between China and the African Development Bank Group in particular and Africa in general." He added that "the AGTF will operate within the strategic framework, policies and procedures of the AfDB, including its integrated safeguards, thereby leveraging on the AfDB's strengths."
Commenting on the agreement, Zhou Xiaochuan, Governor of the People's Bank of China, acknowledged the AfDB's work over the last 50 years, and the great strides it has made in promoting growth and alleviating poverty. He stated that "the AfDB's rich experience, convening power and strong results-oriented culture made the Bank China's ideal partner for channeling resources in support of long-term growth and development on the continent."

Charles Boamah, Vice-President and CFO of the African Development Bank Group, stated that "the AGTF enables an additional US $200 million in more or larger-sized projects annually throughout Africa, on identical terms and conditions as for loans made by the AfDB itself to the same projects. This builds on the success of similar instruments such as the Nigeria Trust Fund, which has been in operation for close to 40 years." He expressed a hope that this model will be replicated with many more regional as well as non-regional member countries of the AfDB.
Following the signing, the AGTF will be immediately established, and is expected to be used to co-finance some projects before the end of this year.

ALSF seeks to address the capacity gap in contract negotiations
In only four years and with a seed fund of US $15 million the **African Legal Support Facility (ALSF)** has built a reputation as the go-to facility for African countries looking to negotiate or renegotiate complex commercial contracts.
Affiliated with the African Development Bank, the AFLS provides legal technical assistance in the negotiation of contracts and creates synergies between the **private sector** and African countries. It mainly handles cases around sovereign debt litigation and commercial contracts, particularly in the extractive industries and large-scale infrastructure projects. With 56 members (57 including recently Lesotho that became a member today), 44 from Africa, the facility also plays the role of advisor to governments on over 40 projects in Africa, representing US $14 billion.
This year’s annual ALSF meeting brought together leaders from various African countries to discuss the role of ALSF and the benefits yielded from their partnership with the facility. Ministers from Niger, Guinea and the Democratic Republic of Congo shared their experiences on working with ALSF highlighting the importance of the facility in filling a vital capacity gap.
“We are usually told that our problems are a result of poor **governance**, but I would argue that they are also a result of lack of capacity in various areas. This capacity gap is made apparent in contracts negotiations that usually involve seasoned negotiators on the opposite end of the table and less competent negotiators on our end and results in unfavourable contracts,” explained Kerfalla Yansané, Minister of State, Minister for Mining and Geology, Republic of Guinea.
According to Kalidou Gadio, General Counsel of the African Development Bank Group, the capacity gap can be addressed through the joint effort of the member states in supporting ALSF’s work. He also urged governments not to be afraid to use international law firms competent in negotiating complex commercial contracts.
Gadio was quick to point out that that there is still a lot to be done in facilitating the work of ALSF. “The initial idea was that African countries would eventually support the work of ASLF and reduce its reliance on foreign assistance, but that has not been the case,” he said.

US donates $3 million to African Legal Support Facility
The United States Agency for International Development (USAID) on Monday, May 19 signed a grant agreement to provide the **African Legal Support Facility (ALSF)** with financial support in the amount of US $3.0 million over a three-year period under the **US Power Africa Initiative**.
The grant agreement was signed on the sidelines of the **Annual Meetings** of the African Development Bank Group (AfDB) in Kigali, Rwanda, by USAID’s Assistant Administrator for Africa, Earl Gast, and ALSF Director, Stephen Karangizi.
The program is intended to support African countries in contract negotiation (power purchase agreements), including through the establishment of a consortium of law firms to facilitate capacity building and knowledge and expertise transfer initiatives.
The signature of the grant agreement took place within the margins of the High-Level Meeting held by the Facility, following the Annual Meeting of the Governing Council of the ALSF on the theme, “Addressing Capacity Gaps in Contract Negotiations: Four Years of the African Legal Support Facility.
The ALSF was established in 2010 in response to a call by African Ministers of Finance for assistance in three key areas; namely, commercial creditor litigation, the negotiation of complex commercial transactions, and capacity building.
Hosted by the AfDB, ALSF provides assistance to African countries to strengthen their legal expertise and negotiating capacity in debt management and litigation, natural resources and extractive industries management and contracting, investment agreements, and related commercial and business transactions.

AfDB grants major US $1 billion loan for Angola energy sector
In support of the Government of Angola’s efforts to reform the **power sector**, the Board of Directors of the African Development Bank (AfDB) approved on Tuesday, May 13 in Tunis a US $1 billion loan for the Angola Power Sector Reform Support Program. The overarching objective of the energy sector budget support program is to promote inclusive economic growth by improving operational and cost efficiency in the sector and consolidating public financial management reforms.
“The Government of **Angola** has already shown strong ownership and commitment to the power sector and the public financial management reform process. Therefore, the Bank is happy to help Government to effectively implement the

ongoing reforms with needed financing and technical expertise, in collaboration with other partners. We expect that the program will ultimately impact positively on economic competitiveness and poverty reduction," noted Alex Rugamba, Director of the AfDB's Energy, Environment and Climate Change Department.
The Angola Power Sector Reform Support Program has three components:

- Restructuring the energy sector and improving its regulatory environment;
- Fostering private sector investment in the energy sector; and
- Enhancing transparency and efficiency in public financial management.

"To support implementation of the program, the Bank will also provide technical assistance and capacity-building support, to undertake a comprehensive public financial management diagnostic and produce a medium-term action plan to address weaknesses in public financial management," explained Mr Isaac Lobe Ndoumbe, Director of the Governance, Economic and Financial Reforms Department at the AfDB.
The expected results are: improved operational efficiency, competitiveness and sustainability of the electricity sector, and strengthened transparency and efficiency of public finance.
According to Septime Martin, AfDB Resident Representative in Angola, Angola's current Energy and Water Action Plan requires US $23 billion between 2013 and 2017. To implement the reforms in the power sector, the Government has launched the Electricity Sector Transformation Program with a clear roadmap to:

- Set up a new electricity market structure;
- Improve electricity sector operational efficiency, competitiveness and sustainability; and
- Strengthen transparency and efficiency of public finance.

The Government has requested assistance from the Bank to meet these medium- and long-term financing requirements. The Bank's support is aligned with the Electricity Sector Transformation Program.

INVESTMENTS

Africa's Becoming A Source And Destination For Impact Investing

In many rural parts of Kenya, smallholder farmers have lacked financing options that would allow them to purchase a milk cow or other tools and inputs that could make their agribusinesses more profitable. The sources of credit available to them, if any, often risked pushing them further into debt, rather than helping to lift them out. In response, the founders of ***Juhudi Kilimo***, with their backgrounds in rural agriculture in East Africa, designed a new approach. The enterprise provides financing to livestock and poultry farmers in the form of loans based on income-generating assets, which can offer lower interest rates than general loans, and accommodate staggered or longer repayment periods. As a result, farmers are able to expand their agri-business and access improved markets for greater wealth creation.
This is just one of the many "impact" enterprises springing up across the continent to provide market-based solutions. Indeed, through our daily work and the research for our new book "The Power of Impact Investing: Putting Markets to Work for Profit and Global Good" – published by Wharton Digital Press – we've seen and heard about enterprises that are transforming development challenges into new business opportunities.
A growing and increasingly dynamic cohort of impact enterprises is paving the way for the impact investors that want to finance them. And we believe the rise of impact enterprises will only gain steam as a result of the youth bulge on the African continent. The population of young people is expected to double by 2045. While on one hand, this could be viewed as a major development challenge, it's also an opportunity to harness greater innovation and leverage the information and communications technology (ICT) boom that is taking place concurrently across the continent. Such mixture of forces has already given way to technologies like mPesa, which enables people without access to traditional banking services to perform financial transactions right on their mobile phones. Or, technologies like Nestle's CocoaLink, which have empowered cocoa farmers to access new markets, gain information and data about their crops. We can expect more to come.
The growth in African impact enterprises is fueling, but also fueled by, a range and diversity of sources of capital that could be tapped for impact investing. Investors in Europe and the United States have been focused on impact enterprises in Africa. In fact, according to a recent survey by the Global Impact Investing Network (GIIN) and J.P. Morgan of impact investors, more than half reported a focus on impact investing in sub-Saharan Africa, more than any other region. And respondents also plan to increase their allocations in this geography more than any other.
But Africa is now more than just a destination for capital – remittances from the African diaspora are increasingly important, as are the African pension funds and insurance companies that are accumulating pools of capital that could be used more strategically for social and environmental goals, as well as profit. South Africa's $250 billion in pension fund assets could be just one place to start.
These opportunities also come with challenges. There is still a weak pipeline for impact investments – 46 percent of impact investors surveyed said that few or no deals passed their initial screening, versus 19 percent who said many did. Impact investors thus far have not been either able or willing to provide the money or technical assistance needed to get early-stage enterprises off the ground.
But this may be changing. Regional and local actors are rolling up their sleeves. For example, in 2013, the Rockefeller Foundation and the Tony Elumelu Foundation launched the Impact Economy Innovations Fund, designed to fund

projects that harness market-based solutions, foster entrepreneurial ecosystems, and promote the impact investing infrastructure in Africa, with the ultimate goal of benefiting poor and disadvantaged populations and promoting more inclusive economies.
While much more work needs to be done, Africa is joining other parts of the world, including Latin America, Southeast Asia and India as a player in the global impact investing arena, offering the dual possibility of sustainable growth and attractive financial returns.
Judith Rodin, president of the Rockefeller Foundation, and Margot Brandenburg, fellow at the Nathan Cummings Foundation, are the co-authors of The Power of Impact Investing: Putting Markets to Work for Profit and Global Good, published by Wharton Digital Press.

PTA Bank to Raise $300 Million in Syndicated Loan This Year
The Eastern and Southern African Trade and Development Bank plans to raise $300 million in a syndicated loan by September to help fund projects in the region.
The lender, also known as PTA Bank, plans to have a $1 billion infrastructure fund and a $500 million trade-finance fund in operation by 2015, President and Chief Executive Officer **Admassu Tadesse** said in an interview yesterday in the Rwandan capital, Kigali, where he's attending the African Development Bank's annual meeting.
PTA Bank wants to increase lending for trade and infrastructure projects in a region where countries including Kenya, Zambia and Mozambique are set to outpace the sub-Saharan African growth forecast of 5.4 percent for 2014, according to the International Monetary Fund.
The bank is looking to syndications "as a way of leveraging our institution to facilitate more capital flow into our projects," he said. Bujumbura, Burundi-based PTA is positioning itself "to manage special-purpose funds on behalf of a range of investors," Admassu said.
It's planning to sell the equivalent of $25 million in local-currency debt in Tanzania and hold similar issues in Kenya and Rwanda in 2015, he said. A loan worth $120 million is expected soon from a European bank, Admassu said, without identifying the lender. That follows $60 million PTA got from **China Development Bank Corp.** this month, he said.
Trade Finance
The bank is selling shares to existing investors over two years to raise $160 million and also seek capital from new sources including Chinese sovereign wealth funds and African pension funds, Admassu said. It targets raising $200 million in equity and debt for the infrastructure fund in the next 12 months, while the trade-finance fund will be debt only, he said.
PTA, which financed projects including planes for Ethiopian Airlines Enterprise, crude for Zambia's Water and Energy Ministry and a bottling line for Heineken NV's Burundian Brarudi SA, sold $300 million of notes due December 2018 last year. Yields rose one basis point to 5.197 percent by 11:27 a.m. in Kigali.
"We are going to maintain a regular presence in the Eurobond market" and may sell another 2015, Admassu said. *(Bloomberg)*

Italian businesspeople seek business opportunities in Mozambique
A business mission from Italy is due to travel to Maputo, Mozambique fro 19 to 21 May to analyse investment opportunities offered by the East African country, Italy's Foreign Trade Agency said.
The mission is the first of the "Africa Plan" initiative set up by the Italian ministries for Economic Development and for Foreign affairs and will include the deputy minister for Economic Development, Carlo Calenda. On a visit last year to the Maputo International Fair Calanda said Mozambique was a priority for the Italian government and private sector.
The mission will involve three days of meetings with Mozambican businesspeople and institutions from a variety of sectors, notably the agro-industrial, construction, banking, oil and gas, renewable energy, fishing, health and environmental sectors.
As part of the visit the Foreign Trade Agency, the Italian Embassy and the Confederation of Italian Industry (Confindustria) have organised a number of meetings for 20 May between Italian companies and their Mozambican counterparts.
In 2013 Italian exports to Mozambique totalled 60 million euros, or 28 percent more than in the previous year and its imports from Mozambique also rose by 28 percent to 354 million euros. *(Macauhub)*

BANKING

Banks

Standard Chartered plans expansion in four African countries
Standard Chartered Plc will open 13 new branches in Nigeria, Ghana, Kenya and Zambia this year as the British bank taps growth opportunities across Africa, the head of its business on the continent said. "We are extremely bullish about Africa," Diana Layfield, the London-based bank's chief executive officer for Africa, said in an interview at the African Development Bank's annual meeting in Kigali, Rwanda's capital. Layfield reiterated Standard

Chartered's goal of doubling the size of its African business in the five years from 2013 as it vies with foreign banks from Barclays Plc and Citigroup Inc to UBS AG for a share of the deals and wealth being generated on the continent. Standard Chartered opened 35 branches last year across the 15 sub-Saharan African countries where it has a presence and would also like to enter Ethiopia, she said. "It's up to the Ethiopians to decide when and how they want an international presence in their banking market," Layfield said. "I'm planning a series of visits later in the year to talk to them and try and understand how they might see our presence in Ethiopia." Ethiopia has had an average annual real economic growth rate of 10.9 per cent over the past decade, according to the AfDB.
South Africa's Standard Bank Group plans to open a representative office in Ethiopia, while Togo-based Ecobank Transnational Inc has also expressed interest in the country. The recent attacks by Islamist militants in Nigeria, Africa's largest economy, and Kenya haven't affected Standard Chartered's view on the opportunities in these countries. "Our belief in the medium-term and long-term prospects of those economies isn't diminished by that," Layfield said. "We still remain incredibly focused on growing our presence in both Nigeria and Kenya." While Standard Chartered said on May 8 that first-quarter operating profit declined amid weakness in emerging-market currencies and its financial-markets business, the bank isn't planning any staff cuts in Africa, Layfield said. "We see opportunity in Africa and our focus is on growth rather than on shrinking," she said. "Where people sit in the business may move around, but I'm not expecting redundancies across Africa."*(Business Daily)*

Standard Chartered May be Forced to Quit Zimbabwe

Bill Proposes 25% Limit on Foreign Investors' Holdings in Banks
Standard Chartered PLC may be forced to abandon its operations in Zimbabwe if the government pushes ahead with a bill to limit foreign investors' holdings in banks to 25%, the bank's Africa Chief Executive Diana Layfield said.
Standard Chartered fully controls a bank—Standard Chartered Zimbabwe- in the southern African nation.
A bill floated last week but not yet turned into law would see investors require special approval by the country's finance minister to own more than 25% in any financial institution.
Asked if Standard Chartered would be able to stay should this bill become law, Ms. Layfield said: "I think it would be very hard for us to do so."
Barclay's Bank owns 67.7% in Barclay's Zimbabwe and would also be affected by the law, as would Standard Bank, a South African institution, which wholly owns a Zimbabwean entity,Stanbic Bank.
But Ms. Layfield, who was speaking to the WSJ on the margins of the African Development Bank meetings here in Kigali, said it was too soon to fret about the bill.
"[It's a] very early stage piece of legislation and there've been a number of those over the years," she said.
"We would absolutely like to continue to play a very strong part in Zimbabwe's economy. But how that happens is something that we'll have to discuss with the government," she added. *(Wall Street Journal)*

Stanbic Bank, Metropolitan Bank to launch new products

Stanbic Bank Ghana Limited and Metropolitan Bank have collaborated to launch three new products that will enhance consumer safety within the country. The products are Motor, Travel and Home owners Insurance. The products were launched at a media briefing, at the Opeibia branch of Stanbic Bank in Accra. Nana Dwemoh Benneh, Head of Personal and Business Banking of Stanbic bank said," the collaboration with Metropolitan bank is to deliver service that is beneficial to the consumer in an industry that remains critical sector for every economy. Stanbic Bancassurance will provide cutting edge solutions at affordable cost, while ensuring that claims are dealt with promptly." This is all underwritten by Metropolitan Insurance Company limited and as such the products will be available through all Stanbic bank branches. The Stanbic motor insurance is an extensive automobile policy that covers customers during damage of property belonging to another party, damage to property, injury to a person and even covers damage to a customer's own vehicle. Under the Travel insurance, a customer can enjoy the following privileges: medical expenses as well as loses that will be incurred, when travelling. Medical expenditure under this very policy include emergency dental care, repatriation of mortal remains, emergency return home, delivery of medicines, advance of bail bonds, personal assistance services, advance of bail bonds and 24 hour assistance.
In respect of loses and delays, customers can enjoy services regarding delayed flight or baggage, loss of identity cards, location and forwarding of personal belonging and baggage , all belong to this very insurance policy. Compensation of loss emanating from fire, burglary as well as natural occurrences such as lightning, explosion, earthquake, storm impact, wind, malicious damage and flooding are all held under the wing of the Stanbic Home owners' insurance policy. Metropolitan Insurance is the recipient of many awards including CIMG General Insurer as well as Re Cedant of the year awards for 3 consecutive years, while Stanbic bank is a member of the of the Standard Bank Group fully fledged Tier one bank in Ghana with 23 branches nationwide. Stanbic Bancassurance is a medium through which Metropolitan bank and Stanbic bank will distribute their insurance products. *(Reuters)*

Markets

African bonds lose honeymoon feeling

Few statistics better show the rise of Africa over the last decade than the sharp increase in the number of countries in the region boasting a sovereign credit rating.

With the inclusion last week of Ethiopia, the number of African nations rated by at least one of the three top agencies – Moody's, Fitch and Standard & Poor's – has risen to 26, up from 15 a decade ago and just one in 1994.

Africa has until now enjoyed a honeymoon of maiden ratings and a handful of upgrades. The trend has accompanied a wave of foreign direct investment and cheap funding through sovereign bonds. The African Bank of Development forecasts that foreign flows into the continent will rise this year to a record high of $84.3bn, up 22.5 per cent from last year and surpassing the record set in 2012.

But for a handful of African countries, the honeymoon is over. They have discovered that sovereign ratings are a painful two-way street. Some have already seen their ratings cut due to mounting fiscal deficits, and the rating agencies have told several others they risk downgrades. S&P has over the past six months put on negative outlook Zambia, Ghana and Nigeria; and it has cut the credit rating of Mozambique, Uganda and Cape Verde.

"We see slippage on fiscal deficit and current account and that triggers the alarm," says Ravi Bhatia, a regional expert on Africa at S&P in London. Aurelien Mali, analyst at Moody's in Dubai, adds: "Deteriorating fiscal metrics are an increasing risk to public finance stability for some sub-Saharan African sovereigns."

Part of the problem is that Africa is the victim of its own success. Mr Bhatia explains that as economic growth accelerates, "countries are sucking in imports, causing the current account to post sizeable deficits". At the same time, "governments are spending lots, partially on development related items, creating big fiscal deficits", he adds.

As a whole, the region looks robust, and is enjoying a virtuous circle of strong economic growth and improved governance that many have called "Africa Rising". Debt-to-GDP ratios remain far lower than in southern European countries. Thus investors remain unnerved, and continue to pour billions of dollars into local equity and bond markets in the region.

But if the trend of rising deficits continues and spreads, it could derail the surge in investments that have transformed stock markets from Lagos to Nairobi.

African policy makers have already seen some of the negative effects associated with this kind of leap in economic growth.

The government in Zambia lifted public sector salaries by 50 per cent last year, sending its fiscal deficit to 8.5 per cent, up from 2.5 per cent five years earlier. When Zambia returned to the sovereign bond market earlier this year, it was forced to pay a yield of 8.625 per cent for a 10-year $1bn sovereign bond, up from 5.63 per cent on its bond market debut in 2012.

And Ghana, battling a double-digit fiscal deficit after a 75 per cent hike in public salaries over two years, has had to postpone its return to the bond market.

Add to this mix the impact of the US Federal Reserve "tapering" its emergency bond-buying programme, and borrowing costs across several African countries, which are expected to surge this year and into 2015. This complicates the task of refinancing existing bonds when they mature over the next two to three years, particularly if investors turn away from frontier markets.

Kenya is an example of the refinancing problem. Nairobi earlier this month was forced to negotiate a three-month extension in the repayment of a $600m two-year syndicated loan due to the delay in issuing its first sovereign bond.

Carmen Altenkirch, a director for Africa at Fitch in London, says: "If a eurobond were to mature at a time when market access were denied, then an issuer might have no alternative but to pay the bond out of possibly limited reserves."

Investors can find some solace: the pipeline of new sovereign ratings seems full. Ivory Coast is likely to get one in the next two months, lifting the number of rated countries in Africa to 27. And Tanzania, Sierra Leone, Guinea and Liberia are future candidates, bankers say. They may be able to prolong the honeymoon. *(Financial Times)*

African countries tipped on issuing international bonds

While favourable growth drivers remain largely intact and ongoing institutional reform efforts across the continent support creditworthiness, experts on **, May 20** at the ongoing **Annual Meetings** of the African Development Bank (AfDB) in Kigali cautioned that tightening global credit conditions threaten to dampen the region's budding international issuance prospects.

During an interactive session on **international Bond Markets** co-sponsored by the AfDB and BNP Paribas, the panel of experts underscored that though the outlook for Sub-Saharan Africa remains largely stable with favourable growth prospects, there are downside risks largely stemming from uncertainty within the global economy.

In his remarks, Konrad Reuss, the Managing Director, South and Sub-Saharan Africa, from Standard & Poor's ratings agency, said while it is now relatively easier for African countries to raise money on the international market in comparison to 20 years ago against the backdrop of strong investor appetite, emerging challenges in the global market pose significant risks to this positive development.

He specifically cited the US tapering as the US unwinds its monthly bond purchases that could lead to higher interest rates by next year.

“Going forward, there is a different global backdrop – this is about tapering and risk re-pricing.
It will be a different game. I think what is going to happen going forward is a lot more risk differentiation in the rating,” Reuss said.
The year 2013 saw the highest issuance from Africa in the international debt markets and included a number of debut sovereign transactions coming to the market. For example, Rwanda’s inaugural international bond recently won Euromoney’s “Africa Deal of the Year” and Rwanda was able to fund important projects at historically low yields.
Rwanda’s Finance Minister, Ambassador Claver Gatete, said following the successful debut issuance, the country now plans to mobilize long term resources on the international market in future as it seeks to reduce its dependency on aid.
“We are saying our economy has to growth and if it has to grow we have to get money – this cannot be a one-off instead it is the beginning for a long journey for us to be to continue to rely on the market and as our credibility continues to improve – we believe we can get cheap money,” Gatete said.
He added that the country is focusing on sustaining impressive economic growth, maintaining macro-economic stability, improving the doing business environment in order to attract more investors.
“We have to make sure that we sustain [economic growth] – we do not want to disappoint them [investors] because we need them.
They are good partners for the future because if we have to graduate from donor dependency we have to make sure we have an alternative that is based on the credibility of our economy,” he said, underscoring Rwanda’s ambition to be self-reliant. Rajiv Shah, the Director, CEEMEA Debt Capital Markets, at BNP Paribas said investors are increasingly targeting Africa for the long term investment. “The stage is now set where investors are looking for new areas to invest. They are looking at high growth countries in particular with what is going on in Russia at the moment. We are seeing investors looking away from Russia and looking at other regions such as Africa and this is technically supporting the demand for Africa,” he observed, adding that issuance from financial institutions and corporates should increase over the next couple of years to take up that demand.
However, Carmen Altenkirch, Director, Sub-Saharan Africa, Fitch Ratings said the risk for African countries now is that they may have to roll over their debt at a time when market access is more difficult or when a country is going through its own domestic challenges citing the East African nation of Kenya as an example. Pierre Van Peteghem, Group Treasurer, AfDB, underscored the Bank’s commitment to enhance bond issuance and catalyze the market by providing technical assistance in infrastructure, capital markets and domestic issuance among others. ***(AFDB)***

Mozambique’s Trade Minister says commercial interest rates need to be lower

Mozambique’s Trade Minister, Armando Inroga, called for a drop in the interest rates offered by commercial banks in the country, in order to make sustainable development of small companies possible.
“The Mozambican central bank for the last four years has been reducing the base interest rates, giving the market a sign to keep up with that monetary policy decision, but commercial banks have been timid in respond to that,” said Inroga, at a meeting with an Italian business mission to Mozambique.
The interest rates in place in Mozambique, “are not competitive enough to drive SMEs,” the minister said, adding that the government was working alongside commercial banks to find economic policies that will drive creation of credible, sustainable companies that can grow.”In January of this year, the resident representative of the international Monetary Fund (IMF) in Mozambique, Alex Segura, said it was necessary to find ways of reducing commercial banking interest rates, “which are high and make the public’s access to credit more difficult.” At the same time Mozambican news agency AIM reported that there had been complaints about high rates of interest in charge by commercial banks in Mozambique despite the central bank reducing its benchmark rates. The current permanent liquidity rate of the Bank of Mozambique is 8.25 percent, but commercial banks are charging an average rate of 20 percent. ***(Macauhub)***

Senegal Finance Minister Says $500 Million Eurobond Sale by July

Senegal is in the process of hiring banks to arrange the sale of as much as $500 million in Eurobonds by July, Finance Minister Amadou Ba said.“We expect to get a good reception from the markets,” Ba said in an interview in Kigali, Rwanda, where he is attending the African Development Bank annual meeting. “We are in the process of recruiting banks, and those will be announced soon.”
Senegal joins countries including Kenya, **Ghana**, **Ivory Coast** and Rwanda that have discussed issuing dollar debt this year following a record amount of sales from Africa in 2013. President **Macky Sall**, who assumed office in 2012, is firing goverment workers and eliminating state agencies to save money and boost spending on infrastructure.
Yields on Senegal’s $500 million of 10-year notes due May 2021 fell 62 basis points since Dec. 31, or 0.62 percentage point, to 6.23 percent by 10:17 a.m. in Dakar.
Senegal’s economy, which earns much of its foreign currency from exports of fish and peanuts, is forecast to expand 4.9 percent this year from 3.5 percent in 2013, the **International Monetary Fund** said last month. The second-largest economy in the eight-nation West African Economic and Monetary Union targets growth of at least 7 percent annually in the next 10 years, Ange Constantin Mancabou, an adviser to Ba, said in an interview in Kigali. ***(Bloomberg)***

Kenya May Sell Eurobond This Month After Legal Snags Cleared

Kenya may offer its debut Eurobond as early as next week after settling two court-awarded payments linked to a corruption scandal that had blocked the offering, Treasury Secretary Henry Rotich said.

The 1.4 billion-shilling ($16 million) payments, which had been opposed by Kenyan lawyers because they were linked to a corruption scandal, were made after authorization by President Uhuru Kenyatta. The Treasury doesn't have "any other legal hurdles" blocking the bond sale and a schedule of planned presentations to investors will be announced this week or "early" next week, Rotich said in an interview today. "The roadshow will take four or five days, so we could go to the markets this month," he said in the Rwandan capital, Kigali, where he's attending the **African Development Bank**'s annual meetings.

Kenya's plan to sell $1.5 billion of Eurobonds has been repeatedly delayed since September because of organizational and legal challenges. Kenyatta authorized the payments to First Mercantile Securities Corp. and Universal Satspace LLC, awarded by courts in Geneva and **London** in 2012 and 2013, after lawmakers declined to back the Treasury's request to approve them. The government was required to settle the awards before issuing the Eurobond, the Treasury said April 29.

The payments were for security contracts that form part of the so-called Anglo-Leasing corruption scandal, in which the state awarded deals to fake companies, according to the Law Society of Kenya, which tried unsuccessfully to block the payments in court. The Treasury said the total value of the Anglo-Leasing contracts was 56.2 billion shillings.

Infrastructure Plans

Kenya wants to sell the Eurobonds to fund infrastructure projects including rail and roads as part of a program to transform the country into a middle-income country by 2030. The government has also said part of the funds raised will repay a $600 million, two-year syndicated loan that was extended for three months last week.

The planned offering comes after a spate of "terrorist attacks" that have killed at least 64 people and injured another 263 in the past eight months, according to Maplecroft, the Bath, U.K.-based risk consultancy. Those figures exclude the at least 67 people who died when Islamist militants attacked the Westgate mall in the capital, Nairobi, on Sept. 21.

Foreign governments including the U.S. and the U.K. last week issued new travel advice warning citizens against visiting parts of Kenya because of growing insecurity. Tourism is the second-biggest source of foreign currency, generating $1.1 billion in 2013.

Since May 3, explosions in Nairobi and the port city of Mombasa on targets including two moving buses on a busy highway and an open-air market have left at least 17 people dead. The shilling closed at a 2 1/2-year low yesterday in the wake of the bombings. The currency traded little changed at 87.89 per dollar by 3:05 p.m. in Nairobi. The FTSE-NSE Kenya 25 Index was down less than 0.1 percent, extending a seven-day losing streak that's the longest string of declines this year. *(Bloomberg)*

Caverton Listing To Boost NSE Market Cap By $198m

Caverton Offshore Group, a leading oil and gas service firm providing marine and aviation logistics, is set to spur market capitalization at the Nigerian Stock Exchange by N32 billion ($198 million) following its IPO, officially set to take off on the 20th of May. "The listing represents a major milestone for us in our steady march towards becoming the leading provider of oil and gas logistics services in sub-Saharan Africa," Mr. Aderemi Makanjuola, chairman of the company was quoted by Nigerian daily, ThisDay.

The Nigerian oil servicing firm will offer 3.35 billion shares on the NSE for an initial offer of N9.50 ($0.06) per share, adding up to N32 billion ($198 million) in potential investment inflow. "We are extremely pleased as Caverton enters its next phase of growth as a listed company," he added. "Leveraging on our expertise and execution capabilities, we plan to embark immediately on fleet expansion and the development of new service areas in the offshore marine and aviation sectors." Aside expanding its fleet, Caverton is keen to explore new market entry, according to its chairman. "We plan to create a balanced and diversified portfolio and we are pleased to have strong technical partners on board with us." With the IPO, Caverton becomes the first offshore support firm to have its shares listed on the bourse, a similar feet achieved by Seplat for becoming the first indigenous upstream operator to list on the NSE.

Surge In Market Cap

Since the near collapse of the financial market in 2008, owing to a global meltdown, a series of strategies including tighter regulatory frameworks and reforms in diverse sectors such as agric, power, oil and gas and financial market has heralded a period of unprecedented growth and stability in the country's equity markets.

Nigeria's equity market capitalization has exceeded N13.23 trillion recorded in December 2013, a 47 percent jump from 2012 numbers. NSE capitalization of N19.08 trillion ($119.41 billion) – the second fastest growing on the continent after Zambia's – has been further boosted by 1 percent, following Seplat's listing last month.

This, among other factors, has attracted a number of foreign investors, with FDI inflow exceeding $85 billion as at 2013 count, as well as boosted local participation with confidence in Africa's largest economy still high. Local participation grew from 20 percent in 2012 to 50 percent at the end of 2013, a damming endorsement of the positive returns recorded since 2008. *(Ventures Africa)*

Deals

Atlas Mara To Raise $400 Million For Future Acquisitions

In line with its acquisition drive in Africa; Atlas Mara, an investment company created by ex-Barclays chief, Bob Diamond and Africa youngest millionaire, Ashish Thakkar is set to launch a second fundraising before the end of the year.

Atlas Mara said it plans to raise $400m through share sales to finance "future acquisition and bolt-on opportunities." It intends to sell 36.5 million shares for $11 per share to investors. It hopes to use the share proceeds to support its investment in BancABC, a Botswana-based pan-African bank, and also for future acquisitions and other corporate purposes.

The company's maiden fundraising last year, which was done through an Initial Public Offering (IPO) on the London Stock Exchange, made a gross proceed of $325 million. Diamond and Thakkar also made a $20m personal investment in the venture. The Africa-focused banking vehicle has since purchased a number of investments this year including a $265 million share acquisition in BancABC, a small stake in Union Bank and a pending deal to purchase majority stakes in the Development Bank of Rwanda.

Diamond set up Atlas Mara with Ashish Thakkar, the CEO of Mara Group, after he left Barclays in 2012 following accusations of manipulating the Libor interbank lending rate.

Despite the temporary setback, Diamond remains a veteran in the banking industry. He is listed amongst the very few global bankers that understands Africa's banking system having spearhead Barclays' growth in 15 African countries. *(Ventures Africa)*

Standard Bank Wins Big At Banker Magazine 'Deals of The Year' Awards

Standard Bank Group, one of Africa's largest banks, has won accolades from The Banker at the magazine's annual **Deals of the Year Awards 2014**, with four notable deals across several regional categories.

"Winning these accolades across numerous categories is testament to Standard Bank's African capabilities and on the ground local expertise in the markets in which we operate," said David Munro, Chief Executive of Standard Bank Corporate and Investment Banking.

According to him, the bank's operations spanning across 19 African countries has enabled it to gain strategic insights into the markets within which it operates in the region. This, David said has placed the bank in a unique position to offer world class service to its customers.

The awards which recognise excellence for deals struck across Africa take into account the various categories for deal submissions.

Standard Bank Group was recognized for arranging the $2.6 billion package from Aspen Pharmacare, which involved structuring a deal requiring the bank to underwrite, arrange and syndicate debt for Aspen Pharmacare Group's subsidiaries.

Other great deals struck by the bank were Islamic Finance Deal for Osun State, Nigeria, a transaction that signaled the first time a Sukuk bond was issued in West Africa.

Stanbic IBTC Bank Nigeria Limited, the Group's subsidiary in the West African country brokered the deal, which saw institutional investors increase demand to $72 million from $61.87 million.

The Bank also won the Best Restructure of Term Facilities for Polo Park Mall in Enugu State, Nigeria and the Best Real Estate Deal for Orange Farm, Eyethu Mall, Guateng, South Africa.

The recognition by The Banker Magazine, the world's premier banking and finance resource is an indication of Standard Bank's commitment to provision of world class services to its customers and also show a resolve to remain one of Africa's largest and best banks.

The bank recently added Ivory Coast to its list of operations in Africa; increase its presence to 20 African countries and enabling it to further deliver quality banking services to clients across the continent. *(Ventures Africa)*

ENERGY

Ncondezi now included in Moz electrification, power generation strategy

Aim-listed Ncondezi Energy's 300 MW Ncondezi power project, in Tete, Mozambique, is now included in the country's electrification and power generation strategy, the company said.

Ncondezi had, in December last year, fulfilled all conditions precedent to the Power Framework Agreement with the local government and had, therefore, received a formal endorsement of the project from the Mozambique government.

Ncondezi said 100% of the project's initial 300 MW gross output was expected to be supplied to Mozambique's State-owned electricity provider EdM, providing a significant boost to the country's northern grid, which was one of its fastest growing regions in terms of energy demand.

For the power framework agreement to become binding, the company had signed a number of heads of terms (HoTs) agreements and had agreed on the key parameters of the project.

"This includes confirmation that EdM will be the power plant's exclusive purchaser of electricity through a commercial tariff structure. In addition, binding HoTs were signed for the power-plant project vehicle which provides for an agreed government

and local participation mechanism, the final details of which are expected be negotiated during 2014," Ncondezi chairperson Michael Haworth said in a statement.
He noted that the company would enter a final round of negotiations to turn the HoTs agreements into binding commercial agreements during the second quarter of this year.
Ncondezi continued to target project close by the end of the fourth quarter of this year to start construction of the power plant during 2015, with commissioning expected in the second half of 2012 and commercial operations in the first half of 2018.
Meanwhile, with regard to the Ncondezi coal mine, Haworth said the emphasis over the past year had been on improving the efficiency of the development of a smaller openpit mining operation, initially focused on supplying the first 300 MW power plant.
The openpit mining operation would be operated and managed by a contractor for which Ncondezi had received final binding quotes during the first quarter of this year, with mining operations expected to start in 2017.
"The Ncondezi project gained significant momentum during 2013 as we achieved a number of key milestones with the signing of HoTs on all key commercial agreements for power plant project and the receipt of our mining concession. This enabled the power framework agreement, which sets out the timetable and requisite government and developer milestones to project and financial close, to become binding," Ncondezi CEO Paul Venter said.
He pointed out that this accelerated pace of development had continued in the first half of 2014 as "we seek to conclude final negotiations on the power concession, the power purchase agreement, the coal supply agreement and the codeveloper process". *(Engineering News)*

KenGen seeks advisor to secure funds for 140MW geothermal plant

Kenya's main electricity producer KenGen is looking for an adviser to help it secure financing for the development of a 140 megawatt (MW) geothermal plant, it said. The company, 70% owned by the government, has installed capacity of 1,252 megawatts (MW) out of Kenya's total 1,664 MW. It aims to add another 844 MW to the grid by 2017 as part of a broader national power expansion programme. Much of the new power supply will come from geothermal sources, tapping underground steam from the Rift Valley. The advisors are expected to advise KenGen on the identification, procurement and selection of a private investor for the project including funding, KenGen said in a statement, without disclosing the estimated cost of the project. Kenya relies heavily on renewable energy such as hydroelectric and geothermal power production. KenGen's expansion efforts are part of the government's broader ambitions to add 5,000 MW to Kenya's power output by 2017, with the goal of boosting growth. KenGen in February said it had drilled the largest geothermal steam well in Africa with a capacity to generate 30MW of power. Although expensive to drill initially, development of cheaper geothermal power means the country will come to rely less on thermal or fuel-driven power, prone to the vagaries of high international prices, and rain-fed hydroelectric dams. Kenya currently has 1,664 MW of capacity against a maximum recorded demand of about 1,410 MW. *(Reuters)*

FCMB Set to Close Financing Deal for 450mw Azura IPP

FCMB Capital Markets Limited targets to close the financial deal of the 450 megawatt-capacity Azura-Edo Independent Power Plant (IPP) by the end of June 2014, with the investment of equity, mezzanine finance, and non-recourse loans, raised from local and international sources. As part of an international group of investors and banks working on the $750 million Azura-Edo IPP, FCMB Capital Markets was sole arranger for the Naira equivalent of $150 million. Located near Benin in Edo State, Azura-Edo IPP project is a Greenfield, 450MW Open Cycle Gas Turbine, power station and Nigeria's first large-scale, privately-funded and project- financed IPP. It is the first phase of a 1,120MW power plant facility that is targeted to begin producing electricity in early 2017. The project, which will lead to further economic development, is also forecasted to create over 1,000 jobs. In the recent past, it was challenging for private investors to raise capital to develop and finance Greenfield power projects in Nigeria owing to the inability to structure a bankable business case due to the absence of a robust tariff framework, gas supply, and suitable off-taker arrangements supported by appropriate financial guarantees and other credit enhancements. However, over the past three or four years, the Federal Government has invested considerable financial and other resources as part of the government's power transformation agenda, to encourage private investors to make substantial investments in the Nigerian electricity industry.
This has created the enabling environment in which private investors now have confidence to work in partnership with government to ensure that power projects like the Azura-Edo IPP can be made bankable. FCMB confirmed in a statement at the weekend that the financial close of the Azura-Edo IPP is anticipated for the end of June 2014. According to the statement, the Power Purchase Agreement (PPA) for the project was signed with Nigerian Bulk Electricity Trading (NBET) in April 2013, and the project financing structure will benefit from World Bank Group support in the form of a Partial Risk Guarantee and MIGA Political Risk Insurance. The statement added that the capital structure also includes a BOI Power and Aviation Intervention Fund (BOI-PAIF) tranche, which FCMB Capital Markets arranged. Speaking on the transaction, FCMB Capital Market's Executive Director, Mr. Tolu Osinibi, explained that the firm's involvement in the project was a demonstration of its commitment to the development of Nigeria's power sector. ''We are excited to be part of this landmark transaction which will go a long way to close the power generation gap thereby boosting electricity supply in the country," he added. Osinibi commended the promoters

of the Azura-Edo IPP for conceiving the project, while reaffirming the commitment of FCMB to continually play a frontal role in the development of Nigeria's power sector.

Obama's Power Africa project takes off

Private-sector partners have committed over $14-billion to the Power Africa project, which was launched by US President **Barack Obama** last year, doubling the $7-billion set aside by USAID for the project for the next five years.

In an update on the project, Agnes Dasewicz, the director of USAID's Private Capital Group for Africa, said the project had been rolled out in Ethiopia, Ghana, Kenya, Liberia, Nigeria and Tanzania, with the potential of extending it to other African countries.

"Our goal is to generate 10 000 MW of more efficient, cost-effective electrification generation capacity and renewables," Dasewicz told delegates to the African Utility Week in Cape Town, which had attracted 5 000 people.

She said regional cross-border energy was crucial to growth on the continent. USAID was partnering with the World Bank and the African Development Bank (ADB) on the project, which would include looking at rural electrification as well as off-grid solutions to help agribusiness to develop.

Dasewicz said big companies such as General Electric and Standard Bank were involved in Power Africa, but that smaller companies were also getting in on the project. Some were focused on clean energy as well as developments in the gas arena.

In Ethiopia, USAID was providing legal advisers to help with the country's power purchase agreement on the geothermal front.

"It will be the largest and first geothermal transaction in Ethiopia. We hope it will have a catalytic effect in Ethiopia and East Africa," said Dasewicz.

Power Africa was also helping Ethiopia to produce two-million smart meters, while improving distribution and efficiency.

In Kenya, the project was supporting a 300 MW wind project, while in Tanzania it was assisting with hydro projects along the country's southern agricultural corridor.

"We've given them a portable guarantee for a local developer to go to banks to get support for this programme," she said.

Dasewicz said the six countries that had been chosen as private investors had shown the most interest in them. Clean energy was also high on the agenda in all six countries.

However, she said Project Africa was keen to develop power projects in other African countries, as long as funding was available.

"If we can partner with other donors, such as the World Bank, and raise additional funding from the ADB, then developers can do a lot more in an accelerated time."

Dasewicz said it was vital to get involved in power generation in Africa, as many people lacked reliable and affordable energy. It was also costing countries massive amounts in lost revenue and investment.

She said, on average, African businesses were hit with power shortages for 56 days a year.

African Utility Week is being held in parallel to the Clean Power Africa expo, which focuses on the latest technology and services in the industry disciplines of metering, clean power, water, large power users, investment and finance, transmission and distribution and smart grids and generation. *(Engineering News)*

MINING

Mozambique benefiting from mining taxes but needs to improve infrastructure

The Economist Intelligence Unit (EIU) has calculated that Mozambique has extracted $1.3-billion in capital gains taxes from transactions involving mining and hydrocarbons projects. This is equivalent to 9% of the country's gross domestic product (GDP) in 2013. The most recent example was in March, when the Mozambican Tax Authority reported it was charging Anadarko Petroleum of the US $520-million in capital gains tax for a transaction in the oil and gas sector.

To date, four transactions involving selling shares in, or complete, projects have been subject to capital gains tax. Six more are under investigation by the country's tax authorities. Should these lead to the imposition of tax, the resulting revenues to the State could reach the equivalent of 20% of last year's GDP. One of the transactions under investigation is known to be Rio Tinto's acquisition of Riversdale Mining in 2011. The others have not yet been disclosed but, as all recent oil and gas sector transactions have now been taxed, the remaining five under examination must be in the mining sector.

However, these tax operations have not deterred foreign investors in the country. "Retroactive taxation frightens foreign companies but we do not expect the current position of the Tributary [Tax] Authority will make investors turn their backs on Mozambique as the tax climate is, in other respects, relatively investor friendly," stated the EIU. "The large natural gas reserves will attract more foreign investments and new trading partners, especially amongst the large Asian gas importing countries." The EIU forecasts that Mozambique's GDP will grow rapidly and steadily over the next few years, from 7.6% this year to 7.9% in 2018.

Separately and independently, the World Bank has predicted that, over the next 15 years, Mozambique could collect as much as $9-billion in all taxes covering the mining and hydrocarbons sectors. This could represent 32% of total government revenues over this period.
The Mozambique government hopes that its revised Mines and Petroleum Law will be approved by the country's Parliament next month. This was affirmed by Mineral Resources Minister **Esperança Bias** on May 14. She also stated that the government was planning a new round of bidding for mining concessions in the coal-rich region of Tete province. "Between this [week] and next week, we will open an invitation to tender for the allocation of concessions which belong to companies which have not fulfilled their contractual obligations," she said. Currently, there are more than 200 mineral exploration concessions that have been awarded in Tete. Most of these are for coal.
But coal, oil and gas are of little value unless they can reach the markets. That requires infrastructure – roads and especially railways and ports. This is something that Empresa Pública Portos e Caminhos de Ferro de Moçambique (CFM) – the country's State-owned railways and ports company – is very aware of. "We have resources such as coal and gas and the country needs to prepare itself," recently highlighted CFM board chairperson **Victor Gomes**. "One of the big problems this country has today is the railway and port logistics capacity."
Speaking to the media in the port city of Beira, Gomes noted that the country had to urgently develop its infrastructure. He pointed out that his group was expanding the capacity of the Sena railway line (which links the coal mines of the Moatize district of Tete province to Beira) from its current 6.5-million tons a year (Mt/y) to 20 Mt/y. He also cited the current programme to develop a railway link from Moatize, through Malawi, to the Port of Nacala. This involves the construction of 228 km of new track and the refurbishment of 684 km of existing line. The Nacala port was itself being refurbished and expanded and a new oil and gas terminal at Porto de Palma, in Cabo Delgado province, was being developed. (In many of Mozambique's port and railway infrastructure developments, CFM is a minority partner in joint ventures with foreign private-sector companies.) *(Mining Weekly)*

Qatar's Glencore Kingmaker Breaks Exile in Deutsche Deal

Sheikh Hamad bin Jassim bin Jabr Al Thani, who played a key role in Glencore International Plc's takeover of Xstrata Plc, is returning to dealmaking a year after his ouster as prime minister and head of Qatar's sovereign wealth fund.
Sheikh Hamad is injecting 1.75 billion euros ($2.4 billion) into **Deutsche Bank AG** through his Paramount Holdings Services Ltd. investment vehicle, the Frankfurt-based bank said May 18. That follows an offer by his Al Mirqab Capital SPC vehicle for Jersey-based Heritage Oil Plc. less than three weeks earlier.
After taking what he called a "year of rest" since leaving office, Sheikh Hamad is back as a private investor, hunting for acquisitions such as the investments in **Barclays Plc** and Total SA he helped oversee as head of Qatar's $100 billion wealth fund. The country's investment abroad averaged $60 billion a year between 2008 and 2012, the International Monetary Fund said last year.
"Much of what we saw from Qatar's sovereign wealth fund in the past decade was due to Sheikh Hamad's business acumen," **Theodore Karasik**, a political analyst and director of research at the Institute for Near East and Gulf Military Analysis in Dubai, said in a telephone interview yesterday. "In the near future, we'll see more and more activity by him."

Change

A long-time civil servant, Sheikh Hamad became prime minister in 2007. He was replaced by the minister of state for internal affairs in June, when then-Emir Sheikh **Hamad bin Khalifa Al Thani** handed over power to his son, Sheikh Tamim bin Hamad Al Thani.
During the outgoing ruler's 18-year reign, Sheikh Hamad, 55, helped transform Qatar from an indebted emirate to the world's richest state, capitalizing on liquefied natural gas exports.
The former premier also pursued a foreign policy that saw Qatar hand out billions of dollars to Islamist groups in the Middle East, including Egypt's Muslim Brotherhood, provoking the ire of some neighboring countries. The dispute escalated when Saudi Arabia, the United Arab Emirates and Bahrain withdrew their envoys from Doha this year.
In an interview with Charlie Rose aired on May 14, Sheikh Hamad said the abdication of power was planned several years in advance and is allowing him to pursue his personal business.

'Good Life'

"I am rich enough to live a good life," he said. "My father was a merchant and a landlord and did a lot of business during his time. I did a lot of business before I joined and after I joined the government," he told the U.S. broadcaster.
That private wealth, now being deployed into similar banking and commodities investments as during the wealth fund years, is considerable. His yacht, Named Al Mirqab, is one of the world's biggest at 133 meters (436 feet) long. In 2007 he paid a then-record 100 million pounds for a 20,000 square-foot penthouse London apartment, according to the London-based Times.
Deutsche Bank was also one of the advisers to Sheikh Hamad on his offer to acquire Heritage Oil in April. QInvest LLC, a unit of Qatar Islamic Bank SAQ, also advised on the deal, according to filings to the London Stock Exchange in April.

Sheikh Hamad completed the deal to buy 60 million Deutsche Bank shares without hiring an external advisor, a person with knowledge of the transaction said, asking not to be identified as the details aren't public.

Different Priorities

A phone message at International Bank of Qatar, a lender chaired by Sheikh Hamad, wasn't returned and a call to al-Mirqab Capital wasn't answered. The Qatar Investment Authority declined to comment.

Sheikh Hamad left office amid speculation the new government had different priorities. Under Prince Tamim, it's scaling down the $200 billion program to upgrade the country's infrastructure before hosting the soccer World Cup in 2022. Authorities last month reduced the number of stadiums they plan to build for the event to eight from 12.

The sovereign wealth fund may also be moving away from the "flashy" deals that marked Sheikh Hamad's reign, according to **Wael Ziada**, head of research at Cairo-based investment bank EFG-Hermes Holding SAE.

With Sheikh Hamad's exit, Qatar Investment Authority lost a "key person," **Ahmed Shehada**, head of the advisory and institutional desk at National Bank of Abu Dhabi Securities, said in a telephone interview. "Obviously, he is a person with vast experience, vast network connections."

Glencore Deal

As premier he helped push Glencore to sweeten its offer for Xstrata Plc in September 2012. The deal took shape after a late-night negotiating session at London's Claridge's Hotel with Clencore's Chief Executive Officer **Ivan Glasenberg** and former U.K. Prime Minister Tony Blair, a senior adviser to JPMorgan Chase & Co., which was advising Xstrata.

The fund also became the second-largest shareholder in Barclays and Credit Suisse after investing billions during the financial crisis, and invested in luxury European real estate.

"The frequency of the acquisitions may have not slowed but the size has been scaled down," Ziada said in a phone interview. While the country still has enough surplus revenue to pursue overseas acquisitions "one has to question the willingness to do this with the new leadership," he said.

In the Charlie Rose interview, Sheikh Hamad, who made the Deutsche Bank investment as part of an 8 billion-euro fundraising exercise by the bank, said the new emir was "doing a good job" almost a year after taking power, dismissing suggestions of a dispute with the new leaders.

Deutsche Bank fell 1.7 percent to 30.20 euros yesterday in Frankfurt, the lowest since April 22 last year.

For Michael Stephens, a researcher at the Royal United Services Institute in Doha, Sheikh Hamad will be free to pursue his business interests as long as Qatar's new leaders don't think he is after political gains.

'He is a very wealthy individual with a lot of deal-making experience,'' he said. "And while the QIA may not be making these big bailout style deals anymore, he still has the capacity to do so." *(Bloomberg)*

Mozambique auctions off new coal mining licenses

The Mozambican government next week plans to put new coal mining licenses in Tete province up for auction, followed by oil and natural gas licenses, the country's Mining Resources Minister said in Maputo.

Speaking to financial news agency Bloomberg, Minister Esperança Bias said that "between this week and next week we will start a new auction process and revoke some licenses for which holders did not respect their contractual obligations."

The minister said that the government had been contacted by several companies interested in offshore blocks, "who we have asked to be patient," but she gave no details about the number of licenses that will be put up for auction.

"We are waiting for approval from parliament of the new Mining Law, as these new licenses must be in line with that law," Bias said.

One of the points included in the revised law, which is expected to be approved at the end of June, stipulates that future licenses may only be granted if a stake of between 5 percent and 25 percent is set aside for Mozambican citizens. *(Macauhub)*

OIL & GAS

Angola produces 1.259 billion barrels of oil in 2012-2013 period

Angola's total accumulated oil production in 2012 and 2013 was 1.2592 billion barrels, or an average of 1.73 million barrels per day, the country's oil minister, Botelho de Vasconcelos said in Lobito (Benguela province).

Speaking at the opening ceremony of the 10th consultation council of the Oil Ministry held in the city of Lobito from 22 to 24 May, the minister added that total production (633.1 million barrels in 2012 and 626.1 million barrels in 2013) accounted of 97.84 percent of the total forecast for the two-year period.

In 2014 production is expected to total 655 million barrels, or around 1.8 million per day, and in the first four months of the year production totalled over 142 million barrels of crude oil, said Botelho de Vasconcelos, cited by Angolan news agency Angop.

"Looking at the levels achieved in the two years (2012/2013) we can see a drop in crude oil production compared to projections, but that is due to a number of constraints, such as stoppages and unforeseen restrictions in the main blocks, natural depletion, maintenance, well closures and others," he said.

At the opening session of the consultation council, Botelho de Vasconcelos also said that "the maturing process of reserves and projects being studied should ensure the sustainability of production of 2 million barrels by 2021 and it is essential that projects that are in the study phase are approved as soon as possible." *(Macauhub)*

Total agrees to $16bn Angola offshore project

France's Total said it had decided to go ahead with the Angola offshore Kaombo oil project after reducing its cost by $4bn to $16bn, an advance that could help the country keep up oil production over the long run.
The decision to invest in the ultra-deep sea project, which has been repeatedly delayed because of its cost, is seen as important for Africa's number two oil producer to replace older fields and hit its production targets.
In recent years, a number of other large-scale projects around the world have fallen victim as oil companies have reduced global investment and returned cash to shareholders.
"Total has significantly optimised the project's design and contracting strategy in recent months. Kaombo illustrates both the group's capital discipline and objective to reduce capex," Total's president for upstream Yves-Louis Darricarrère said in a statement.
"Half of the cuts came from a reassessment of the project's specifications, using a 'just good enough' approach rather than 'the best possible'," exploration and production chief Arnaud Breuillac said.
The company decided, for example, to build its two 115,000 barrels-per-day (bpd) floating production storage and offloading units by making alterations to two very large crude carriers (VLCCs) instead of building them from scratch, he said. These units will have a shorter lifespan than purpose-built ones, which could last up to 35 years, but using the converted VLCCs and other less bespoke equipment could save $2bn.
It is saving another $1bn by agreeing with the government to cut the number of work hours done on the project locally, because the rates are more expensive in Angola than elsewhere.
The project in Block 32 is scheduled to start up in 2017, when it will have a production capacity of 230,000bpd, the French oil company said.
"Globally, deep water costs are rising — this year by almost 20% — so the fact that Total could find slack in its capex to continue with its Angola project shows how investors view Angola's longer-term offshore prospects," FBN Capital head of energy and natural resources coverage Rolake Akinkugbe said. "By and large, they are bullish."
In a similar move last year, Britain's BP scrapped bespoke plans to develop its Mad Dog 2 project in the Gulf of Mexico, opting instead for a repeatable model it had used before. BP said it thought the old model could recover 90% as much oil at a fraction of the cost.
Total is already the top operator in Angola, with equity production of 186,000bpd, mainly due to its Girassol, Dalia and Pazflor deepwater fields in the huge Block 17. The blocks it operates produce a total of 600,000bpd, over a third of the country's output.
Total also confirmed that it was on track to start output at the Clov project in Block 17, which will have a production capacity of 160,000bpd in the middle of this month.
"With the investments it is making in Blocks 17 and 32, it will be very difficult for any other oil company to overtake Total as the leading operator in Angola," Luanda's Catholic University Energy Nucleus head Jose de Oliveira said.
Angola wants to increase production to 2-million bpd next year from 1.73-million bpd last year and then maintain that level for five years. Still, analysts say the country's plans to ramp up production have proven challenging due to technical problems and declines at older fields.
Credit rating agency Fitch revised Angola's outlook to stable from positive, citing challenges to the oil sector as one of the main drivers behind the decision.
Total and Angolan state-owned firm Sonangol each hold 30% stakes in Block 32, while Angolan-Chinese joint venture Sonangol Sinopec International has 20%, Exxon Mobil's Esso unit 15% and Portugal's Galp 5%.
The Kaombo project is located about 260km off Luanda in water depths of 1,400m to 1,900m. *(BDLive)*

Norway has new representative in Sao Tome and Principe

Norway plans to increase cooperation in the oil sector with Sao Tome and Principe, particularly in the areas of technical assistance and staff training, the new Norwegian ambassador to the archipelago said.
Ingrid Ofstad made the statement after presenting her credentials to President Manuel Pinto da Costa at an official ceremony in Sao Tome and Principe.
The diplomat said that "Norway wants to continue to cooperate with Sao Tome and Principe in the oil sector," and noted that the Norwegian state "will continue to provide assistance and train staff from Sao Tome."
Norway, via the Petroleum Geo-Service, PGS, in 2007 announced that there was oil and gas in the Sao Tome and Principe Exclusive Economic Zone (EEZ) following seismic surveys carried out under the terms of an agreement signed by the two countries in 2001.
As well as the technical assistance provided by PGS in the auction of blocks launched in 2008 for the EEZ, Norway has funded training of Sao Tome staff and participation of Sao tome and Principe in the Extractive Industries Transparency Initiative (EITI).

As well as the EEZ, Sao Tome and Principe also has a joint offshore area with Nigeria that is the subject of a treaty stipulating that oil revenues will be split 60/40 between Nigeria and Sao Tome and Principe. *(Macauhub)*

Natural gas block in the Rovuma basin, Mozambique contains 85 trillion cubic feet of reserves

Italian petrochemical group ENI has confirmed discoveries in the Area 4 block of the Rovuma basin in northern Mozambique through the Agulha-2 test well, estimating total reserves of 85 trillion cubic feet the group said in a statement.

"The Agulha-2 well was drilled by ENI starting on 26 February 2014, following is discovery assessment activity in September 2013," said the statement issued by the Mozambican National Oil Institute (INP).

The Rovuma sedimentary basin is currently the most active in terms of oil and gas surveys in Mozambique. As well as ENI, US company Anadarko Petroleum and Anglo-Norwegian company Statoil are operating in the area.

In total, it is estimated that so far just over 180 trillion cubic feet of natural gas has been discovered in the Rovuma basin.

The concession-holders of Area 4, the contract for which was signed in 2006, include ENI with 50 percent, China National Petroleum Corp with 20 percent and Portugal's Galp Energia, Mozambican state company Empresa Nacional de Hidrocarbonetos and Korea Gas, each with 10 percent. *(Macauhub)*

INFRASTRUCTURE

Mozambique's Sofala province attracts investments for cement production

Growth in cement production in Sofala province, Mozambique, began in 2013 with construction of a new mill and bagging plant at Cimentos de Moçambique, in Dondo, according to the Provincial Directorate for Trade and Industry.

Following that investment, totalling US$18 million, cement production at the plant rose from 240,000 tons per year to 740,000 tons per year, as the new mill has capacity to process around 500,000 tons.

Also in Dondo, investors from the United Arab Emirates this year, via Austral Cimentos, achieved initial production of 500,000 tons, following investment of around US$14 million.

The Star Cement project is also underway, which as of June is expected to launch production of 450,000 tons of cement per year, following investment of US$22.5 million.

In the city of Beira Swiss investors are spending US$17.5 million on setting up the Cementos da Beira plant, which is soon expected to start producing 550,000 tons of cement per year.

The town of Inhaminga, in the Cheringoma district, is the location of the China-Mozambique Cement & Mining project estimated to cost US$98 million to produce 1 million tons of cement per year.

An abundance of limestone in that part of Mozambique has led to Chinese and US investors becoming interested in building cement plants in the areas of Casa Nova and Muxúnguè, with investment of US$59.6 million. *(Macauhub)*

Train links Nacala, Mozambique, to Chipata in Zambia

An experimental train carrying miscellaneous cargo has travelled from the port of Nacala, in Mozambique's Nampula province, to the city of Chipata, in Zambia, passing through neighbouring Malawi, said the President of the Zambia, Malawi, Mozambique Triangle of Development (ZMM-TD) said.

Noting that the journey of around 750 kilometres took around a week, Virgílio Ferrão said that the experiment was part of the efforts made to use the Nacala Corridor, an initiative that involves the World Bank, the African Development Bank, the European Union and South Africa's Trade Mark.

In order to drive effective regional integration the scheme's promoters hope that rail cargo along the route will be, in the opposite direction, will be cotton, maize, copper, tobacco and other products that Zambia and Malawi want to export via the port of Nacala.

Ferrão told Mozambican daily newspaper Notícias that the journey had been difficult as along a 3'00-kilometre section of the route the railway was overgrown , which restricted speed.

As a result, Ferrão said, the time for the Nacala-Lilongwe-Chipata journey had to be extended to a week and four days in the opposite direction.

Despite this, Ferrão said that the project was important for businesspeople within the Triangle, as a way of improving transport and communications between the three countries. *(Macauhub)*

China, east African leaders sign up for new rail link

East African leaders and China formally signed agreements on Sunday for the construction of a new multibillion dollar railway linking the Kenyan port of Mombasa to Nairobi and running on to neighbouring states.

The deals were signed in Nairobi on the last stage of an Africa tour by Chinese Premier Li Keqiang, although Kenya's president, Uhuru Kenyatta, had already signed up to the deal during his state visit to Beijing last year.

"The costs of moving our people and our goods ... across our borders will fall sharply," Kenyatta told a news conference with the Chinese and African leaders on Sunday.

The new standard gauge line will supplement a slower narrow gauge network that now only runs to Uganda whereas the new line is designed to go on to Rwanda and South Sudan, part of an effort to cut the hefty costs of trade between east African nations which mainly rely on poor roads and the rickety narrow gauge line built in the 19th century.
Kenyatta has previously said the new railway will cut freight costs to 8 US cents a tonne per km from 20 cents now.
China Road and Bridge Corporation, a subsidiary of China Communications Construction Company, has been appointed to construct the initial Kenyan leg of the new line, despite widespread criticism that there was no competitive tendering for the work.
Kenyan officials said there was no public bidding because that was a condition of securing Chinese financing but some lawmakers said the deal was overpriced.
Officials previously put the price for the railway from Mombasa to Kenya's western border with Uganda at 447.5-billion shillings ($5-billion), including financing costs.
China has won friends in Africa by building infrastructure across the continent, but critics grumble that it often relies on Chinese labour and is more keen on sucking in African raw materials than passing on skills.
China's premier told the news conference on Sunday that the rail construction company would ensure African workers were trained and laws adhered to. Meanwhile Kenya signed two financing deals with China's Eximbank, although no value was given. Officials previously said China was offering a $1.6 billion commercial loan and a $1.63-billion concessional facility for the Mombasa to Nairobi section - covering 85 percent of that section's estimated 327-billion shilling ($3.8-billion) cost. *(Engineering News)*

AGRIBUSINESS

Panelists urge African governments to boost the continent's agriculture productivity

African governments have been urged to boost the continent's **agriculture** by accelerating the development of **infrastructure** such as roads and storage, increasing access to financial services such as credit and insurance, and dropping intra-African barriers to trade.
In spite of agriculture being an acknowledged as the leading growth driver for Africa, the potential of the sector's contribution to growth and development has been underexploited mainly due to a variety of challenges, including the widening technology divide, weak infrastructure and declining technical capacity, panelists said at the ongoing **Annual Meetings** of the African Development Bank in Kigali.
These challenges, they argued, have been exacerbated by weak input and output marketing systems and services, slow progress in **regional integration**, land access and rights issues, and limited access to affordable credit.
These were some of the issues highlighted during the high level dialogue about this year's **Africa Progress Report** – Grain, Fish, Money – which highlights how Africa must boost agriculture to benefit the two thirds of Africans who depend on farming for their livelihoods.
The report argues that boosting agriculture is not only an effective strategy for poverty reduction – it represents tremendous economic opportunity.
In 2011, Africa imported food worth US $35 billion. This is a market that African farmers, not foreign business, could be supplying. As Grain, Fish, Money shows, Africa's agricultural productivity could double within five years.
Speaking at the interactive session, Donald Kaberuka, President of the AfDB, emphasized that increasing productivity in agriculture is critical for sustainable development and **poverty reduction**.
"Improving agricultural productivity is not rocket science. People know what to do – the question we must ask is why people are not doing it?" he said, pointing out that several countries, including Cape Verde and Rwanda, are already demonstrating the possibilities for agricultural growth.
The AfDB, through its investments in rural infrastructure (rural access roads, water management systems for irrigation, electricity generation/distribution and proper storage facilities); agricultural productivity enhancement through support to research; and sector capacity-building and knowledge-sharing on appropriate development policies for the sector in Africa, has helped to improve agricultural productivity and competitiveness in the region.
"Agriculture should not been seen just as a development project – it should be seen as a business. Whether you are talking of small scale or medium size – this is very important. African farmers are living in antiquity by the material that they use, inadequacy of infrastructure and poor access to markets. This should not be," said Olusegun Obasanjo, former President of Nigeria and a member of the Africa Progress Panel.
Obasanjo emphasized the need to invest in technology to modernize agriculture in Africa and increasing access to affordable finance for smallholder farmers as critical to increasing productivity.
He also noted that though few farmers have access to finance, the cost of it is still excessively high with interest rates ranging between 18 and 20%. "There is no way farmers can make it at that rate of interest unless they are producing cocaine," he said, underscoring the need to provide affordable financing to farmers. Viswanathan Shankar, the Group Executive Director and Chief Executive Officer, Standard Chartered Bank for Europe, Middle East, Africa and Americas, observed that since the majority of Africans depend on agriculture, investing in the sector is critical to reducing inequality and creating jobs. He noted that access to finance can be improved by investing into the entire agriculture value chain.

In her remarks, Claire Akamanzi, the Chief Operating Officer of Rwanda Development Board, said Rwanda has managed to sustain growth in agriculture on average at 8% over the last decade due to the Government's heavy investment in the sector, including ensuring access to financing for small farmers.
Over the past few decades, a growing concern about Sub-Saharan Africa's agricultural sector has been its poor performance in terms of productivity and yield of main food staples, as well as market access and product pricing.
These challenges tend to worsen the financial welfare and food security of smallholder farm households. When inclusive agricultural and agribusiness models enhance productivity growth, this contributes significantly to food security, nutrition and poverty alleviation. *(AFDB)*

Portuguese group Valouro plans to produce animal feed and poultry in Angola

Portuguese group Valouro plans to produce soy for animal feed as well as raising poultry in Angola following an initial investment of 150 million euros said the chairman of Portugal's leading poultry production group.
José António dos Santos said that the plan was to start in 2015 with production of 22,000 hectares of soy for animal feed and construction of units for poultry production, breeding and meat processing.
The initial investment, which is required for the group to achieve a 10 percent share of the Angolan poultry market, may rise to 1 billion euros over 10 years in order to meet the needs of the Angolan domestic market.
"Initially we will produce 350,000 to 400,000 birds for slaughter each week and 500,000 eggs for incubation per week," in Angola, dos Santos told Portuguese news agency Lusa.
The Valouro group, which is Portugal's largest and one of the largest in Europe in the agro-food sector, ended 2013 with turnover of 307 million euros. It employs 2,500 people at its 36 companies animal feed and poultry sector companies. *(Macauhub)*

CKG of Ivory Coast Planning $150 Million Cocoa Factory in Oman

CKG Holding, an Abidjan, Ivory Coast-based company, plans to open a cocoa factory in Oman in 2015 amid growing chocolate demand in the **Middle East** and India.
The $150 million factory in Salalah will have capacity to process 50,000 metric tons of **cocoa beans** a year with opening planned for the end of next year, Charles Kader Goore, chairman of CKG, said by phone from Madrid on May 20. It will be a joint venture of Oman and CKG under the name of Chocolatry of Oman.
"This project will enable us to supply the markets of Saudi Arabia, the United Arab Emirates and the entire region where there is a big potential," Goore said.
The cocoa beans used will come from Ivory Coast and Ghana, the world's largest growers, he said. CKG already operates SN Chocodi, the Abidjan-based processing plant bought from **Barry Callebaut AG (BARN)** in 2008.
CKG has operations in agriculture, guarding and logistics and a travel agency. *(Bloomberg)*

Dangote Sugar Refinery (DSR) is a part of the Dangote Group, one of the most diversified business conglomerates in Africa. Dangote commenced operations in March 2000, as the sugar division of Dangote Industries Limited. The company's factory was designed and built by Tate and Lyle, UK, with an initial production capacity of 600,000 MT/annum of raw sugar. This was increased to1.44 million MT/annum in 2004, making it the largest sugar refinery in sub Sahara Africa and the second largest in the world. The company has 12 billion shares outstanding with shareholder funds of N49.13 billion as of March 31, 2014. Dangote Sugar Refinery, Nigeria's number one producer of the sweeter, has released its first quarter 2014 results, which showed bottom-line growth amid decline at the top line level. For the first three months of the year 2014, the company's revenues reduced by 7.0% to N25.88 billion from N27.83 billion in the same period a year ago. Profit before tax increased by 6.06% to N5.77 billion in the period under review compared with N5.44 billion as of Q1'2013. Profit after tax followed the same growth trajectory as it rose by 8.80% to N3.757 billion compared with N3.45 billion in same period of the prior year (Q1'13). In order to increase its share of the market, the company introduced a wide range of products such as the Vitamin A fortified sugar packages in one kilogram, 500 grams and 250 gram packs. The fortified white sugar was launched into the market to achieve the set target of higher sales volume, earnings and ultimately profitability.
Gross profit reduced slightly by 1% to N7.18 billion in Q1'14, from N7.23 billion as at Q1'13. This highlights the need for the company to intensify the management of direct costs attributable to projects. Gross profit margin shows the relationship between turnover and cost of sales and is a proof of the company's ability to control cost of inventories and to pass along any price increase through sales to client. Gross profit margin increased to 27.7% in Q1 2014 compared with 26.17% as of Q1 2013. This signifies that the ability of the company to translate turnover into profits improved. The fixed assets turn over highlights the effectiveness of DSR in generating turnover from investment in assets. Total assets turnover was 30.28 times signifying the company's ability to translate assets into turnover and profits. The fulcrum of the improved performance at the bottom line level of DSR was the fall in operating expenses by 30% to N1.622 billion in Q1'14 compared with N2.33 billion in 2013, thus operating margin ratio declined to 6.26% in 2014 from 8.44% in 2013. Inputs costs were also reduced marginally as cost of sales margin declined to 72.23% in Q1'2014, as against 73.18% as of Q1'2013. Total assets for the first three months through March 2014 decreased by 3.92% to N85.46 billion in Q1'14, from N88.95 billion in 2013. Dangote Sugar, which has a 70% share of the Nigerian market,

plans to increase sugar production to 250,000 tons a year by 2017 and achieve 1 million tons output by 2020. The company's share price has increased by18.35% in the past year to close at N9.17 on May 16, 2014, on the floor of the Nigerian Stock Exchange, and market capitalisation was N110.04 billion on the same day. *(Business Day)*

Flour mills invests NGN 220bn in Agro-allied businesses

Flour Mills Nigeria Plc said it has invested over N220 billion in its agro-allied businesses. The Group Managing Director of Flour Mills, Mr. Paul Gbededo who disclosed this at the at the 2014 Golden Penny Customers' forum held in Lagos recently said the company is also involved in large scale cultivation of soybean, maize, palm, rice, and cassava. The company also rewarded its distributors at the forum. Speaking at the occasion the company's Chairman, Mr. John Coumantaros said the forum was to appreciate the distributors for their unflinching loyalty and commitment to Golden Penny Products. Gbededo also assured the customers that the company would continue to reward its distributors, even as he urged them to strive to sell more of the products. He also stated that Flour Mills in the last two years entered the snack market with Marios Cheese balls and Noodies Snacks in recognition of the need to provide quality, nutritious and hygienically prepared ready-to eat snacks for the mobile consumer. He informed the distributors of plans to introduce new products to the market this year. "As one of the largest agro-allied initiatives in Nigeria, Flour Mills has invested over N220 billion in our agro-allied businesses which extend to large scale cultivation of soybean, maize, palm, rice, and cassava.

"From cultivation, we are also processing these raw materials into animal and fish feed, edible oils, rice, sugar and high quality cassava flour in different parts of the country," he added. According to him, the quest to build a diversified and profitable portfolio is driven by the need to satisfy its consumers and customers. At the forum, awards were given to distributors on regional and national level. Outstanding sales personnel were equally rewarded. The star prize of Ford Explorer SUV 2014 Model was given to Mount Olive Enterprises as the number one customer for the year 2014. All distributors present also went home with a generating set each. *(This Day)*

Zambia Sugar projects high cane yield

SUGAR cane yields are expected to improve in the 2014/15 farming season with favourable growing conditions and improved irrigation, Zambia Sugar Plc has disclosed. And the company also paid about K700 million in Zambia's economy this year through taxes, payments to employees, sugar cane growers and interest settlements to local banks. The company says sugar sales are also expected to increase in line with production, with reasonably strong growth in the local market consumption being expected. This is according to the company's commentary as at March 31, 2014 availed to the Daily Mail recently. "Sugar cane yields in the 2014/15 production season are expected to improve given the favourable growing conditions experienced and the benefit of a stable power supply in terms of irrigation optimisation. Sugar production is expected to similarly increase," it says. Zambia Sugar, however, says margins in the European Union (EU) and regional export markets are expected to remain under pressure from the availability of sugar on the world market.

It says realisation of these markets will continue to be influenced by exchange rate movements. The company says the 2013/14 sugar cane yields declined from 120 tonnes to 114 tonnes per hectare due to irrigation shortfall in the previous seasons following failure of the large turbo-alternator set. It says total cane supply also declined to 3.15 million tonnes from 3.25 million tonnes with the impact mitigated through the increase in area harvested to 27,600 hectares from 25,800 hectares. "The loss in sugar production to the extent attributable to failure of the turbo-alternator was covered by an insurance settlement of K20.9 million," it says. On contribution to the economy, the company says a substantial element of goods and services was procured within the country. "In terms of wealth creation, the company injected in excess of K690 million this year compared to K630 million in 2013 into the local economy," it says. *(Daily Mail)*

Forestry not for those seeking a quick buck

Africa's untapped agribusiness potential is currently a big topic. However, one area within the sector that doesn't receive as much attention is commercial forestry.

"It is probably true to say that all the talk around Africa and agribusiness is more focused around food, and I think it has to do with the fact that obviously food security is such a high priority item globally for governments and the like… The emphasis seems to be mostly on food, so forestry is not always that prominent," says Avril Stassen, senior partner at Agri-Vie, a private equity fund focused on food and agribusiness investments in sub-Saharan Africa.

A few years ago, Agri-Vie invested in The New Forests Company, a UK-based business with pine and eucalyptus tree plantations in Mozambique, Tanzania, Uganda and Rwanda.

Although global demand for timber is growing rapidly, New Forests caters primarily for the local East African market. The company's timber is used for electricity transmission poles, giving it exposure to the growth in electrification in the region. New Forests also converts some of its waste into charcoal. In Rwanda, the company supplies a cement manufacturer that uses the charcoal to power its operations. Down the line, saw milling activities will also be added, allowing the company to benefit from the growing construction industry.

Not an easy business

However, forestry in Africa is not for the faint of heart, and Stassen highlights numerous challenges.

Securing land is not easy and can be a drawn-out process. He says because of the scale of deforestation in Africa, and the fact that many people depend on illegal logging for their energy needs, the forestry industry has become “a political hot potato”.

The recently published Africa Progress Panel report notes that in many parts of the continent, illegal logging activities are flourishing, often with the covert, and sometimes overt, support of political elites.

The industry as a whole is underdeveloped in Africa. Stassen says seedlings and machinery have to be imported. There is a gap in local skills, which means companies need to bring in experienced foreigners. It also takes a long time to bring workers up to speed with forestry practices.

Long-term mindset required

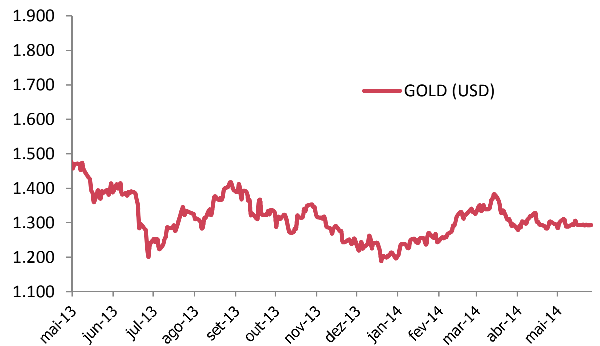
Investors in the forestry industry need a long-term outlook. Stassen says New Forests’ eucalyptus trees need to grow about eight years from planting before they can be harvested; for pine trees it can be anything from 12-17 years.

“It is not a quick cash conversion type industry… It is a very long time that you have to wait to generate any revenues and any cash returns. It requires a very large capital investment to make it viable in the long run… That is one reason why the group of potential investors… is much smaller than in other agribusiness sectors.”*(How we made it in Africa)*

MARKET INDICATORS
26-05-2014

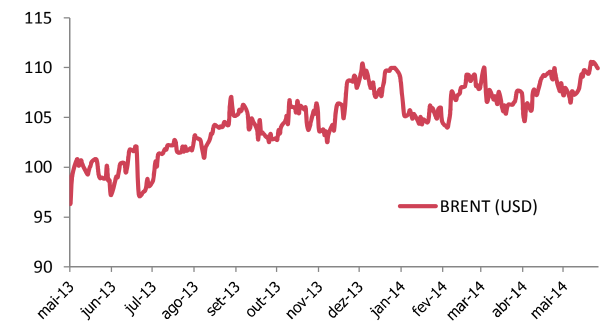
STOCK EXCHANGES		
Index Name (Country)	26-05-2014	YTD % Change
Botswana Gaborone Domestic Index (Botswana)	9.047,48	20,47%
Bourse Régionale des Valeurs Mobilières (Ivory Coast)	232,31	39,46%
Case 30 Index (Egypt)	8.804,13	61,18%
FTSE NSE Kenya 15 Index (Kenya)	190,22	51,27%
Morocco Casablanca Stock Exchange CFG 25 (Morocco)	19.449,54	1,60%
Nigerian Stock Exchange All Share Index (Nigeria)	39.829,85	41,85%
FTSE/JSE Africa All Shares Index (South Africa)	49.968,75	27,31%
Tunindex (Tunisia)	4.515,34	-1,41%

Source: Bloomberg and Eaglestone Securities



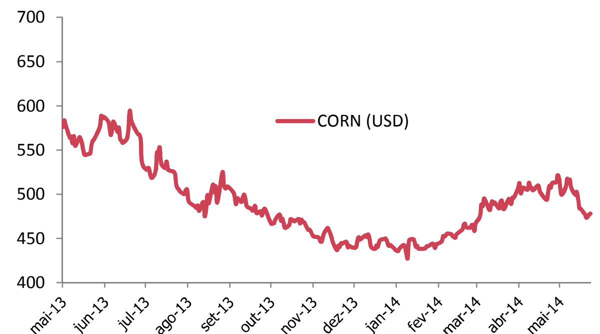
METALS		
	Spot	YTD % Change
Gold	1.293	-22,83%
Silver	19	-35,98%
Platinum	1.484	-3,66%
Copper $/mt	6.919	-12,76%

Source: Bloomberg and Eaglestone Securities



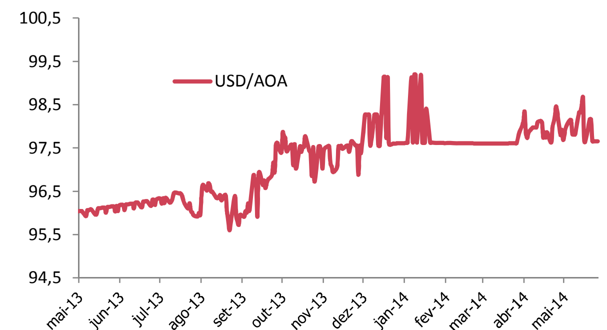
ENERGY		
	Spot	YTD % Change
NYMEX WTI Crude (USD/barril)	104,1	11,71%
ICE Brent (USD/barril)	109,9	1,36%
ICE Gasoil (USD/cents per tonne)	908,0	-0,85%

Source: Bloomberg and Eaglestone Securities



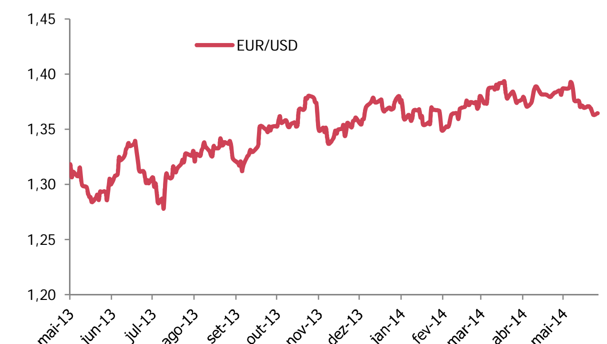
AGRICULTURE		
	Spot	YTD % Change
Corn cents/bu.	478,0	-31,74%
Wheat cents/bu.	652,5	-17,17%
Coffee (KC) c/lb	181,9	23,99%
Sugar#11 c/lb	17,4	-12,01%
Cocoa $/mt	3022,0	34,07%
Cotton cents/lb	86,3	13,78%
Soybeans c/bsh	1515,5	8,31%

Source: Bloomberg and Eaglestone Securities



CURRENCIES	
	Spot
KWANZAS	
USD	97,654
EUR	133,246
GBP	164,524
ZAR	9,438
BRL	43,929
NEW MOZAMBIQUE METICAL	
USD	31,451
EUR	43,063
GBP	53,171
ZAR	3,050
SOUTH AFRICAN RAND SPOT	
USD	10,346
EUR	14,117
GBP	17,431
BRL	4,654
EUROZONE	
USD	1,36
GBP	0,81
CHF	1,22
JPY	139,04
GBP / USD	1,68

Source: Bloomberg and Eaglestone Securities



UPCOMING EVENTS

Africa Rising: Building to the Future- The Government of Mozambique and the IMF will convene a high-level conference in May 2014 in Maputo to take stock of Africa's strong economic performance, its increased resilience to shocks, and the key ongoing economic policy challenges. http://www.africa-rising.org/

The Government of Mozambique and the IMF will convene a high-level conference in 2014 to take stock of Africa's strong economic performance, its increased resilience to shocks, and the key ongoing economic policy challenges. The Africa Rising conference will be held **May 29-30**, 2014, in Maputo. The conference will bring together policymakers from Africa and beyond, the private sector, civil society, academics, and private foundations with the goal of sustaining the current growth and sharing its benefits among African populations.

WAMPEX, West African mining and power 28 - 30 May 2014, Accra International Conference Centre, Accra Ghana. Introductions to new suppliers, new technologies and new techniques in respect of: Mining machinery, earth moving equipment, crushers, materials handling and all primary requirements including site management./ Minerals processing/ Engineering and project management/Electrical engineering, transmission, distribution and reticulation./Environmental safeguards/Health and Safety requirements/Related services, consumables and spares

AIRC-Africa Insurance and reinsurance Conference 10th-11th June 2014, Laico Regency Hotel **Nairobi Kenya**
Theme: Redefining the Insurer of the Future, sponsors: International Finance Corporation, African Business and African Banker, www.aidembs.com/insurance_conference/

Africa Energy Forum, 18th -20th June 2014, Hilton Istanbul Bomonti Hotel & Conference Center Istanbul
The Africa Energy Forum (AEF) is the international gathering place where governments and power utilities of Africa meet with the global energy industry to focus on delivering power infrastructure projects in Africa.
All the players in the industry will gather under one roof to discuss the relevance of Africa's power sector on the global economy. As we see major African businesses standing shoulder to shoulder with international organisations, AEF provides a platform for international investors and African stakeholders to build partnerships and transform how business is done on the continent. http://africa-energy-forum.com/

Africa Debt Capital Markets, 26th June, Mandarin Oriental Hyde Park, London UK
Learn the current trends in Africa's debt capital markets in one day. *www.adcm.eventbrite.co.uk*

Annual Pan African Platform on Pensions in Abuja, 7 & 8 July 2014
The World Pension Summit 'Africa Special' will bring together leading players from Africa's pension industries, as well as key figures from across politics, business and finance to exchange expertise and increase international cooperation on the continent. This first edition of the World Pension Summit 'Africa Special' will be held in the context of the 10th anniversary of the Nigerian pension reform and is organized jointly with the National Pension Commission (PenCom) of Nigeria. http://www.worldpensionsummitafricaspecial.com

AFRICA SINGAPORE Forum 27-28 August
Third edition, this forum is the premier business platform for exchanging business insights and promoting collaboration between Africa and Asia. *www.iesingapore.com/asbf*

2nd Brazil Africa Forum, Infrastructure, partnerships and development 28-29 August 2014 Fortaleza- Ceará
Business opportunities in the following opportunities: Power, agribusiness, construction, transport, water management, funding health ICT, capacity development, PPPartnerships. *www.forumbrasilafrica.com*

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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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