INSIDE AFRICA

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In-depth:
Sub-Saharan Africa economy: Foreign investment into Sub-Saharan Africa rise

The 2015 World Investment Report, issued by the UN Conference on Trade and Development (UNCTAD) at end-June, reveals a broadly solid performance by Sub-Saharan Africa (SSA) in terms of attracting investment. Given the constraints on African competitiveness, foreign direct investment (FDI) could act as a strong driver of regional growth, although governments will need to tackle governance, infrastructure and corruption issues first.

In a year in which global FDI inflows fell by 16%, SSA did well to register growth of 5% in 2014, taking total inflows to US$42bn. The region's share of global FDI inflows increased to 3.4% from 2.6% in the post-recession peak year of 2011, albeit with large regional divergence. Flows to West Africa tumbled by 10% to US$13bn, with sharp falls in Nigeria, Mauritania and Liberia, partly offset by increases in Ghana and Guinea. FDI in the subregion was depressed by the Ebola outbreak, weaker commodity prices, especially oil, and regional conflicts.

East and Central Africa perform strongly

Flows to Southern Africa were marginally lower, down by 2% at US$10.8bn, with a huge decline in South Africa from US$8.3bn to US$5.7bn and in Mozambique from US$6.72bn to US$4.9bn. However, these were offset by a substantial increase in Zambia, from US$1.8bn to US$2.5bn. Meanwhile, inflows to East Africa rose by 11% to US$6.8bn, reflecting increases in Ethiopia to US$1.2bn, Tanzania to US$2.1bn and Uganda to US$1.15bn. Inflows to Kenya almost doubled to US$989m.

Central Africa was SSA's top-performing region, however, with the total up by 33% owing to inflows of US$5.5bn into Congo (Brazzaville)-up from US$2.9bn in 2013-and useful gains by both Cameroon (to US$500m) and Chad (to US$761m). Central African states including the Democratic Republic of Congo (DRC), with US$2.06bn, Equatorial Guinea (US$1.9bn) and Gabon (US$973m) ranked among the continent's better performers.

FDI remains heavily concentrated

Both the stock of FDI and inflows are heavily concentrated in a handful of countries. The top ten account for close on 80% of the total stock, while the top two-South Africa and Nigeria-have almost 50%. The main ten inflow countries also contribute 80% of total regional FDI in 2014.

Sub-Saharan Africa: top-ten destinations by stock of foreign direct investment
(US$ bn)

Country	2014 inflow	% of SSA total	2014 FDI stock	% of SSA total
South Africa	5.7	13.4	145.4	30.9
Nigeria	4.7	11.1	86.7	18.4
Mozambique	4.9	11.6	25.6	5.4
Ghana	3.4	8.0	22.2	4.7
Congo (Brazzaville)	5.5	13.0	22.0	4.6
Equatorial Guinea	1.9	4.5	17.3	3.7
Tanzania	2.1	5.0	17.0	3.6
Zambia	2.5	5.9	15.0	3.2
Uganda	1.1	2.6	9.9	2.1
Angola	n/a	n/a	8.0	1.7
DRC	2.0	4.7	7.7	1.6

Source: UNCTAD, World Investment Report, 2015.

With the exception of South Africa, none of the countries in the top ten has a large industrial sector. Rather, FDI stocks and flows are dominated by oil, gas and minerals. Nigeria, Congo (Brazzaville), Ghana, Equatorial Guinea, Angola and-recently-Mozambique and Tanzania are producers and exporters of oil and/or gas. Zambia, the DRC, Ghana and Tanzania are significant mineral exporters.

However, this is changing as foreign investment in services, and also manufacturing, increases. In the past two years, FDI in greenfield projects in Africa (North as well as SSA) exceeded US$143bn, of which 20% was in primary industry-almost all of it (17.5%) in oil, gas and mining. Services-electricity, gas, water, transport, construction and business services-attracted just over half (US$72bn), and manufacturing accounted for the balance of 30%, the bulk of which went into non-metallic minerals, foodstuffs and clothing and textiles.

Look east

The shift to the east in the source of FDI continues, fuelled to some degree by Western divestment from the region. Chinese and Indian firms continue to be "notable investors in Africa", according to the UNCTAD report, with Tata of India investing in Algeria and Chinese firms investing in South Africa's solar-panel industry. UNCTAD also highlights the rise of "non-traditional investors", especially from the UAE (particularly Dubai). It accounted for 6% of total capital expenditure on greenfield FDI projects into Africa in 2014, targeting consumer industries, infrastructure and services.

An important trend too was the growing interest on the part of private-equity firms. KKR of the US made its first direct investment in Africa in 2014, investing US$200m in an Ethiopian rose producer, Afriflora, while a fellow US group, Carlyle, put nearly US$700m into its first sub-Saharan investment group, which subsequently took an 18% stake in Nigeria's Diamond Bank, as well as buying into TiAuto, a vehicle retailer in South Africa.

Blackstone (US) entered into an African investment partnership with a Nigerian businessman, Aliko Dangote, while Edmond de Rothschild (UK) opened its first private-equity fund focused on Africa.

South Africa dominates crossborder deals within Africa

South Africa was the major player in crossborder investment deals in Africa, with Nedbank buying a 20% stake in Togo's Ecobank for US$500m, while a retailer, Shoprite, announced plans to open 30 new outlets on the continent. Within South Africa, however, FDI in manufacturing has shrunk relative to that in services, meaning that finance and business services alone now account for 36% of inward FDI. When transport and retail are included, the services sector accounts for 51% of inward FDI, the primary sector (mostly mining) for 31%, and manufacturing only 18%. One reason for this is the strategy of multinationals to use South Africa as a springboard into the rest of the continent. Examples include India-based Wipro's establishment of a software company in 2014, and investments in the tourism sector, such as the acquisition by US-based Marriott of the 116-hotel Protea Hotel Group.

In contrast, Nigeria's services sector is attracting FDI targeting the domestic market. Services FDI in Nigeria accounts for 39% of the total, with finance accounting for almost two-thirds of the services total. Indeed, 56% of Sub-Saharan Africa's FDI stock in services is in finance, but infrastructure and telecommunications are growing very rapidly, with the stock increasing more than fourfold in the decade to 2012.

Resilient FDI is more crucial than ever to the sustained growth of the African economy. Regional growth forecasts are being revised downwards-partly because of concerns about the trends in international commodity prices-and in 2012-17 sub-Saharan growth is unlikely to be much higher than in the period (2000-04) before the commodities boom. Given that African competitiveness and growth is being undermined by weak infrastructure, poor governance and increased corruption, the region desperately needs a strong-external-driver. FDI fits the bill, but substantial increases will only occur if governments tackle governance and graft. *(Economist Intelligence Unit)*

Morocco: Economic Overviews

POLITICAL STABILITY: Broad political stability will be maintained under the rule of the king. King Mohammed VI is Morocco's dominant political figure and the people's spiritual guide (amir al-muminin, or commander of the faithful). Although the roles of the prime minister and parliament have been strengthened following constitutional reforms in 2011, the policy agenda continues to be set largely by the king and his closest advisers, the makhzen.

ELECTION WATCH: The next election for the House of Representatives (lower house) is scheduled for 2016. Morocco's complex version of proportional representation tends to result in a fragmented elected chamber--18 parties are currently represented, and the ruling Parti de la justice et du développement (PJD) controls only 107 of the 395 seats--making it harder to push through major reforms. In light of its eroding popularity the PJD is unlikely to win an outright majority in 2016, so yet another coalition government is in prospect. (The PJD currently governs with the liberal, pro-monarchy Rassemblement national des indépendants.) Notwithstanding this, we expect the PJD to continue to play an important role in the next government, as its socially conservative agenda appeals to a sizeable proportion of the population.

INTERNATIONAL RELATIONS: Relations with the EU, Morocco's primary market for trade, investment and tourism, will be cemented in the medium term with a Deep and Comprehensive Free-Trade Agreement.

However, there is no set timeframe for its completion, and recurrent frictions over sensitive issues such as migration, security and human rights will continue to slow progress. Western countries will maintain their support for Morocco, given the kingdom's role in the fight against regional terrorist threats and its strategic location as a gateway into Sub-Saharan Africa. Morocco is taking on a larger role in regional efforts to prevent pockets of instability, for example in Yemen and Libya, from spreading. However, by taking a more visible role on security, Morocco may also attract a backlash from domestic and regional extremist groups.

POLICY TRENDS: However, addressing the country's infrastructure shortcomings will prove difficult, as an inefficient bureaucracy and widespread nepotism and corruption will slow down the execution of projects. Investment will also remain vulnerable to cuts, given Morocco's continued exposure to external factors such as commodity prices and tourist arrivals, as well as volatile agricultural production. The modernisation of Morocco's economy will in the medium term also be hindered by its burdensome bureaucracy and relatively uncompetitive workforce (owing to skills gaps and rigid labour market regulations), as well as the concentration of economic power in the hands of the elite.

ECONOMIC GROWTH: Despite the risk posed by continued economic volatility in Europe, Morocco's major economic partner, we expect the economy to expand by 4.8% in 2015, up from 2.4% in 2014 (revised from a previous estimate of 2%, as the Moroccan authorities have changed the base year from 1998 to 2007, providing a more accurate estimate). Faster growth in 2015 largely reflects a sharp rebound in agricultural production, which has a significant knock-on effect on private consumption. The pace of expansion will improve slightly over the remainder of the forecast period, to 5% in 2019, as Morocco strengthens ties with the Middle East and Sub-Saharan Africa, and as euro zone economies recover gradually (boosting exports, foreign direct investment inflows, tourism revenue and migrant transfers). However, the pace of reforms aimed at increasing employment and investment and strengthening competitiveness appears too slow to unleash faster growth in the longer term.

INFLATION: Slumping oil prices, which we expect to average US$60/barrel in 2015, and lower demand for food imports (owing to the bumper 2014/15 harvest) will contain inflationary pressures. Morocco meets almost all its energy

needs through imports, so the removal of fuel subsidies means that a recovery in global oil prices would put upward pressure on domestic prices after 2016. Average annual inflation will edge up to 1.6% in 2015 and 1.8% in 2016, from 0.4% in 2014, as a result of strengthening domestic demand and currency depreciation versus the US dollar. Assuming stable weather conditions, price growth will fluctuate around an average of 2.1% in 2017-19, but weather-related disruptions to the domestic harvest could cause short-term spikes in inflation.
EXCHANGE RATES: The exchange-rate regime is a tightly managed float against a euro-dominated basket of currencies. The central bank has reduced the euro's weighting from 80% to 60%-reflecting a lower proportion of trade conducted with the EU-which will help to slow the dirham's fall against the dollar. The IMF has long advocated a more flexible exchange-rate regime, in order to boost competitiveness and reduce Morocco's exposure to external shocks. In 2014 the central bank told the Fund that a move towards greater exchange-rate flexibility could be made in the medium term, as long as macroeconomic and fiscal conditions made such a step possible. However, our central assumption is that Morocco will not move towards full liberalisation over the forecast period, particularly given the uncertain euro zone outlook. The euro is forecast to weaken against the US dollar in 2015-16 as the ECB maintains a loose monetary policy and the Federal Reserve (the US central bank) enters a cycle of monetary tightening. We expect the dirham to fall to Dh10.36:US$1 in 2016, roughly in tandem with euro:dollar movements, before edging back up to Dh9.02:US$1 in 2019.
EXTERNAL SECTOR: Although it will benefit from lower oil prices in 2015, Morocco's external performance will continue to be negatively affected by slower growth in Europe (the country's main market for exports, as well as a key source of workers' remittances and tourism income). Exports will nevertheless increase, underpinned by a rising contribution from the manufacturing sector and recovering phosphate prices. Yet this will partly be offset by struggling traditional export sectors, such as textiles. Agricultural exports will expand in 2015 owing to a bumper crop, but will remain highly reliant on seasonal weather patterns. After falling along with oil prices in 2015, the import bill will rise over the remainder of the forecast period, driven by imports of capital goods and recovering import prices. As a result, despite a sharp contraction this year, the trade deficit will remain large in 2016-19. *(Economist Intelligence Unit)*

Tanzania - New legal framework for the oil and gas industry

Tanzania's parliament has passed the long-awaited Petroleum Act 2015, the guiding piece of legislation for the country's nascent oil and gas industry.
Although some crucial questions remain unanswered, the law streamlines governance of the sector and provides for greater transparency and accountability. For investors, the law will provide much-needed regulatory certainty. However, decent laws are futile if implementation is weak, and although the new legal framework represents a step in the right direction, exploitation of Tanzania's reserves remains a relatively long way off.
Since Tanzania first struck gas in 2010, regulatory uncertainty has stalled the industry's development. Amid populist rhetoric, investors feared that the government's policy was set to become increasingly nationalistic. The new legal framework-which draws from both the Norwegian and the Algerian model of oil and gas management-should ease these concerns, in part at least. Although questions over domestic supply obligations and local content provisions are outstanding, the legal reform has been reasonably well received by both industry and civil society, at a time when expectations of a natural resource boom are sky high.
The Petroleum Act, which-unexpectedly-covers both oil and gas, was passed alongside the Tanzania Extractive Industries (Transparency and Accountability) Act, which outlines how payments will be tracked through the industry, and the Oil and Gas Revenue Management Act, which sets out the public finance rules related to the sector. Although the legislation's swift passage through parliament meant that there was limited scope for parliamentary scrutiny, the laws were passed by an overwhelming majority.

New regulator should improve governance

Under the new framework, the state-owned Tanzania Petroleum Development Corporation (TPDC) is to become a commercially mandated national oil company, with its regulatory powers passed to the newly established Petroleum Upstream Regulatory Agency (PURA). The separation of commercial and regulatory authority should improve the impartiality of decision-marking, and remove the conflict of interest inherent in TPDC's old mandate as both a commercial partner and a regulator. Moreover, TPDC is a highly politicised institution, and although it is far from guaranteed that PURA will be wholly independent, removing regulatory authority from TPDC should limit politicians' ability to influence the industry. The dividends of improved governance are, however, contingent on PURA becoming an adequately resourced and technically competent regulator.

Accountability in government decision-making, transparency in revenue collection

The energy minister has greater powers under the new framework, but cabinet approval is now required for virtually every decision. Although this may slow the pace of decision-making somewhat, it should ease the clashes between the ministry, the government and parliament, which have previously proved to be significant stalling blocks in ratifying decisions. In a key concession to parliament and civil society, which have long complained of the lack of transparency in the sector, all government revenue derived from oil and gas will now be publicly gazetted and an independent committee will compare company payments with government receipts. Although the real test will be the

implementation of these measures, we would expect Tanzania's galvanised transparency campaigners to pressure the government for compliance.

TPDC to expand, but it will remain dependent on partnerships

The new law paves the way for a more prominent role for TPDC in commercial ventures, both in the upstream sector and in the domestic gas industry. This follows senior Tanzanian officials' praise for the Algerian model of oil and gas management, where the national oil company, Sonatrach, plays a dominant role throughout the industry's value chain. A growing number of TPDC subsidiaries are, therefore, likely to emerge in the coming years. However, despite the governments' ambitions, technical and financial limitations mean that TPDC will remain largely dependent on international partnerships to develop the industry, at least in the near term. Favourably, TPDC stands to become a more attractive partner. It no longer has the authority to collect royalties on behalf of the government or negotiate production-sharing contracts, therefore the political risk exposure encountered by its partners should decrease.

Lack of clarity over the nationalistic elements

The government is under pressure to ensure that the country benefits from its natural resources by securing gas supply for the domestic electricity and industrial sectors. This is a bone of contention with investors, who can secure a better price for their gas overseas. Echoing the earlier gas policy, the new law legislates that gas producers must "satisfy" the domestic Tanzanian market prior to exports, but still lacks clarity on how this will work in practice. Another issue left unaddressed is local content, the rules for which will be set out in a
separate-as yet undrafted-law. Given the populist pressures on the government, we expect these rules to be fairly extensive. However, introducing local content rules prematurely, amid huge skills deficiencies, will threaten the productivity of operations and risk artificially inflating wages. Strict local procurement obligations are also costly and inefficient if, as is currently the case, local supply chains are undeveloped.

Gas production still a long way off

Although some sticking points remain unanswered, the new legal framework appears broadly successful in preparing Tanzania for gas production. However, decent laws are redundant if implementation is weak. The incoming government will be tasked with setting up a spate of new institutions, including the new regulator, and reforming the TPDC. Technical support from the World Bank and others will boost the government's chances of success, but ensuring long-term economic prospects are not sacrificed for short-term political gains will be crucial.

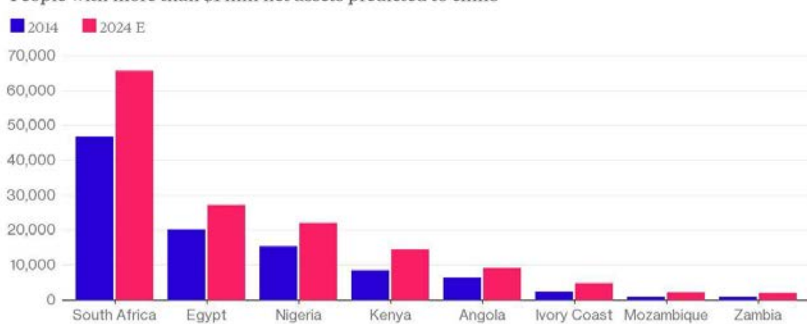
Even assuming that the new laws are implemented promptly, gas production remains a long way off. Under the best-case scenario, the developers-led by BG Group (UK) and Statoil (Norway)-will reach a final investment decision on a liquefied natural gas project next year, leading to gas exports and domestic supply in 2020. This timeline is, however, dependent on a smooth election in October and then swift negotiations over domestic supply obligations. It is also contingent on the developers securing binding sales contracts, probably with Asian gas importers. Given the populist pressures in the domestic market and the supply glut in the export market, neither of these things will be easy.

Accounting for the delays usually associated with large-scale infrastructure developments, not to mention possible delays arising from corporate takeovers, Tanzania's first gas is, in our view, not likely until 2022-23, at the earliest. *(Economist Intelligence Unit)*

Mozambique Millionaires Seen Leading Growth of Africa’s Rich

Mozambique is expected to add dollar millionaires at the fastest rate in Africa over the next decade followed by Ivory Coast and Zambia as a mix of construction, financial services and property developments boost the ranks of the rich on the world’s poorest continent.

The number of people with net assets, excluding their primary residence, of more than $1 million will surge 120% in Mozambique by 2024 to 2,200, Johannesburg-based research company New World Wealth predicted. The number of millionaires in Ivory Coast will jump 109% to 4,800 while those in Zambia will double, the company forecast. “High net worth individual numbers are expected to rise by 45% over the next 10 years, reaching approximately 234,000,” New World said in the report, given to Bloomberg.



Mozambique’s economy is being boosted by the biggest natural gas find in the world in the last decade, Ivory Coast is recovering from a civil war and Zambia’s rich are expected to benefit from real estate development. The countries will take over from oil producers Angola and Ghana, where the number of millionaires rose more than fivefold between 2000 and 2014, according to New World.

Over that period, the number of millionaires in Africa rose 145%

compared with a global average of 73%. Mozambique's gross domestic product per person was $619 last year, according to the World Bank, ranking it just after Togo and among the 15 poorest sub-Saharan nations.

Asset Managers

While South Africa, with 46,800 millionaires, and Egypt, with 20,200, remain Africa's biggest wealth centers, growth in the numbers of the rich have been held back by emigration from a stuttering economy in South Africa and instability in Egypt. Still, South Africa is expected to remain home to most of the continent's wealthy, with their numbers rising 40 percent in the next decade to 65,700. About $120 billion in African wealth is overseen by asset management companies, with Investec Ltd. holding the biggest market share followed by Rand Merchant Bank and UBS AG, New World said. The African private banking market is forecast by the research company to grow 8 percent annually over the next decade. *(Bloomberg)*

SOVEREIGN RATINGS

Region - Africa/Middle East

	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
03-08-2015	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Angola	Ba2	B+	BB-	NR	B	B
Bahrain	Baa3	BBB-	BBB-	NR	A-3	F3
Benin	NR	NR	WD	NR	NR	WD
Botswana	A2	A-	NR	NR	A-2	NR
Burkina Faso	NR	B-	NR	NR	B	NR
Cameroon	NR	B	B	NR	B	NR
Cape Verde	NR	B	B	NR	B	B
Egypt	B3	B-	B	NR	B	B
Emirate of Abu Dhabi	Aa2	AA	AA	NR	A-1+	F1+
Ethiopia	B1	B	B	NR	B	B
Gabon	Ba3	B+	B+	NR	B	B
Ghana	B3	B-	B	NR	B	B
Iran	NR	NR	NR	WR	NR	NR
Israel	A1	A+	A	NR	A-1	F1
Ivory Coast	B1	NR	B	NP	NR	B
Jordan	B1	BB-	NR	NR	B	NR
Kenya	B1	B+	B+	NR	B	B
Kuwait	Aa2	AA	AA	NR	A-1+	F1+
Lebanon	B2	B-	B	NP	B	B
Lesotho	NR	NR	BB-	NR	NR	B
Libya	NR	NR	WD	NR	NR	WD
Mali	NR	NR	WD	NR	NR	NR
Mauritius	Baa1	NR	NR	NR	NR	NR
Morocco	Ba1	BBB-	BBB-	NR	A-3	F3
Mozambique	B1	B-*-	B+	NR	B*-	B
Namibia	Baa3	NR	BBB-	NR	NR	F3
Nigeria	Ba3	B+	BB-	NR	B	B
Oman	A1	A-	NR	NR	A-2	NR
Qatar	Aa2	AA	AA	NR	A-1+	F1+
Republic of Congo	Ba3	B	B+	NR	B	B
Republic of Zambia	B1	B	B	NR	B	B
Rwanda	NR	B+	B+	NR	B	B
Saudi Arabia	Aa3	AA-	AA	NR	A-1+	F1+
Senegal	B1	B+	NR	NR	B	NR
Seychelles	NR	NR	BB-	NR	NR	B
South Africa	Baa2	BBB-	BBB	P-2	A-3	F3
Tunisia	Ba3	NR	BB-	NR	NR	B
Uganda	B1	B	B+	NR	B	B
United Arab Emirates	Aa2	NR	NR	NR	NR	NR

Sources: Bloomberg, Eaglestone Advisory

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

North and South America - Asia

03-08-2015	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Argentina	Ca	Sdu	RD	NR	Sdu	RD
Australia	Aaa	AAAu	AAA	NR	A-1+u	F1+
Brazil	Baa2	BBB-	BBB	NR	A-3	F2
Canada	Aaa	AAA	AAA	NR	A-1+	F1+
China	Aa3	AA-	A+	NR	A-1+	F1
Colombia	Baa2	BBB	BBB	NR	A-2	F2
Hong Kong	Aa1	AAA	AA+	NR	A-1+	F1+
India	Baa3	BBB-u	BBB-	NR	A-3u	F3
Japan	A1	AA-u	A	NR	A-1+u	F1
Macau	Aa2	NR	AA-	NR	NR	F1+
Mexico	A3	BBB+	BBB+	WR	A-2	F2
Singapore	Aaa	AAAu	AAA	NR	A-1+u	F1+
Uruguay	Baa2	BBB	BBB-	NR	A-2	F3
Venezuela	Caa3	CCC	CCC	NR	C	C
United States	Aaa	AA+u	AAA	NR	A-1+u	F1+

Sources: Bloomberg, Eaglestone Advisory

Eurozone

03-08-2015	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Austria	Aaa	AA+	AA+	P-1	A-1+	F1+
Belgium	Aa3	AAu	AA	NR	A-1+u	F1+
Cyprus	B3	B+	B-	NP	B	B
Estonia	A1	AA-	A+	NR	A-1+	F1
Finland	Aaa	AA+	AAA	NR	A-1+	F1+
France	Aa1	AAu	AA	NR	A-1+u	F1+
Germany	Aaa	AAAu	AAA	NR	A-1+u	F1+
Greece	Caa3*-	CCC+	CC	NP	C	C
Ireland	Baa1	A+	A-	P-2	A-1	F1
Italy	Baa2	BBB- u	BBB+	P-2	A-3u	F2
Latvia	A3	A-	A-	NR	A-2	F1
Lithuania	A3	A-	A-	NR	A-2	F1
Luxembourg	Aaa	AAA	AAA	NR	A-1+	F1+
Malta	A3	BBB+	A	NR	A-2	F1
Neherlands	Aaa	AA+u	AAA	P-1	A-1+u	F1+
Portugal	Ba1	BBu	BB+	NR	Bu	B
Slovakia	A2	A+	A+	NR	A-1	F1
Slovenia	Baa3	A-	BBB+	NR	A-2	F2
Spain	Baa2	BBB	BBB +	P-2	A-2	F2
United Kingdom	Aa1	AAAu	AA+	NR	A-1+u	F1+

Sources: Bloomberg, Eaglestone Advisory

IMF, WORLD BANK & AFRICAN DEVELOPMENT BANK

AfDB Supports Competitiveness of Moroccan Economy with $114.5 Million

The African Development Bank Group (AfDB) and the Government of the Kingdom of Morocco signed on 28 July 2015 three funding agreements in Casablanca, Morocco, for one loan and two grants to a total of $114.5 million, or about 1.13 billion dirhams. The signing ceremony was co-chaired by the Moroccan Minister of Economy and Finance, Mohammed Boussaid, and the President of the AfDB, Donald Kaberuka.

The funding of a loan of $112.5 million for the Programme to Support the Competitiveness of the Moroccan Economy (PACEM) is a first response by the Bank to enable Morocco to overcome constraints jointly identified when conducting the Growth Diagnostic. The reforms supported will enable improvement not only of the climate for private investment (the legal framework, business climate and entrepreneurship) but also of the effectiveness of public investment (governance and procurement).

Implementation of these reforms will also be helped by strengthening two institutions, thanks to two grants.

- The first, of approximately $1.1 million to the Head of Government's Office, will provide support for the creation of a pilot business intelligence unit to strengthen the service coordination role of the Head of Government.
- The second grant, also of $1.1 million, will go to the Treasury and External Finance Department and will enable this institution, which coordinates foreign finance and manages the debt, to better meet new world challenges.

The AfDB stressed that the authorities have put significant structural reforms in place throughout recent years that have improved the macroeconomic fundamentals and sustained growth. This is why the AfDB has every confidence in Morocco's ability to implement these programmes for the reform and capacity-building of institutions, in order to promote stronger, more resilient and more inclusive growth.

The Bank's asset portfolio in Morocco consists of 33 current operations with a net commitment of some 21.3 billion dirhams. The average value of each of these operations is 140 million UA. The portfolio is predominantly composed of the infrastructure sector (including transport, energy, water and sanitation) and governance. *(AFDB)*

Mozambique economy: New push to improve financial inclusion

A World Bank-funded National Strategy for Financial Inclusion for Mozambique will be launched in September, following the start of a public consultation process on July 20th.

Efforts to boost financial inclusion come at a time of buoyant growth in Mozambique's banking industry. Last year saw a 20% rise in bank assets, loans and deposits, according to the Banco de Moçambique (BdM, the central bank), as well as a spate of international banks entering the market. The BdM's long-term strategy sets out to ensure that banking sector growth supports socioeconomic development, by improving access to, and understanding of, financial services. The financial inclusion strategy will have a particular focus on small and medium-sized enterprises (SMEs). In theory, access to capital provides SMEs with the means to invest, which, in turn, boosts the productive capacities of their operations and supports economic growth and poverty reduction.

Although this logic is sound, its success depends on the type of capital that SMEs access. In recent years, Mozambique has seen rapid growth in non-bank borrowing, from either informal money lenders or microfinance institutions (MFIs). Many of Mozambique's MFIs are backed by development agencies and extend credit to poor clients for business development purposes. However, there are also rising numbers of private MFIs. Unsecured loans from private MFIs often carry high lending rates and short-term repayment periods, which limits borrowers' ability to invest the capital.

In India, and to a lesser extent South Africa, the growth of an unregulated private MFI industry has given rise to destructive debt cycles, particularly among the poor. There have been some calls among civil society for Mozambique to follow Zambia by introducing price caps on short-term lending. There is, however, no guarantee that this will actually bring down short-term lending costs as MFIs simply stop offering the small loans that become unprofitable. Nonetheless, as long as Mozambique's rural areas remain unserved by formal banking services, growth in the "non-bank" industry is set to continue. Success of the BdM's new financial inclusion strategy will, therefore, require a twin focus on improving access to formal banks and improving supervision of the non-banks. *(Economist Intelligence Unit)*

AfDB issues $20 million infrastructure bonds to a Japanese life insurance company

The African Development Bank (AfDB) recently sold USD 20 million in infrastructure bonds to Fukoku Mutual Life Insurance Company (Fukoku Life). The company was the sole investor in the bond.

Issuance of the infrastructure bonds is one of the alternative financing solutions which can support investments in various infrastructure projects while securing capital to match long-term needs.

Africa still has massive infrastructure needs. Bridging the infrastructure gap could increase GDP growth by an estimated two percentage points a year. Since inception, and more recently through its Private Sector Operations department, the AfDB has been, and is still making substantial contributions to infrastructure development in Africa. The Bank’s investments in transport, energy, ICT and water, have resulted in improved quality of life for tens of millions of people across Africa.

Infrastructure development is one of the five operational priorities under the Bank’s ten-year strategy (2013-2022).The AfDB intends to significantly increase infrastructure financing on the continent - not just through its own lending- but by leveraging its financial resources.

The Bank will use net profits from the infrastructure bonds to finance lending to infrastructure projects.
Fukoku Life says the infrastructure bonds could offer attractive return on their policy holders' funds while achieving positive social impact in African nations.
The bonds were offered to Fukoku Life through a private placement format, with J.P. Morgan being the sole arranger of the bonds.

Summary Terms of the AfDB Infrastructure Bonds

Issuer	African Development Bank（AfDB）
Currency	USD
Issue Amount (Settlement Amount)	20,000,000 USD
Settlement Date	24 July 2015
Maturity Date	24 July 2025
Dealer	J.P. Morgan Securities plc

Infrastructure : Africa50, a step change for infrastructure financing and development in Africa

Africa50, the new and innovative infrastructure investment platform promoted by the African Development Bank (AfDB) held its Constitutive General Assembly on the 29th of July 2015 in Casablanca, Morocco. Twenty (20) African countries and the AfDB have subscribed for an initial aggregate amount of USD 830 million in share capital.
These founding African countries are Benin, Cameroon, Congo, Djibouti, Egypt, Gabon, Ghana, Côte d'Ivoire, Madagascar, Malawi, Mali, Mauritania, Morocco, Nigeria, Niger, Senegal, Sierra Leone, Sudan, The Gambia and Togo.
While this first closing was available only to African countries, it is anticipated that the second and subsequent closings will be available not only to African countries that are yet to invest in Africa50, but also non-sovereign investors both in Africa and outside Africa. The second closing is expected before the end of 2015.
Speaking at this historic event, Donald Kaberuka, President of AfDB and current Chairman of the Boards of Directors of Africa50, said "the large presence of African States and their financial commitments are a testimony to a shared vision to find new ways to accelerate the provision of infrastructure. Africa50 will be a step change for infrastructure financing and development in Africa".
Africa50's raison d'être is to mobilize long-term savings within and outside Africa for the financing of commercially viable infrastructure projects across Africa. Through an integrated approach, Africa50 will invest in African infrastructure projects at scale along the entire project finance value chain leveraging its innovative Project Finance and Project Development windows.
The strong expression of commitment by the African countries is a necessary first step towards attracting institutional investors, including sovereign wealth funds, pension funds, insurance companies and other sources of long-term finance around the world. Africa50's medium term capitalization is projected to reach USD 3 billion.
During the Constitutive General Meeting, Africa50's founding members signed the articles of incorporation, which enshrine the highest standards of corporate governance. Africa50 is headquartered in Casablanca, Morocco. A headquarters agreement was signed with the Kingdom of Morocco that confers upon Africa50 a range of privileges and immunities similar to those enjoyed by the African Development Bank. Other decisions taken at the meeting included the appointments of the members of the Boards of Directors of the Project Finance and Project Development vehicles and also the appointment of KPMG as external auditors.
The Minister of Finance of Morocco, Mohamed Boussaid, stated that Africa50 is an idea whose time has come and that the Constitutive General Assembly is an important first step towards making it a reality.
The newly elected Boards of Directors met after the Constitutive General Assembly and has launched the recruitment of the Chief Executive Officer of Africa50 through an international competitive selection process. In the meantime, the Board has appointed Alassane Ba as the acting Chief Executive Officer, as part of measures to immediately operationalize Africa50. Africa50 expects to start developing and financing projects before the end of 2015.
About Africa50: Africa50 is an innovative vehicle promoted by the African Development Bank and designed to help accelerate infrastructure development in Africa. Africa50 has two main operating windows: Project Financing and Project Development. Both are incorporated in Casablanca, Morocco and enjoy certain privileges and immunities. While adopting a strong public private sector approach in the development of its business, Africa50 is founded on the highest of corporate governance, ethical, financial, environmental and social responsibility frameworks. For more information please visit: www.africa50.org *(AFDB)*

Ghana – Sankofa Gas Project
IDA Guarantee: $500 million equivalent
IBRD Enclave Loan Guarantee: $200 million equivalent
Terms: Maturity = 22 years; Grace = 0
Project ID: P152670
Project Description: The project aims to increase the availability of natural gas for clean power generation in Ghana by leveraging private capital investment. *(World Bank)*

What is the Sankofa Gas Project?

- The Sankofa Gas Project aims to develop offshore natural gas located in deep water 60km offshore of Western Ghana.
- The gas from the project will fuel up to 1,000MW of domestic power generation, or about 40% of Ghana's currently installed generation capacity. This will help improve the reliability of power services in Ghana, replacing the current use of expensive, polluting fuels (imported light crude oil) with cleaner and more affordable gas resources. Once the project is operational, Ghana will be able to reduce its oil imports by 12 million barrels per year and reduce CO2 emissions by around 8 million tons over five years.
- The exploration and commercialization of the gas will be carried out by two private investors, Eni of Italy and Vitol Group of the Netherlands, in close partnership with Ghana's National Petroleum Corporation, (GNPC). The Sankofa gas field is part of a wider complex called the Offshore Cape Three Points (OCTP). The OCTP includes an oil field that will be explored by the same private investors to Sankofa Gas.
- While the exploration of gas and oil fields will share a floating production and storage vessel, the commercial arrangements for the oil field and natural gas exploration are strictly separate. World Bank Guarantees only support the commercial arrangements for the Sankofa Gas development.
- Total investment in the development of the OCTP are estimated to be $7.9 billion over the life of the project. This represents the largest foreign direct investment in Ghana's history.

What is the nature of the World Bank support to the project?

The World Bank is supporting this project through a unique combination of IBRD and IDA guarantees. This innovative mix for a total of $700 million will help mobilize $7.9 billion by the private sector. Specifically:

- *IDA Payment guarantee ($500 million):* covering the risks of non-payment by GNPC of its payment obligations under the Gas Sales Agreement.
- *IBRD Enclave Loan guarantees ($200 million)*: supporting the project financing for the private sector by covering debt service defaults, as a result of breach of specified contractual obligations by GNPC and the Government of Ghana.

Why is this project transformational for Ghana?

- Developing domestic natural gas resources in Ghana is a priority to improve the country's energy services, ease the financial imbalances of the energy sector, decrease subsidies, and create an additional fiscal revenue stream for the government.
- More affordable and locally available natural gas for power generation will ensure a cleaner, more secure power supply, better service delivery and less power rationing as currently experienced by Ghanaian consumers.
- The Sankofa gas project is expected to create US$2.3 billion of revenues for Ghana. Close to 90 % of the economic benefits are expected to be captured directly or indirectly by Ghana through additional revenues or through fuel cost savings.

How will the revenues from this project be transparently managed for Ghana's benefit?

- Ghana has a solid regulatory and legal framework which regulates the use of petroleum revenues - the Petroleum Revenue Management Act (PRMA). This framework ensures that petroleum revenues are allocated and used in a responsible manner.
- Automatic payments from the PRMA are made into the Petroleum Holding Fund, then they are allocated between:
  - the Ghana Consolidated Budget
  - the Ghana Stabilization Fund (to manage periods of unanticipated petroleum revenue shortfalls); and
  - the Ghana Heritage Fund (to provide an endowment to support development for future generations when petroleum reserves are depleted).
- The Act specifies the uses of these Funds and prohibits the use of oil revenues as collateral for debt. The largest share of revenues goes to the Stabilization Fund or the Heritage fund (for future generations) following a pre-determined formula.
- The allocation and balance of each Fund is publicly disclosed semi-annually. PRMA regulations cannot be altered without Parliamentary approval.

How will the project ensure the highest environmental and social standards?

- The project is being designed in accordance with best international practice and World Bank Group Environmental, Health and Safety Guidelines, including among other things state-of-the-art blowout preventers on all wells, a zero-flaring policy, and an Oil Spill Contingency Plan that the Bank Group has reviewed and found acceptable.
- The Environmental, Social, and Health Impact Assessment (ESHIA) has been prepared for the project in accordance with the World Bank Performance Standards has been reviewed and disclosed by the World Bank Group. ESHIA preparation included extensive consultation with national, regional, and local stakeholders. *(World Bank)*

INVESTMENTS

UN boosts trade presence in East Africa

The UN is opening a new trade office in Ethiopia in a bid to boost lagging commerce between African nations. Addis Ababa will play host to a regional office of the United Nations Conference on Trade and Development, which will disburse advice to policymakers and other professionals.

The new office will be headed by Joy Kategekwa, a former Ugandan official with the World Trade Organisation.

Kategekwa led the WTO's support efforts for African delegations at the crucial Doha round of trade talks, an ambitious global effort to lower barriers which ultimately stalled as a result of disagreements between developed and developing nations.

Kategekwa, who also previously worked on trade issues at Oxfam and represented Uganda in its permanent mission to the United Nations, said the office would deliver support to the African Union Commission and member states as they negotiate a Continental Free Trade Area. Policymakers are mired in tough negotiations in a bid to establish the CFTA by 2017. It has been estimated that the initiative could stimulate intra-African trade by up to $35 billion per year.

Despite a significant increase in trade between Africa and other global regions, intra-African trade has yet to catch on. According to UN figures, the share of intra-African trade in Africa's total trade over the past decade was about 11%, compared to 21% for Latin America and the Caribbean, 50% for developing Asia and 70% for Europe.

In a recent policy paper, UNCTAD said that failures to implement regional trade agreements had held back the continent's trade agenda. The organisation urged African governments to set more realistic goals and timelines for new agreements, while reducing the number of overlapping regional economic communities.

Mukhisa Kituyi, secretary-general of UNCTAD, said the new office would help to turn trade discussions into workable policy goals. "Africa is at a crossroads in its trade agenda. Never has the political momentum and support for deeper trade integration been higher on the continent…Having UNCTAD on the ground provides Africa the opportunity to use UNCTAD's extensive technical and analytical resources," he said. *(African Business)*

East Africa Emerges as Global Hub For Impact Investing

Investments focused on fostering social or environmental goals are playing an increasing role in East Africa, which a new report says is a global center for so-called impact investing.

Nearly $10 billion in impact-investment funds have flowed into East Africa, the report, produced by the U.K. Department for International Development (DFID), the Global Impact Investing Network (GIIN) and Open Capital Advisors, reveals.

Nairobi is the nexus of this funding and the base for many of the managers handling it, the report says, with about half of the $9.3 billion invested in Kenya. Neighboring Uganda and Tanzania receive 13% and 12% of the pie respectively. Ethiopia is trailing at 7% of the total.

According to the report, impact investment is becoming an increasingly significant component of overall investment in the region. The report defines impact investors as "those who invest with the intention to generate a beneficial social or environmental impact alongside a financial return—and who seek to measure the social or environmental returns generated by their investments."

The report notes, however, that the overwhelming majority of the $9.3 billion total comes from development finance institutions (DFIs), organizations such as the World Bank that have traditionally dominated the financing space in the developing world. Only $1.4 billion of the total comes from funds that aren't related to DFIs, a sign that, while the impact-investment world is gathering pace, it's still dominated by traditional sources of funding.

Nairobi alone is home to dozens of such funds, often co-financed by state aid agencies from developed countries, and private-sector players, such as major Western banks.

Kenya will stay at the forefront of this type of investment in future, the report says, in part because of its better-educated workforce and relatively open markets. Still, the positive financial outcomes of impact funding—in the profitability sense—are yet to be seen broadly, as few funds have successfully exited investments, the report notes.

It also says many potential target companies are not yet ready for investment, and that there is a dearth of senior talent and limited bank lending for smaller companies, making investing in the region challenging.

Amit Bouri, chief executive of GIIN, says East Africa is generating a great deal of excitement among impact investors and the key problems they're facing aren't unique to these investors but affect small and medium-sized enterprises more generally. These smaller firms struggle with access to financing and are vulnerable to slumps in growth or other events that can influence the environment in which they operate.

"There's a tremendous potential for socially and environmentally focused businesses in East Africa," Bouri told the Wall Street Journal. "That said, it's hard work, just as all investing is tough."

The sector attracting most interest is financial services, which accounts for almost 30% of capital disbursed. Other sectors getting attention include agriculture, energy, tourism and fast-moving consumer goods—essentially those that stand to benefit from the ballooning middle class in Kenya and beyond.

Impact investors often find themselves co-investing alongside purely profit-driven firms. For example, Bridge International Academies, a well-known chain of privately owned, low-cost schools in Kenya and Uganda, boasts Bill Gates and Mark Zuckerberg as investors alongside the DFID impact fund.

That coexistence isn't always easy, Bridge's cofounder Shannon May told the Wall Street Journal in an interview earlier this year. Impact investors are often chasing different outcomes and using different measures for success than private-sector investors. That can become cumbersome for these companies, in terms of financial reporting.

It's also tricky to measure success, when some investors are pursuing profits and others socially beneficial outcomes.

The impact-investing sector also faces a perception hurdle, with skeptics claiming that prioritizing social goals undermines financial ones, Bouri says.

Research published recently by GIIN suggests that is not the case, though. Its report on the study, released in May this year, said: "In aggregate, impact investment funds launched between 1998 and 2004—those that are largely realized—have outperformed funds in a comparative universe of conventional [private investment] funds." *(Wall Street Journal)*

Japan – Africa: Retying the knot

From 31st August to 2nd September, African Business will be hosting the Africa-Japan Business Investment Forum, an exclusive two-day strategic event that brings together Africa's top business leaders and a delegation of Japanese investors seeking new partners and opportunities across the continent. Last year, Neil Ford took a look at the expanding links between Japan and the continent.

Japan is often ignored in the debate over foreign investment in Africa. Given its position as the third-biggest economy in the world, the country has certainly not played as big a role as might be expected, yet globalisation has forced Tokyo to re-evaluate the relevance of African economies and to look beyond the attraction of raw materials.

A fine balancing act

Japan's relations with the African continent were very limited until after the wave of independence in the 1960s and even today just 1% of Japan's trade is with Africa. Economic ties are therefor still limited, but the last Tokyo International Conference on African Development (TICAD V) has highlighted a new Japanese interest in Africa.

At the same time, the state overseas development arm, the Japan International Cooperation Agency (JICA), is becoming more involved in major infrastructural projects, in Eastern Africa in particular.

Between 1973 and 2013, Japan gave $18bn in aid to Africa, split roughly equally between North and sub-Saharan Africa, but it is now following the increasingly common pattern of focusing more money on a smaller number of countries. Kenya is by far the biggest aid recipient but another eight countries have been targeted: Tanzania, Uganda, Mozambique, Zambia, Botswana, Mauritius, Cameroon and Cape Verde.

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Like China, much of Japan's investment in Africa revolves around infrastructural projects. In May, JICA, the government of Mozambique and Mozambique's state-owned transport utility Portos e Caminhos de Ferro de Moçambique signed final agreements on the massive expansion of the Port of Nacala in Mozambique's Nampula Province.

JICA is to provide a $32m grant and $200m loan to fund the redevelopment of the port. Nacala is reputed to be the deepest natural harbour on the entire east coast of Africa but has been underused since the outbreak of the Mozambican civil war.

Now, however, the port has been thrust centre stage thanks to emergence of Mozambique's new coal industry in Tete Province in the northwest of the country. Nacala is one of three ports scheduled to handle coal exports that could exceed 100m tonnes a year by 2025 and its deepwater harbour should allow access for the giant vessels that are beginning to dominate international coal transport.

At the same time, Nacala has been earmarked as the main container and general cargo port for the northern half of Mozambique, as Maputo seeks to spread the benefits of coal and gas exports across the region.

Japanese firm Penta-Ocean Construction Company has been awarded the contract to develop the port, including the upgrade of the north pier and the construction of a new rail terminal, which began in March. In common with many other governments, Japanese aid and development loans are often used to fund projects that are being undertaken by Japanese companies.

JICA will finance the construction of the new container terminal and purchase of cargo handling equipment. Indeed, JICA and Tokyo are providing a total of $670m to Mozambique over five years, much of it to the north of the country.

Japan International Cooperation Agency Further north, the agency has agreed to provide a $100m loan to help fund the construction of the $140m Second Nile Bridge in Uganda, which will connect the towns of Njeru and Jinja. The loan will be virtually interest free, with the first payment not due until 2024, although even then there is an option to extend it.

Japan's own Zenitaka Corporation has won the contract to construct the 525-metre bridge in partnership with South Korea's Hyundai Engineering and Construction Company.

The existing Nalubaale Bridge was built in the 1950s and is unable to cope with the volume of east-west traffic in the area. The new bridge, which will be located 80km east of Kampala, will improve links between the Port of Mombasa and the Ugandan capital, Rwanda, Burundi, and Democratic Republic of Congo as far as the Atlantic port of Matadi. As in Mozambique, JICA is trying to focus its development along specific transport arteries.

It is also funding the construction of the second container terminal at the Port of Mombasa. Demand at the existing terminal is rapidly approaching 1m standard-size containers – or TEU – a year, way beyond its design capacity and it suffers from periodic congestion problems.

Work on constructing the new terminal at Kilindini Port began in March 2014 following the conclusion of a Y26.711bn ($261m) loan from JICA. The facility will have handling capacity of 1.2m TEU a year. A spokesperson for the Japanese Embassy in Kenya commented: "The Mombasa Port Development Project is one of the biggest single ODA projects in Japan's history of economic cooperation to Kenya." The project is due for completion in 2016.

JICA is spending almost as much money on the construction of the Dongo Kundu bypass to connect the Mombasa-Nairobi road with the Mombasa-Lunga Lunga road. The new road will ease the movement of freight to and from the port, reduce demand for the Likoni Ferry and improve access to Moi International Airport.

In June, JICA signed a Memorandum of Understanding (MOU) with the New Partnership for Africa's Development (NEPAD) regarding cooperation on infrastructural projects and agricultural development. They issued a joint statement that revealed: "Priority areas of cooperation will focus on the implementation and monitoring of the Programme for Infrastructure Development in Africa (PIDA), in particular project preparation and evaluation."

In agriculture, JICA will support the Coalition for African Rice Development, which is part of the Comprehensive Africa Agriculture Development Programme, in an effort to double rice production on the continent as a whole to 28m tonnes a year between 2012 and 2018.JICA is also supported by a number of other state bodies, including the Japan Bank for International Cooperation (JBIC), which funded the construction of a 120 MW tranche of the Zafarana wind farm in Egypt in 2007 at a cost of $125m. JBIC signed a $150m loan agreement with South Africa's Standard Bank in 2009 to improve trade finance on the continent and indeed has provided more than $1.2bn to South Africa over the past six years, including $470m to Eskom.At the same time, Japan's Ministry of Economy, Trade and Industry (METI) has been tasked by the government with promoting public-private partnerships with the continent.

Japanese private sector involvement is currently rather piecemeal. Anglophone markets are particularly attractive for Japanese car exporters because they prefer the right-hand-drive models that are produced in Japan. They also import construction equipment from Japan, including forklifts and bulldozers.

About one third of all Japanese investment in Africa goes to just one country: South Africa. Most recently, Nippon Telegraph and Telephone bought Dimension Data for $3.2bn. East Africa accounts for about another 20%, with investment in Tanzanian textiles, paper and furniture manufacturing. Nigeria is not as popular a destination for foreign direct investment as might be assumed, although several acquisitions in food processing and electronics have been made in recent years. *(African Business)*

AfDB President Urges Japanese Businesses to Invest in Africa

The President of the African Development Bank Group (AfDB) Donald Kaberuka, has urged Japanese businesses to take advantage of the comparative cost of labour to invest in mutually beneficial production in Africa.

Speaking at the end of a two-day farewell visit to Tokyo, Kaberuka said both sides would benefit if Japanese authorities could assist their firms to set up businesses in Africa while urging African governments to enable such companies establish viable businesses especially in the energy sector.

He commended the decision to organize the sixth Tokyo International Conference on African Development (TICAD) in Africa in 2016, and underscored the need for the conference to build on the momentum and outcomes of TICAD V held in Yokohama in 2013, by scaling up the conversation between the governments and businesses on both sides.

During the Visit, the AfDB President met Prime Minister Shinzo Abe, the minister of finance and deputy prime minister, Taro Aso; the President of Japan International Cooperation Agency (JICA), Akihito Tanaka, and Central Bank Governor, Haruhiko Kuroda, among other top government officials and business leaders. He also gave a talk on how to further consolidate relations between African and Japan at a luncheon attended by the African Diplomatic Corps in Japan.

Japan joined the African Development Fund (ADF) in June 1973 and the African Development Bank (AfDB) in December 1982. Japan is the second largest contributor to ADF in cumulative terms after the United States and the third largest shareholder in the AfDB after the United States and Nigeria.

In addition to TICAD organized every five years since 1993, Japan collaborates with the Bank Group in many areas including the Japan Policy and Human Resources Development Grant (PHRDG) and the Joint Bank-Japan Enhanced Private Sector Assistance (EPSA) Initiative, among others. The Bank opened its first external representation office in Tokyo in October 2012 and has been strengthening its ties with Asian member countries of Japan, China, South Korea and India. *(AFDB)*

Italian cement company plans to invest in Angola

The Italian ambassador to Angola, Giorgio Di Pietrogiacomo told the Angolan minister of Geology and Mining, Francisco Queiroz that his country intends to diversify imports, which currently focus on oil. The diplomat said Italy was interested in the agricultural sector and in the mining industry and that Italian company "Italcementi" intends to enter the cement market in Angola. Di Pietrogiacomo told reporters after the meeting that trade between Italy and

Angola in 2014 reached over 1.24 billion euros. "Italy imported more than 900 million euros in oil and exported goods to Angola worth 340 million euros," he said. *(Macauhub)*

Angola investment agency awards prizes to businesses

The National Agency for Private Investment (ANIP) of Angola gave awards to 17 companies that signed investment contracts and carried out the project as agreed during the 3rd edition of ANIP awards, Angolan news agency Angop reported.

Among the projects to receive an award was Angolata, a company specialising in the production of cans, which, in addition to the ANIP award, received the distinction of "Best investment project in Southern Africa" resulting from participation, through the agency, in an exhibition in the United Arab Emirates. The company's representative at the ceremony, Peter Mashangu, said the award was an incentive to increase production, which is currently 1.4 million cans per year, and is insufficient to meet domestic demand.

The group of 17 winners also included detergents factory Africa Future, a proposed private investment project with two production lines, the first of which produces liquid detergent and vinegar and the second toilet paper and napkins. The company's representative Sebastião de Lencastre, said the first phase of the project represented an investment of US$10 million, and the second phase was budgeted at US$5 million. The 2015 ANIP Awards also gave awards to Jardins da Yaba, Acail Angola, EBM, Hotel Praia Morena, Afriperfil, CAM, Hotel Alvalade, INAR, Skyna Hotel, Hotel Terminus Lobito, Multiterminais, Hotel Kalunda, Vila Araújo, Nocebo and Sogester. *(Macauhub)*

Atterbury invests €200m to expand European footprint

South African property developer Atterbury has widened its European footprint, by investing in a €200-million retail portfolio in Cyprus, which comprised two key retail assets on the island nation.

The 27 000 m2 Mall of Cyprus, which formed part of the landmark 55 600 m2 Shacolas Emporium Park, in the island's capital and largest city Nicosia, as well as The Mall of Engomi, would be developed in collaboration with property capital growth fund Attacq. The properties were acquired from Cyprus's largest retail operator NK Shacolas Group, which planned to use the funds to develop a luxury golf and holiday home project – the Limni Resort. Speaking at a media briefing, Atterbury CEO Louis van der Watt said Cyprus represented a good opportunity for growth as the island performed ahead of expectations at each review date, with interest rates dropping by 1%. He added that there was renewed optimism on a political solution to reunite the Turkish northern and Greek southern parts of the island, thereby creating additional investment opportunities. Van der Watt further highlighted that it was also a market that remained untapped by other international property development businesses. Speaking to Engineering News Online, he said the cultural differences and language barriers that often deterred other property development companies from investing in foreign countries were opportunities for Atterbury, as first-mover advantage applied. "Whoever is prepared to cross that barrier is the one that's going to make the money," he explained. Meanwhile, Van der Watt added that, unlike Greece, Cyprus had already completed austerity measures and taken a haircut to repay its debt. Its economy was now growing and Atterbury Europe was able to make strategic investments at the bottom of the market, resulting in an excellent opportunity for upside benefit. Further, the company would, through the establishment of an office in Vienna, Austria – which would be run by Atterbury Eastern Europe Services MD Raoul de Villiers – continue to focus on growth opportunities on the continent, particularly Eastern Europe. The group believed that, owing to Eastern Europe's communist history, well-educated and skilled population, with high levels of employment across many industries, and mostly nonmortgaged home ownership, many consumers had higher disposable income. However, the supply of retail and retail centres was low compared with Western European standards. Moreover, many multinational retail brands had also identified the demand for more retail in the region and targeted the fast-growing Eastern European market as a growth opportunity. "Yet, they are faced with a scarcity of shopping centre space, making it difficult for them to enter this market. As a result, there are numerous opportunities for retail property development in the region," the group said in a statement. RETAIL DEVELOPMENTS The Mall of Cyprus hosted a 20 000 m2 standalone Ikea store and other freestanding retailers, including Carrefour, Zara, Debenhams, Intersport, McDonald's, Starbucks and many top multinational retailers. It attracted over five-million visitors a year. Atterbury was now in talks to expand the mall to further meet retailer and customer demand, with NK Shacolas Group subsidiary Woolworth Properties still owning a plot of 10 890 m2 next to the mall, worth €9-milllion, for which Atterbury would have the first right of refusal over the next two years. The Mall of Engomi, meanwhile, was located in a densely populated residential area with expansion and revitalisation potential. It had around 18 000 m2 of gross lettable area and tenants included Debenhams department store, Carrefour Hypermarket, Superhome Centre and various fashion outlets. With over 1.5-million visitors each year, an expansion was planned in the near future. *(Engineering News)*

BANKING

Banks

Barclays on track to buy African operations from mother company

BARCLAYS Africa said its ambitions to acquire the Egyptian and Zimbabwean operations from its mother company were still on track, but could not disclose how much it had earmarked to acquire those operations.

"Our ambition remains to do the acquisition of Zimbabwe and Egypt," Maria Ramos said at a teleconference morning.
Ms Ramos said despite the management changes at Barclays Plc in London, it had been confirmed that the ambitions to buy the Egyptian and Zimbabwean operations would be realised.
When Absa merged with eight of Barclays Africa's operations in 2013 to form Barclays Africa Group, the Zimbabwean and Egyptian operations were excluded from the R18bn deal. Barclays Africa CEO Maria Ramos said there was no timeline on when the Zimbabwean and Egyptian acquisition would be concluded, saying only that the process of negotiations would be accelerated.
Barclays Africa Group was also looking to enter the Nigerian market. It had submitted licence applications in the west African country but was awaiting a response. The banking group is looking to generate more earnings from the rest of Africa. It had set itself a target to generate 20%-25% of its revenue from the rest of Africa operations in 2016. Rest of Africa now contributes 20% of the revenue. Ms Ramos said Barclays Plc in London was strongly supportive of the African strategy and this was expressed in a recent visit to Johannesburg by newly appointed executive chairman John McFarlane.
In its results for the six months ended June 2015, the banking group said it expected earnings growth in its rest of Africa operations to exceed that of SA in the 2015 financial year. Barclays Africa said its rest of Africa operations grew headline earnings 22% to R1.2bn in the period under review, while SA saw an 8% rise to R5.5bn. The banking group posted an 11% rise in diluted headline earnings per share to 797c in the six months ended June 2015 and declared a dividend of 450c per share, up 13% from the previous comparable period. The retail and business banking operations had the biggest growth with headline earnings rising 17% to R4.7bn. The wealth, investment management and insurance segment reported a 14% rise in headline earnings to R751m and the corporate and investment banking division posted 3% growth to R1.9bn. Barclays Africa said group loans and advances to customers were up 7% to R674bn and credit impairments fell 1% to R3.5bn. Net interest income increased 7% to R18.5bn and noninterest income grew 4% to R13.9bn.
The bank said in the full year 2015 it would focus on revenue growth and cost management, a move that should help it improve its cost:income ratio. The cost:income ratio in the six months ended June 2015 improved to 55.9% from 56.4% previously. The return on equity rose to 16.4% from 16.1% in the previous corresponding period. Barclays Africa wants to achieve a return on equity target of 18%-20% in 2016. "Our growth strategy is now halfway through a three-year journey and these results demonstrate that it is working. We have done what we said we would by delivering a strong performance driven primarily by the turnaround of retail and business banking. Through targeted growth and cost reduction, we are successfully growing in our chosen areas," Ms Ramos said. *(BDLive)*

Kenya Commercial Bank to Raise Money for Expansion, Projects
Kenya Commercial Bank Ltd., the country's largest lender by market value, will raise capital over the next three years to expand in the region, Chief Executive Officer Joshua Oigara said.
The bank, based in Nairobi, will come to market as part of its plan to increase core capital to 140 billion shillings ($1.4 billion), Oigara said in an interview in the city. The company has set aside $250 million to start operations in new countries including the Democratic Republic of Congo, Mozambique and Ethiopia, he said. "We are increasing core capital because we want to take on bigger projects," Oigara said. "We are looking to expand into one country this year."
KCB, as it's known, earlier reported a 13 % increase in first-half profit to 9.24 billion shillings, as earnings from loans grew by a similar margin to 19.4 billion shillings. "Overall balance-sheet growth was above our expectations," said Francis Mwangi, head of research at Nairobi-based Standard Investment Bank Ltd. "Profit after tax was within our expectations and we retain our full-year estimate of 21 billion shillings."
KCB is aiming for annual profit growth of 15 % and "we are on target to achieve this," Oigara said. The lender plans to narrow the ratio of non-performing loans to 6 % by December from 7.3 % at the end of June, he said. "More customers are coming to the group, we are seeing huge expansion of loans and we already have loans today in excess of 80 billion shillings approved and not disbursed yet," he said.
KCB wants to finance projects that include petroleum ventures in Kenya, Uganda and Rwanda in East Africa, which has become a hotbed of oil and gas exploration and discoveries, he said. The bank's shares fell 1.9 % to 50.50 shillings by the close of trading in Nairobi, bringing losses this year to 11 %. *(Bloomberg)*
Barclays to sponsor PMI
British multinational banking and financial services firm Barclays has partnered with the Bureau for Economic Research (BER) at Stellenbosch University to sponsor the monthly manufacturing economic indicator, the Purchasing Managers' Index (PMI).
The index, now known as the Barclays PMI, was an established and important indicator of business conditions in South Africa. The index was previously sponsored by Kagiso Tiso Holdings, and called the Kagiso PMI. "The PMI is a reliable leading indicator for actual South African manufacturing production, as well as trends in the broader economy," Barclays Africa nonequity research head Jeff Gable said. Barclays' support for the index was in recognition of the importance of the manufacturing sector, which contributed 13.9% to South Africa's gross domestic product last year. It also recognised the importance of the PMI in monitoring the health of the sector. "The survey has sound academic foundations and is compiled on a monthly basis by the BER in association with the Chartered Institute of Purchasing

and Supply Southern Africa. “Since its inception in 1999, the manufacturing PMI became one of the key releases on the monthly data calendar and is used by business people, analysts and policy makers,” BER director Professor Ben Smit said. Released on the first working day of every month, the index was compiled based on a survey of purchasing managers in the manufacturing sector. The survey gauged monthly changes in business conditions including production, sales orders and employment, besides other factors. *(Engineering News)*

Markets

Zambia to issue up to $2 bln 10-year Eurobond - govt

Zambia will issue a 10-year Eurobond of as much as $2 billion, one of frontier Africa's biggest international bonds, to fund a widening budget deficit in the copper exporter, a presidential spokesman said. "We expect the Eurobond to be issued. It will be between $1.5 billion and $2 billion and the maturing date is 10 years," Amos Chanda, a spokesman for President Edgar Lungu, told Reuters.

Zambia's budget deficit is expected to swell to 20 billion kwacha ($2.64 billion) by the end of 2015 from an initial forecast of 8.5 billion kwacha. This will be the third Eurobond issued by Africa's No.2 copper producer. Its previous forays into the international capital markets were a debut $750 million bond in 2012 and a $1 billion bond last year.

African governments have taken advantage of rock-bottom borrowing costs and investors' hunger for yield in recent years, with foreign debt issuance rising from $67 million in 2008 to more than $8 billion last year, according to Thomson Reuters data.

Lusaka has stated a preference for external borrowing rather than domestic because it was cheaper, but with the U.S. Federal Reserve looking likely to raise interests by the end of the year the costs of servicing debt will rise.

Zambia's external debt currently stands at $4.8 billion, about 18.5 % of gross domestic product. Its domestic debt burden is $3.7 billion, about 14.2 % of GDP, finance minister Alexander Chikwanda said in June. ($1 = 7.5850 Zambian kwacha). *(Reuters)*

Kenya's bourse delays derivatives market launch to Q3

Kenya's Nairobi Securities Exchange has delayed the roll out of a derivatives market to this quarter from the earlier target date of the second quarter to adequately prepare the market for the launch, it said. NSE plans to offer derivative instruments, becoming the second bourse in Sub Sahara Africa to do so after Johannesburg, in a bid to boost liquidity. "The launch has been deferred slightly. We are targeting this quarter," the bourse said. "It is imperative that prior to launch of this product, the market understands clearly the positive impact of derivatives as tools to manage investment risk," it said. Progress had been made towards the setting up of the market, the NSE said, citing the establishment of a clearing house, a guarantee fund and an oversight committee made up of industry professionals. NSE wants to become the third biggest exchange on the continent, up from fifth currently, its chief executive, Geoffrey Odundo told Reuters in March. The Kenyan bourse serves as an entry point for foreign funds looking to tap into fast economic growth rates in east Africa but it currently ranks behind South Africa, Nigeria, Egypt and Morocco in terms of market size. *(Reuters)*

South Africa Raises Interest Rates-South African Reserve Bank cites persistent, elevated inflation for move

South Africa’s central bank raised its main interest rate in an effort to curb persistent rising inflation. The South African Reserve Bank raised its key interest, or “repo”, rate by a quarter of a percentage point to 6%, in line with expectations from the majority of economists.

The bank raised rates twice last year: by 0.50 point in January and by 0.25 point in July. Persistent slow economic growth has held back the bank from raising rates as high and as rapidly as Governor Lesetja Kganyago has said he would like.

But South Africa’s annual inflation rate has recently been ticking upward, to 4.7% in June from 3.9% in February and 4.6% a month earlier, though the June figure missed economists’ expectations for a jump up to 5%. The central bank raised its 2015 inflation forecast to 5%, from 4.9% in May. “The persistence of forecast inflation at elevated levels and the continued upside risks to the outlook remain a concern,” Mr. Kganyago said, adding that headline inflation is expected to breach the upper end of the bank’s target ceiling of 6% annually during the first two quarters of 2016.

But Mr. Kganyao said South Africa’s economy will likely grow just 2% this year. That is far below the 7% or 8% annual rate he has said is necessary to dent an official unemployment rate of over 26%, an 11-year high. “Domestically, the growth outlook remains weak, as both supply and demand sides remain constrained amid declining business and consumer confidence,” he said. Power outages, electricity tariff hikes, higher food prices, low commodity prices and contentious wage talks between gold mining companies and their workers’ unions are all expected to weigh heavily on the economy for the rest of 2015.

Mr. Kganyago also said the bank needs to raise rates to protect South Africa’s fragile economy and its rand currency, which fell to a 14-year low against the dollar in June, from an exodus of international capital after the Fed’s expected rate hike later this year. “The risks associated with financial market volatility related to the timing of the first increase in the U.S. policy rate persist,” Mr. Kganyago said. Higher rates can attract investors seeking strong returns to an economy. “We need to remind offshore markets that we are willing to tackle inflation, that we are willing to make a hard decision in South Africa,” Citi Global Markets Inc. economist Gina Schoeman said last week.

But since Mr. Kganyago succeeded former Governor Gill Marcus in November, he hadn't been able to raise the bank's key rate above its previous level of 5.75% because inflation and growth had both slowed. The economy grew just 1.3% in the first quarter, and the central bank said that it expects second-quarter growth to also come in around that level. "[Mr.] Kganyago has clearly decided it is time to take action with the rand weakening and prices rising," said Dennis de Jong, managing director at online broker UFX.com. "Inflation is on the rise and we'll have to wait and see if the change in borrowing rates has the desired effect—policy makers will be holding their breath." *(Wall Street Journal)*

South African Bonds Still Enticing Foreign Investors Wary of Fed

South African bonds are up against quickening inflation, rising interest rates and the prospect of a Federal Reserve rate increase. That's not deterring offshore investors.

South African rand debt attracted the largest inflows in July out of eight emerging markets including Russia, Turkey and Poland, according to data compiled by Bloomberg. Foreigners bought a net $600 million of the nation's bonds in the month, the most since April, the data show.

Benchmark yields have climbed 121 basis points since January, making them the fourth-highest among emerging-markets tracked by Bloomberg indexes. The sell-off pushed yields to a level where they compensate investors for the risk of a Fed rate increase, which would draw money to the dollar, as well as prompting a tightening by the South African Reserve Bank as inflation accelerates, according to Pioneer Investment Management Ltd. "We increased positions in the last three months," Hakan Aksoy, a portfolio manager at Pioneer, which oversees $244 billion, said by phone from London. "If there's another sell-off, we would like to increase duration risk" in South African debt, provided the Fed doesn't exceed expectations for rate increases this year, he said.

Economists project a 50 % chance the Fed will start with interest rate increases at its September meeting, according to the median probability of 46 economists in a Bloomberg News survey. Almost half the economists said the policy rate, currently near-zero, will end the year in a range of 0.5 % to 0.75 %.

Clear Signal

South African bonds could benefit if the Fed proceeds more cautiously, said Aksoy, who favors maturities from five to 15 years. Fed policy makers said the labor market and housing have improved, moving closer to ending an unprecedented period of near-zero interest rates, without providing a clear signal on the timing. "We are expecting a relatively slower rate hike process from the Fed," Aksoy said. In that case, "South Africa will benefit more than the other emerging-market countries" as the bonds have sold off more than most peers.

Yields on benchmark securities due December 2026 climbed 3 basis points to 8.28 % by 12:33 p.m in Johannesburg, the highest since July 7. The rand weakened 0.3 % to 12.7316 per dollar after slumping 1.3 % to a record low close.

Step Ahead

A weakening currency, rising inflation expectations and a desire to stay a step ahead of the Fed were among reasons cited by South African Reserve Bank Governor Lesetja Kganyago when he raised the policy rate for the first time in a year last week, to 6 % from 5.75 %.

The consumer inflation rate, which rose for a fourth month in June to 4.7 %, is forecast by the central bank to peak at 6.9 % in the first quarter of next year, and remain outside the 3 % to 6 % target for two quarters. The government projects the economy will grow 2 % this year, after expanding 1.5 % in 2014, the slowest pace since the 2009 recession. The low growth rate means a steep rate-hike cycle is unlikely, said Jonathan Myerson, head of fixed-income investments at Cadiz Asset Management Ltd. in Cape Town. That makes longer-maturity bonds attractive at current yields, he said. "The value is there," Myerson said by phone. "I certainly wouldn't be running away from them. I would, if anything, be adding to my positions." *(Bloomberg)*

Angolan companies listed on stock exchange starting in 2016

The Angola Debt and Securities Exchange (Bodiva) n 2016 will start listing companies with up-to-date accounts with good management practices, the executive director of the Capital Market Commission (CMC) said in Luanda. Patrício Vilar said at a seminar on capital markets for members of the 5th Commission on Economy and Finance of the National Assembly (parliament) that the CMC would create conditions for the launch of the stock market, with companies in a "stable" economic situation with "encouraging growth prospects."

These conditions are part of the Operational Programme for Preparing Enterprises for the Market, carried out by the CMC, through which companies from a variety of industries are advised to adopt transparency and corporate governance practices outlined in the securities code.

According to the director, cited by newspaper Jornal de Angola, if companies do not comply with the general accounting plan, as outlined by international standards, the result is a contraction in investment, particularly foreign investment. The seminar was part of promotional activities for the Capital Market Commission and comes at a stage where the need to diversify the economy brings new challenges to economic agents that can use the capital market as an alternative source of funding. At the meeting, the members of the 5th Commission on the Economy and Finance of the National Assembly analysed the state of the secondary market for government bonds, the programme to prepare the companies for the stock market, a financial education programme and admission of the CMC to the international organisation of securities commissions. *(Macauhub)*

Afinitas debuts on Botswana Stock Exchange

A new investment firm, Afinitas listed 213 million shares at P1 per share on the Botswana Stock Exchange (BSE) despite its Initial Public Offer (IPO) being heavily under-subscribed

The listing followed an IPO and private placement in which the company sold 2.7 million shares and 91.2 million shares respectively. Under the IPO, less than 10 % of the shares on offer were subscribed for as Afinitas had floated 28.8 million to the public. Local fund managers, African Alliance, Investec and Afena Capital participated in the private placement, giving them a respective 25 %, 7.5 % and 5.5 % shareholding in Afinitas. Afinitas Limited Executive Director, Leutlwetse Tumelo told Mmegi Business that despite the under–subscription, the IPO had performed well as 275 individual shareholders participated. "The key thing for us was to have a shareholder spread of 75 which is a minimum requirement for BSE. In fact, we have achieved that as 275 shareholders applied for a total of 2. 7 million shares," he said. Tumelo added that whichever amount of money that came in during the IPO was a bonus because they had already received huge investment money for the private placement, which is what the company needed.

According to Tumelo, they intend to penetrate the African market, citing that Botswana has the skills and money to invest in Africa and bring the profits home. "We are looking at Africa as a market; we have raised the money here and we are going to deploy the money in Africa and grow Botswana's presence in Africa. "We have the skills and the finance. All we need is to take that to Africa as there are plenty of opportunities, "said Tumelo. In the last two months, Afinitas raised approximately P92 million through a private placement. The funds will be deployed to achieve the pan-African investment strategy.

Currently, Afinitas is working on its first project, the Africa financial investment conference. For his part, Afinitas Limited Chairman Lesang Magang said the company is based in Botswana because of the flexible business environment and will help local businesses penetrate the African market. "This means that a lot of institutions or individuals can now use us as a vehicle to invest in a country miles away as we are able to spread their investment risk through this vehicle," he added. Furthermore, Magang said Afinitas would pursue a pan- African investment strategy and take advantage of investment opportunities across Africa as they have a view to generate returns for their shareholders. Afinitas was incorporated in May 2014, and accredited to the Botswana IFSC in December 2014, which Magang said was an important step in the development of the company and is expected to be very beneficial to the shareholders. "The listing is another significant milestone in the company and gives a platform for more investors to participant in the growth of the company," he added. Currently Afinitas directors include Tumelo, Magang, Dawn Pickering and managing director, Rupert McCammon, the current beneficial owner of the Africa Financial Successful Investment Conference (AFSIC). *(African Markets)*

East African Securities Exchange Association Cuts Share Transfer Time

The East African Securities Exchange Association (EASEA) has reduced the period of transferring securities (shares) from one stock exchange to another to between 24 to 48 hours from one week. The EASEA said the new move now makes transfer and trading of securities/ shares easier for investors in the region's stock exchanges. At the end of their 25th consultative meeting held last week in Kampala, the members of EASEA announced that movement of securities across East Africa has been made easier as a result of automated trading system in Nairobi, Dar-es-Salaam and Uganda securities exchanges.

The membership of EASEA which is composed of the chief executive officers of Nairobi Securities Exchange, Dar-es-Salaam stock exchange Uganda Securities Exchange, Rwanda Stock Exchange and the Central Depositary and Settlement Corporation of Kenya also announced that the period of settlement of traded share payments has also been reduced to three days in Kenya, Tanzania, Uganda and two days in Rwanda Stock Exchange.

In their joint communiqué EASEA members said: "The settlement cycle has been shortened from Transaction (T) T+5 to T+3 in the stock exchanges of Kenya, Uganda, Tanzania and T+2 in Rwanda Stock Exchange."

Globally, capital markets are increasingly automating and getting interconnected to facilitate the movements of shares and capital across international boards.

The EASEA chairman, also executive officer of Rwanda Stock Exchange, Mr Pierre Celestin Rwabukamba, told journalists that the issue of deeper integration of stock exchange in the region was top on the agenda of the meeting. "To attract global capital flows and participate in global capital markets, East Africa securities exchanges have initiated a project to adopt mutual modern technological system that meets different market needs. This innovation will boost the foundation for the regional integration of capital markets," he said. *(African Markets)*

Fund

Convergence Partners fund realises more than $200m

Convergence Partners, an investment management firm focused on the African telecommunications, media and technology sector, said it had closed its Convergence Partners Communication Infrastructure Fund, which now has capital of over $200m.

The fund reached its final close with capital commitments from institutions such as the Public Investment Corporation.

Other investors in the fund include Convergence Partners, the International Finance Corporation, European Investment Bank, Dutch Development Bank, Development Bank of Southern Africa and the CDC Group. This diverse range of investors adds to the depth and capability of the fund.

The fund will invest in a wide range of ICT infrastructure projects to improve access to technology as well as communication and broadband services. The fund has a strong pipeline, especially in West Africa, where Convergence Partners is opening a local Nigerian office. Brandon Doyle, CEO of Convergence Partners said that the demand for broadband and related services was exploding across the continent.
Convergence Partners chairman Andile Ngcaba said the fund's present size was well suited to the scale of infrastructure investment opportunities Convergence Partners was seeing across the continent. These opportunities included fibre, data centres, wireless-spectrum, and technology platforms that enabled e-learning and broadcast and media.
"Access to quality ICT infrastructure is a catalyst for more competitive and efficient business operations and provides new business models for traditional industries such as financial services, healthcare, education and retail; driving sustainable growth and socio-economic development," he said.
The fund has invested in Comsol, a wireless network company, FibreCo, a national long-haul network and Synergy Communications, an investment platform for enterprise and wholesale communication services providers in sub-Saharan Africa. *(BDLive)*

KZN municipalities seek R6.8bn in private sector funding for infrastructure projects

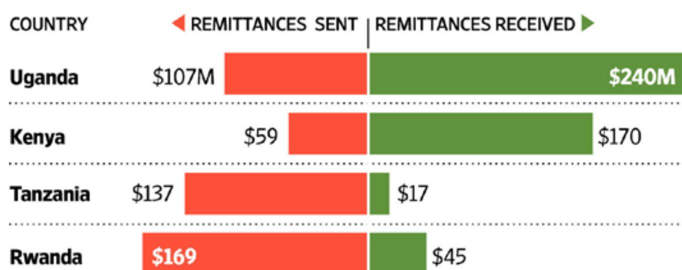
KwaZulu-Natal Treasury infrastructure funding specialist Tim Madgwick told delegates this week that the total depended on the sizes of individual projects. Many of those projects were still waiting funding but there was progress and the Treasury and project planners needed to keep "chipping away". He admitted that securing private sector funding was the only feasible way of delivering on the massive backlog of infrastructure in the province. Projects pitched at this years fair included the Sani Pass upgrade, pedestrian and vehicle bridges in rural KwaZulu-Natal, a number of bulk water projects, the upgrade of the Howick central business district, the construction of a fire station in Kokstad and the creation of a smart rural village in the Zululand town of Jozini. Madgwick said stakeholders in the KZN Funding fair were also looking to form a Corporate Social Investment trust in conjunction with Consulting Engineers South Africa (Cesa).
This would plug a funding hole for projects that had largely social benefits rather than tangible financial paybacks – a concern raised during presentations by the Development Bank of Southern Africa and other commercial banks. He stated that it was no secret that national government coffers were bare and that grant funding for projects was scarce. The provincial Treasury had obtained grant funding for R120-million for just one project – the establishment of technology hubs in Pietermaritzburg, Port Shepstone, Richards Bay and Newcastle – from the European Union.
The KwaZulu-Natal provincial government needed R1.3-trillion to sort out infrastructure backlogs in the province, Madgwick pointed out. As a result of unbudgeted wage increases following the public sector wage agreement, a further R1.6-billion would be reallocated from departments' infrastructure budgets this year, again compromising delivery of much-needed infrastructure, he added. Madgwick cautioned that alternative funding was highly regulated by government through legislation, often presenting a problem for various stakeholders considering public–private partnerships (PPPs) for key projects. However, he remained confident that a way could be found. "There are possibilities out there so we can't give up. It depends on both the public and the private sector to make sure that we can deliver."
The Funding Fair, he added, would provide the platform for not only bringing government and the private sector together but creating unity. "There is risk on both sides but, through this platform, we can facilitate relationships," he said. According to Madgwick, two still undisclosed projects to be funded through PPPs were close to finalisation and could be rolled out shortly. These would act as pilot projects.
Although there was a danger that PPPs may only be realised over periods of as long as five years, he said the Treasury was looking at international models and, in particular, at a UK model that stipulated that projects needed to be delivered within 18 months. Meanwhile, he added that the Treasury was creating a database of projects that it could link to potential funders. However, he requested that projects that were ready to be built rather than those still in the feasibility stages, be submitted for consideration. *(Engineering News)*

Tech

Africa Makes Leap in Cross-Border Mobile Payments

New partnerships aimed at getting a bigger slice of the $48 billion Africans sent and received last year

Africa's biggest telecommunications companies are striking deals allowing their customers to make payments across networks and borders, the latest stride in the continent's ascent as a leader in mobile financial technology.
Starting this month, London-based Vodafone Group PLC and South Africa's MTN Group Ltd. plan to allow customers in East and Central Africa to send each other money, the first time Africa's biggest telecoms have cooperated in the competitive mobile payment space.
Their new partnership could spur even more economic growth in these fast-growing markets, and drum up revenue for mobile companies in countries where demand for new cellphones and airtime has matured. Fierce competition is one reason MTN lost revenue per user in 19 of its 22 markets in the first quarter, MTN said. "Finally, [telecoms] woke up and smelled the coffee," said Hans Kuipers, a Johannesburg-based partner at the Boston Consulting Group. "In order to really develop a healthy ecosystem, you have to develop interconnectivity."



The telecoms also hope that their partnership will give them a bigger slice of the $48 billion the World Bank estimates that Africans sent and received as remittances during 2014 Until now, mobile companies have resisted "interoperable" partnerships as they raced to build their own market share. The most successful mobile-money service is the M-Pesa system started by Vodafone's Kenyan subsidiary Safaricom Ltd. in 2007.

Today Safaricom's 14 million M-Pesa customers pay for everything from safari lodge stays to taxi rides via the platform.

Now some of that cash could flow to MTN, via the new partnership that will allow payments between Vodafone subscribers in Kenya, the Democratic Republic of the Congo and Tanzania and MTN users in Uganda, Rwanda, South Sudan and Zambia. One hurdle has been getting central bank approval in each market to send and receive money from abroad, said Serigne Dioum, MTN's head of mobile financial services. As of May, MTN had approval to receive money in Uganda, as well as to send and receive money in Rwanda. Vodafone declined to comment. Mr. Dioum said MTN and Vodafone sought to pair countries where MTN was stronger with countries where Vodafone's subsidiaries dominate, creating broader regional reach for both companies. East Africa, he said, "is where our mobile money offers have more penetration and it is where mobile money is working well." MTN and Vodafone wouldn't say how they will split profits from the network-to-network, cross-border payments. Mr. Dioum said the partnership will cut fees for cross-border transfers from up to 20% of a transaction's value to 3% or less, something MTN achieved in a pilot partnership launched with Airtel Burkina Faso last year between Burkina Faso and neighboring Ivory Coast.

The World Bank says reducing such fees by just five percentage points would save Africans $16 billion a year. That's money customers might channel toward more mobile purchases, operators say."We want people to use their [mobile] wallet to perform every single transaction, including international money transfers," Mr. Dioum said. Last year, Ugandans sent $72 million in remittances to Kenya, according to data from the World Bank. Kenyans sent Ugandans $51 million.

Vodafone said it already has seen the benefits of interoperability following a February deal for its 7 million M-Pesa customers in Tanzania to transact with the 4 million Tanzanian customers of rival Tigo, a subsidiary of Millicom International Cellular SA. "The more people playing in the ecosystem, the better it is for everyone," said Greg Reeve, Millicom's head of mobile financial services. With the signing of that deal, which followed a different agreement between Tigo and two other Tanzanian carriers last year, Tanzania has become the most interoperable market in Africa.

Mortimer Hope, director of spectrum and public policy in Africa for the Global System for Mobile Communications Association, said, "In Tanzania, usage of mobile money was fairly good, but once there was interoperability, there was a steep increase in usage."

The association, which represents the interests of mobile operators world-wide, said many of its most innovative members are working in Africa, and that mobile-payment methods they pioneer may end up deployed from the U.S. to Japan. African operators say they are only starting to tap their homegrown potential. "We don't really know how big it is," said Michael Joseph, director of mobile money at Vodafone and former chief executive at Safaricom. "This is what we're starting to capture." *(Wall Street Journal)*

INFRASTRUCTURE

Mota-Engil completes road repairs in Luanda in November

Portuguese construction company Mota-Engil announced that work to improve dozens of roads in the centre of Luanda is due for completion in November. The director of Mota-Engil, António Graça, who is in Luanda with the Portuguese deputy prime minister Paulo Portas told Portuguese news agency Lusa that the work would be completed in time for Angola's independence celebrations on 11 November . The work, which began in May, is estimated to cost 65 million euros and involves repairing 100 kilometres of streets and avenues. The contract includes repair holes, sidewalks and curbs, replacement or placement of traffic signs, replacing manhole covers, painting curbs and road markings and involves around 250 workers. *(Macauhub)*

AfDB Considering Loan to Fund Expansion of Kenya's Main Airport

The African Development Bank is considering lending the Kenya Airports Authority as much as $100 million to fund construction of a new terminal and runway at Jomo Kenyatta International Airport in the capital, Nairobi.

“The bank is looking to play a significant role in the project,” Solomon Asamoah, vice president for infrastructure, private sector and regional integration at the Abidjan-based bank, said in a phone interview. Depending on the outcome of talks with the government, the AfDB “stands ready to assist with financing and other means,” he said.
The new terminal will have the capacity to handle 20 million passengers a year, compared with the 7 million that the existing terminal, built in 1978, can process. AfDB, as the bank is known, estimates the total cost of the project will be $770 million, including debt of about $425 million.
Kenya is upgrading its airports as it tries to attract more overseas visitors who provide about $1 billion of foreign-exchange earnings to the East African nation every year. The expansion forms part of a broader program of upgrading infrastructure to achieve annual economic growth of 10 % by 2017. The economy grew 5.3 % last year.
The AfDB has financed 26 projects in Kenya’s transport industry amounting to $1.22 billion since 1967. It’s currently funding three multinational and four national projects in Kenya including the Arusha-Namanga-Athi River road, phase two and three of the Mombasa-Nairobi-Addis Ababa road, an interim passenger-terminal building at Jomo Kenyatta International Airport and the supply and installation of security-screening equipment at the airport. *(Bloomberg)*

Three Soweto bridges to get R100m facelift
Three low-lying bridges in Soweto, Johannesburg, have been identified for upgrades as part of a yet-to-be-launched citywide bridge construction and rehabilitation programme. The city-owned Johannesburg Roads Agency (JRA) planned to inject in excess of R100-million to upgrade the Leselinyana–Kinini, Nxumalo and Zulu–Mahalefele bridges in the 2014/15 and 2015/16 financial years. “The bridges are overtopped with flood waters every year due to heavy rain storms. This has posed a safety challenge for both motorists and pedestrians,” JRA acting MD Mpho Kau said, noting that the bridges would be raised to mitigate this and danger posed to proximate roads. This followed an inspection of the 814 bridges, with an asset value of R15-billion, in the city, which concluded that some would require rehabilitation as part of the programme that would be officially launched by City of Johannesburg Executive Mayor Parks Tau on August 6. The JRA warned that, from August 3 to 17, the Zulu–Mahalefele road would be closed, and from August 3 to 11, the Nxumalo road would be closed, with the Kinini–Leselinyana and Mzilikazi roads eyed as alternative routes to crossing the river. From August 12 to 26, the JRA would close the Kinini–Leselinyana road and reopen the Nxumalo road, which, along with Mzilikazi road, could then be used to cross the river. “Once the piling is completed for each bridge, the traffic will use bypass roads adjacent to the existing bridges specifically constructed for this purpose until April 2016,” Kau said. *(Engineering News)*

ENERGY

Algeria cuts spending, sees energy revenues falling 50 pct this year
Algeria will trim spending in its 2015 budget by 1.35%, expecting a slump in oil prices to reduce its energy earnings 50%, the government said. Oil and gas account for 95% of Algeria's exports and energy revenues make up 60 % of the budget.
The government expects economic growth outside oil and gas to reach 5.1 %, unchanged from an initial forecast early this year, the cabinet said in a statement. Inflation is expected to be 4 % in 2015, up from the 3 % initially expected, it said. The budget is now based on an oil price of $60 a barrel, much lower than the $90 initially anticipated. Oil and gas earnings are expected to drop to $34 billion from the $68 billion earned in 2014, the statement said. Imports are projected at $57.3 billion for this year, exceeding by far exports for the first time. The supplementary budget law sets spending at 7,692 billion dinars, down from 7,588 billion dinars ($112 billion) approved earlier this year.
Aiming to avert social unrest, the government has said the drop in energy revenues would affect social programmes. The country, with a population of 40 million, spends heavily on subsidies, including cereals, milk, medicine, cooking gas, electricity and housing. Algeria posted a trade deficit of $7.78 billion for the first half of 2015, compared with a $3.2 billion surplus a year earlier. It imports most goods it needs, including food, medicine and manufacturing parts.
Its foreign exchange reserves, usually used to finance deficits, dropped by $19 billion to $159 billion in the first quarter of the year. In a bid to "rationalize" expenditures, the government has been trying to restrict imports and offer incentives for domestic producers. The supplementary budget law sets taxes on profits for import firms at 26 %, higher than the 23% imposed on construction and tourism. Taxes on profits for production companies has been reduced to 19 % from 23%. *(Reuters)*

First Major Solar Plant in Kenya Draws SkyPower Support
Kenya’s Energy Ministry and SkyPower Global Ltd. will sign a $2.2 billion agreement that paves the way for the Canadian company to develop a 1-gigawatt solar project in East Africa’s biggest economy.
The solar project will be developed over five years, SkyPower said in a statement. Kenya currently gets about two-thirds of its electricity from renewable sources, chiefly hydropower stations and geothermal wells. It has no solar developments of that scale.
Kenya in 2013 set out plans for an additional 5,500 megawatts of power, mostly from coal, geothermal sources and liquefied natural gas, to help boost the country’s economic growth to about 10 % annually from a projected 5.5% to 6%.

Geothermal accounts for about 25 % of its 2-gigawatt supply and hydro another 38 %, according to Bloomberg New Energy Finance. Oil feeds about a third of national generation capacity, the London-based researcher estimates. Kenya also has a small biomass and wind farms.
According to SkyPower's website, the Toronto-based company "is the largest and one of the most successful developers and owners of utility-scale solar photovoltaic energy projects in the world." SkyPower "has built, assembled and acquired a pipeline of over 25 gigawatts" worldwide -- 6 gigawatts of which was recently announced in bilateral agreements to be built over the next five years in Egypt and Nigeria, it said. *(Bloomberg Business)*

Ethiopia Agrees on First Deal for Privately Produced Electricity
Ethiopia's government signed a deal to buy electricity from a geothermal-power plant being developed by companies including Reykjavik Geothermal Ltd. of Iceland, a partner in the project said.
The state agreed to purchase power at 7.53 U.S. cents per kilowatt hour in an accord signed during President Barack Obama's visit to the Horn of Africa nation, said Edward Njoroge, chairman of the Corbetti Geothermal Power project. The signing, which follows talks backed by Obama's Power Africa initiative, paves the way for development of the facility, he said in an interview in the capital, Addis Ababa.
"It was a major milestone," said Njoroge, who represents Berkeley Energy, a Nairobi-based investor in renewable energy projects that's one of at least four partners in Corbetti. "The drilling rigs now will be mobilized and we should have them within the next three months in the country and start drilling for the steam."
Ethiopia is expanding electricity to supply an economy that grew at a faster pace than any other African country over the past decade. The government is using domestic resources and loans from partners including development banks and Chinese lenders to boost generating capacity from 2,300 megawatts. The Corbetti project in Ethiopia's central Oromia region is the first by private companies in Ethiopia, where industries like power and banking are dominated by the state.
'Tight' Agreement
Developing the first 20 megawatts of power output at Corbetti will cost $100 million, all of which will come from Reykjavik, Icelandic Drilling Co. and the African Renewable Energy Fund managed by Berkeley, Njoroge said. A total of $2 billion is required for generation of the full 500 megawatts, which is expected to be completed by about 2023, he said. The tariff agreed with the government is "actually tight for us, but we think we can do it," Njoroge said. The cost of electricity from geothermal projects in Kenya, Africa's biggest producer of power from steam, is about 8.5 U.S. cents to 9 U.S. cents per kilowatt hour, he said.
U.S. advisers supported negotiations on the tariff via the Power Africa program, which seeks to boost access to electricity on the continent. "This will help the government meet its ambitious goal of significantly increasing access to electricity across Ethiopia and help open the market to developing Ethiopia's other vast renewable-energy sources," Obama told reporters in Addis Ababa. Ethiopia has the potential to generate 45,000 megawatts of hydropower, which the World Bank ranks as Africa's second-largest after the Democratic Republic of Congo. Ethiopia's 25-year energy strategy is to invest $100 billion to generate a total of 37,000 megawatts by 2037, according to the Foreign Ministry. *(Bloomberg Business)*

Solar-geyser manufacturers taking steps to revive flagging sector
South Africa's Solar Water Heating Manufacturers Cluster of South Africa (SWH-Mancosa) is taking active steps to reinvigorate the solar-geyser sector, which has been left in a "precarious" position following the termination of the Eskom rebate programme in April and delays to the introduction of successor programmes that are to be administered by the Department of Energy (DoE).
SWH-Mancosa chairperson Mike Breckenridge tells Engineering News Online that the organisation, which represents more than 90% of all local solar-geyser manufacturers and component suppliers, has adopted a proactive stance in an effort to find viable solutions to the current impasse. However, he warns that the very survival of the industry is of genuine concern, prompting the organisation to initiate a study to quantify the number of jobs that are being threatened by the prevailing uncertainty – the study should be completed by mid-August. SWH-Mancosa's seven members – Franke Water Heating Systems, Heat Tech Geysers, Kwikot, Powerz-on Solar Systems, Satchwell Solar Supplies, WE Geysers and Xstream Solar Hot Water Cylinders – collectively employ close to 2 000 people excluding the installation sector, which is said to be far more labour intensive. In parallel, the industry body is reaching out to various government departments and standards bodies in a bid to lay the foundations for a sustainable domestic SWH manufacturing industry and to accelerate the installation of geysers that could reduce pressure on South Africa's constrained electricity grid. The Sustainable Energy Society of Southern Africa has estimated that SWHs could remove about 18% of Eskom baseload and shave up to 15 000 MW from peak demand. Government had an official target of installing a million systems by March this year, but only about 425 000 SWH were eventually installed. Breckenridge says it is receiving strong support from the Department of Trade and Industry (DTI), which is keen to encourage domestic solar-geyser manufacturing, which has also been "designated" as a sector requiring 70% local content for both tanks and collectors to qualify for public procurement programmes. In the longer run, the DTI is also aiming for South Africa to be an export hub for SWHs, especially into the rest of Africa; an aspiration also held by SWH-Mancosa, which falls under the auspices of the larger South African Capital Equipment Export Council. The body has had less success in gaining access to the DoE, which also failed to respond to questions sent to it by Engineering News Online regarding the nature

and timing of the future rebate programmes. But SWH-Mancosa, which is just over a year old, is determined to create an atmosphere based primarily on finding solutions, rather than one of criticism. He also reports that it has been receiving some positive indications about the design of the future programme, which could go a long way to reviving the industry.
Although Engineering News Online has been unable to verify the nature of the future architecture of the rebate programmes, it believes that the DoE is seeking to work more closely with the insurance industry to ensure that solar geysers form part of insurance companies' geyser replacement offering. With the support of a rebate, insurers would be able to incentivise households to opt for a SWH instead of a traditional electric geyser, with an initial target of ensuring that 10% of the 40 000 monthly geyser replacements are solar. The intention is to ramp that up to 30% by 2020 to ensure that the local manufacturers were in a position to meet demand. In addition, it is anticipated that there will be a separate programme for the continued installation of SWHs across low-cost housing developments. Breckenridge says that it would be a "fantastic win" for the domestic industry should such programmes materialise. But he says there is also a need to sort out the current bottleneck surrounding testing of new systems and the verification of localisation.
The South African Bureau of Standards is currently the only South African National Accreditation System-accredited testing facility. However it is said to be experiencing difficulties in fulfilling its mandate. It is anticipated, therefore, that the National Regulator for Compulsory Specifications could, in the coming months, accredit a separate private testing facility to bolster capacity. In parallel, SWH-Mancosa is hoping that the current anomalies in the compulsory specification for hot water storage tanks and for solar systems can be addressed. "Our immediate goal is to gain access to the main decision-makers so that the manufacturing industry can become part of the solution to the industry's current problems," Breckenridge concludes. *(Engineering News)*

MINING

Mine in Mozambique has gem reserves of 432 million carats

An independent report shows that the Montepuez Ruby Mining concession in northern Mozambique, could contain reserves of 432 million carats of rubies and corundum, announced British multinational Gemfields, which leads the concession's consortium. Authored by British consultancy SRK Consulting, the report also said that the mine could be explored for a period of 21 years, anticipating that the project would be able to generate cash flow of US$2.7 billion over its lifetime. With a forecast of increasing annual production capacity from 3.3 million tons to 5.6 million tons in 2017, in this period the project may receive investment of US$64 million, the document said.
The British consultancy said the project has primary ore reserves of 253 million tons at a concentration of 114.9 carats per ton, and secondary reserves of 179 million tons at a lower grade of 7.07 carats per ton.
At the end of June Gemfields held its fourth auction in Singapore with rubies mined in Mozambique, achieving revenues of US$29.3 million. The British multinational's entry in the Mozambican market occurred in June 2011 when it acquired a 75 % stake in Montepuez Ruby Mining from Mwiriti Limited, which now has a 25 % stake in the consortium. *(Macauhub)*

Zambia Starts Sale of $131 Million Stake in State Mining Company

Zambia, Africa's second-biggest copper producer, began the sale of a 17 % stake in its mining investment company that's expected to fetch about one-billion kwacha ($131 million).
An offer of about 27 million shares prioritizing Zambian investors opened and closes Oct. 2, said Jimmy Mwambazi, corporate finance manager at Stockbrokers Zambia Ltd., which is managing the sale. "It's a large amount" of stock for the Zambian market and shares that locals don't buy may be offered to foreign investors, Mwambazi said in an interview in Lusaka, the capital.
Zambia sold a 571 million kwacha stake in ZCCM Investments Holdings to the National Pension Scheme Authority in June, the first step in government's plan to reduce its ownership to 60 % from 87.5 %. The company houses the government's minority ownership in the local units of First Quantum Minerals Ltd., Glencore Plc and Vedanta Resources Plc., among others.
ZCCM IH was created as part of a government program to reverse nationalization of the mining industry that was completed in 2000. The company plans to have its stock trade on London's Alternative Investment Market, Chief Executive Officer Pius Kasolo said in a speech, without giving details on timing. The government is selling the ZCCM shares for 38 kwacha each, a discount to the 40 kwacha they trade at on the Lusaka Stock Exchange. *(Bloomberg)*

OIL & GAS

Sonangol publishes list of pre- qualified bidder

Angola's state oil firm, Sonangol, has published a list of firms it has "pre-qualified" to bid for ten onshore oil blocks in the Kwanza and Lower Congo Basins-an auction that was initially due to proceed in 2014.
Forty-eight companies have been approved as non-operators (that is, to bid for equity stakes in the blocks) and 37 have been approved as operating bidders. Among the non-operators are a number of Angolan private-sector entities with no

previous involvement in the oil sector, some which already hold equity stakes in existing blocks, as well as a handful of better-known overseas energy firms such as Denmark's Maersk and Brazil's Petrobras. The US's Chevron and Italy's Eni are the biggest names on the pre-qualified "operating" list, which also includes several Angolan companies alongside Portugal's Galp, London-listed Tullow and the UAE's Mubadala Petroleum. The supermajors BP, Total, ExxonMobil and Shell are not listed. This is likely to be a reflection of the geology of the onshore blocks, preferred by smaller operators seeking less capital-intensive exploration and production, compared with deepwater offshore concessions, which are long-term and expensive projects.

The companies listed by Sonangol are invited to bid for the blocks by September 18th. Data packages for the blocks are available on the parastatal's website, along with several pieces of sectoral legislation. Local companies are likely to be favoured for non-operator concessions, as part of a move to bring more Angolans into a sector that has traditionally been dominated by international players and equity. This can lead to compliance issues for international operators, which are assigned local partners; some of these local firms have opaque ownership structures, and links to regime figures.

There are a number of factors that explain the time it has taken to get from auction opening to pre-qualification, including Sonangol's own capacity limitations as well as a nervousness on the part of the government about selling off oil concessions while crude prices are so low. The announcement of the pre-qualifications and the bidding deadline comes just days after Sonangol's chairman, Francisco de Lemos, sought to refute articles in the Portuguese press claiming that the parastatal was approaching bankruptcy. *(Economist Intelligence Unit)*

China switching to African oil may lead to Saudi price cut

Weakness in global oil benchmark Brent has prompted China to buy more crude from Africa. The question now is how will top exporters Saudi Arabia and Russia respond to the shifting dynamics?

Chinese imports from Africa are expected to jump to 6.51-million-tonnes (47.5-million barrels) in July, up about 41% from June, according to data compiled by Thomson Reuters Oil Research and Forecasts. The bulk of the increase will come from Angola, China’s top supplier in Africa, which is expected to ship 3.4-million-tonnes in July, up from 2.88-million in June, the forecast team said. Also gaining are cargoes from South Sudan, with eight exported to China in July for a total 767,000-tonnes, an increase of 8% from June.

For the Angolans, the large boost in July exports to China will be a welcome change, as they lost their number-two spot behind Saudi Arabia in the first six months of 2015 to Russia, according to Chinese customs data. China imported 19.011-million-tonnes from Angola in the first half of 2015, a drop of 8.7% from the same period last year.

Imports from Russia were 19.401-million tonnes, a leap of 26.6%, while Saudi Arabia boosted shipments to 26.386-million-tonnes, a gain of 9.2%. However, Thomson Reuters Oil Research expects Saudi Arabia’s market share for Chinese imports to drop from 35% in June to 31% in July, while Russia’s seaborne shipments to China are expected to drop 300,000-tonnes to about 1-million. It isn’t hard to work out the dynamics that have driven the shift in Chinese buying patterns in July. Crudes priced off Brent, such as those from Angola, have become cheaper relative to those priced off Dubai, such as Saudi grades and Russia’s ESPO. The Brent-Dubai exchange for swaps, which measures Brent’s premium over Dubai crude, was $1.31 a barrel, up from the low this year of 61c on July 8.

However, it’s still well below the $2.27 a barrel from May 22, and only a little more than a quarter of the 2014 peak of $4.94, reached last June. Brent’s premium to Dubai has been on a downward trend since September 2013, when it reached $7.10 a barrel. That hasn’t resulted in a wholesale switch to Brent-priced grades by Asian buyers as many of the new, complex refineries are designed to run on heavy, sour crudes typical of Middle East grades. But it has improved the economics of using more crudes similar to Brent, and also buying them to fill strategic storages.

Saudis may cut official prices

This suggests that if the Saudis and the Russians wish to ensure they maintain market share in China, which vies with the US as the world’s top importer, they will have to ensure their prices are competitive. Which means the Saudis may cut their official selling prices (OSP) for crudes for Asian refiners when September-loading prices are released early in August. The OSP for benchmark Saudi Arab light crude was lowered to a discount of 10c a barrel to Oman/Dubai crude for August cargoes, having been at par for July.

However, the Saudis had gradually been raising the OSP in recent months, from a discount of $2.30 a barrel for March cargoes to par by July. This was most likely done as refining margins in Asia remained relatively strong and the premium of Brent over Dubai tracked largely sideways.

But refinery margins have been easing in recent weeks, with a typical Singapore refinery making $5.89 from a barrel of Dubai crude currently, down from $8.12 for June and the 2015 peak of $9.33 for March. With weaker refinery margins, cheaper Brent relative to Dubai and the threat of rising shipments from Iran as a result of the Islamic Republic’s nuclear deal with world powers, it seems the Saudis may have to renew their discounting efforts to maintain market share in Asia, their largest market. *(BDLive)*

Tullow First-Half Loss Narrows on Lower Drilling Writedowns

Tullow Oil Plc, an Africa-focused energy producer, reported a smaller first-half loss after exploration writedowns shrank.

The net loss was $68 million compared with $95 million a year earlier, the London-based company said in a statement. The company wrote off $87.5 million of exploration costs in the first half, down from $402.2 million a year earlier.
Tullow is cutting costs to make its businesses competitive at $50 a barrel oil after the price of crude slumped over the past year, Chief Executive Officer Aidan Heavey said. “The results have not yet fully reflected the resetting we’ve done in the business,” Heavey said in a phone interview from London. “Our major projects are on track and on budget.”
Tullow shares climbed as much as 4.7 % and were trading 1.1 % higher at 239.70 pence as of 8:23 a.m. in London. The stock has dropped 42 % in London this year, the worst performer in the nine-member FTSE 350 Oil & Gas Producers index, which has declined 11 %. Tullow sold oil at $70.60 a barrel after hedging in the first half, 34 % lower than a year earlier, the company said. Average Brent oil prices dropped 45 % to $59.35 a barrel in the period.
Tullow has made some of Africa’s largest oil discoveries in the past 10 years. It’s Tweneboa-Enyenra-Ntomme project in Ghana is 65 % complete and expected to start in mid-2016. The company also expects to take a final investment decision on some of its discoveries in East Africa by the end of next year, Heavey said. *(Bloomberg)*

Rosneft and ExxonMobil partner to explore for oil in Mozambique
RN-Exploration and Exxon Mobil Exploration and Production Mozambique Offshore Limited have submitted a joint proposal to the 5th international tender for the concession of areas of research and production of hydrocarbons in Mozambique, the international press reported.
RN-Exploration is a 100% owned subsidiary of Rosneft of Russia and Exxon Mobil Exploration and Production Mozambique Offshore Limited is also a 100 % subsidiary of US group ExxonMobil.
The two companies submitted a joint proposal, in which the US company is presented as an operator, to areas in the Angoche basin (A5-A and A5-B) and the Zambezi delta (Z5-C and Z5-D).
In a statement, Rosneft recalled that the partnership with ExxonMobil was strategic, and that the two groups work together in the Sakhalin-1 project.
ENI of Italy and Sasol of South Africa also submitted proposals for this tender, whose results will be known within two to three months, according to the president of the Mozambique National Oil Institute, Arsenio Mabote.
This tender, launched simultaneously in Maputo and London on 23 October 2014, includes offshore areas, three in the Rovuma basin, two in Angoche and six in the Zambezi delta and onshore areas, three in Pande/Temane and Palmeiras, which altogether cover an area of 76,802 square kilometres.
The Rovuma basin has been the scene of major discoveries (200 trillion cubic feet of natural gas) in recent years, exploration of which, according to the established program, could make Mozambique the third largest natural gas exporter in the world.
In turn, the Mozambique sedimentary basin has already seen remarkable discoveries in Pande/Temane, where South African group Sasol already operates, and the gas and light oil in Inhassoro has yet to be assessed. *(Macauhub)*

World Bank $700 Million Ghana Gas Pledge to Spur Biggest FDI
The World Bank approved $700 million in investment guarantees for an offshore gas project in Ghana that will help the country address electricity shortages.
It includes a $500 million payment guarantee from the bank’s International Development Association for gas purchases by the state-run Ghana National Petroleum Corp., the World Bank said in an e-mailed statement from Washington. The remainder of the support is protection from the International Bank for Reconstruction and Development for private financing. “Together, the guarantees are expected to mobilize $7.9 billion in new private investment for offshore natural gas, representing the biggest foreign direct investment in Ghana’s history,” the World Bank said.
The Sankofa project, which is due to start producing gas as early as 2018, will supply enough fuel to generate as much as 1,000 megawatts of power, reducing Ghana’s reliance on about 12 million barrels of imported oil every year, the World Bank said. Italy’s Eni SpA and Vitol Group based in the Netherlands are carrying out exploration and “commercialization” work, said the bank. Ghanaians this year battled the worst blackouts in at least eight years, with power cut to Accra, the capital, for 24 hours at a time because of a shortage of natural gas to plants and low water levels at the nation’s hydroelectric dam. *(Bloomberg)*

New bloc to sell Africa to Africans
After an eight-year negotiation period, the Tripartite Free Trade Area (TFTA) was launched on June 10, bringing together 26 African states with the aim of stimulating intra-African trade by creating a common market.
These countries make up three major regional communities — the Southern African Development Community, the East African Community and the Common Market for Eastern and Southern Africa.
The free trade area is a long-term project with significant stumbling blocks, including ratification by all 26 participating countries and the implementation of the agreement without causing significant economic disruption for weaker economies. However, the principle of promoting intra-African trade is receiving a lot of attention, along with the development of infrastructure that enables such trade.
It is 50 years after the end of European rule in most parts of Africa, and more than a third of Africa’s trade remains with Western Europe — historical ties still have a large influence on these markets.

This is not surprising given shared languages and cultural connections between many countries. Kenya, Sudan, Uganda, Egypt, Lesotho, Botswana, SA, Namibia, Malawi, Zimbabwe, Zambia, Tanzania and Swaziland were all former British colonies and make up half of the countries in the TFTA, with most of the remainder having French, Portuguese or German languages and cultures in common. The continent's largest economy, Nigeria, is not included in TFTA.

Once the agreement is fully implemented, the way in which member states benefit will, in many ways, depend on their economic, political, trade and regulatory realities. It will also depend on the enablers of development such as infrastructure. Gathering data and information on these subjects in the continent is not always easy.

According to the latest Bright Africa report, released earlier this month, bilateral intraregional trade between these markets is only a small percentage of gross domestic product (GDP). The tripartite agreement seeks to encourage this trade by giving African firms preferential access to exponentially larger markets.

Domestic consumption in the TFTA countries is fairly well diversified — far more so than manufacturing and exports, indicating an opportunity for African companies to start supplying African domestic demand. Domestic consumption is the most important factor driving overall GDP, and in most regions, this is fairly well spread across several sectors.

Many African countries and regions rely heavily on extractive industries for exports. Countries with more exposure to extractive industries have done well in the past decade as commodity prices have been at historically high levels, but as prices have fallen in recent times, the opposite side of this reliance has been exposed.

The most immediate economic effect when commodity prices fall is pressure on the currency, which must find a new demand-supply equilibrium. Next is pressure on government revenues, which can have a significant effect on the state's ability to fund commitments and balance budgets.

The ability of TFTA countries to develop healthy trade with fellow members will give them access to alternative sources of foreign currency and tax revenue, allowing for a more stable and diversified economy.

Africa imports the largest share of its goods from Western Europe. These are mainly made up of capital goods such as machinery and vehicles, with refined oil and fuel products also making up a large share. Manufactured goods, plastics and pharmaceuticals make up smaller contributions to imports.

Within the TFTA, significant opportunity exists for Africa to supply its own refined fuel needs from its abundant oil resources. Capital goods and machinery do not represent an immediate opportunity for African economies as they will not have a competitive advantage.

East Asia, and China in particular, is the second-largest source of imports, while relatively little is imported from North America, only slightly more than from eastern Europe. The profile of imports from East Asia is similar to imports from Western Europe, with the obvious exception of refined oil and fuel, where very little is imported from East Asia.

Western Europe and East Asia are Africa's largest trading partners, with two-thirds of exports going to these regions. Almost three-quarters of exports are of crude oil and gas, and more than 90% are extracted hydrocarbons and metals.

Agriculture makes a small contribution in the form of cocoa, tea, coffee and fruit. About 8% of exports are from other nonextractive industries such as assembled electrical equipment and vehicles.

Exports to East Asia are even less diversified than those to Western Europe, with 97% extractive in nature. The remainder is made up of agricultural products such as cotton, wood and plant oils.

The trend in recent years has been a decrease in exports to the US and a corresponding increase in exports to Western Europe and China. The main reason for this shift has been the advent of shale oil and gas in the US, which has led to lower demand for African crude oil. To enable trade within the TFTA, there needs to be good infrastructure to move goods from one area to another. The World Bank estimates that the cost of bridging Africa's infrastructure gap requires an annual expenditure of $93bn, or about 5% of the total GDP of the continent.

In China, about 8%-9% of GDP was spent annually on the construction of infrastructure to fuel its impressive growth in the past three decades, and almost half of the expenditure was funded through central government sources. The low level of government revenue in Africa represents a serious barrier to infrastructure development and countries have focused on partnerships between public and private entities to ensure it takes place.

The Turkana Wind Project in Kenya and construction in the Kenya-Ethiopia corridor are examples of such partnerships. SA, Kenya, Tanzania and Senegal all recently established public-private partnership units to enable such projects.

The shortage of funding for infrastructure spending has been one of the factors pushing African governments to international debt markets in recent years, as global investors searched for yields. While this availability of debt has been a positive source of funding for governments, it remains relatively small compared to other funding sources.

SA has about 750,000km of roads, with the next best region East Africa, which has only about half of that. The Maghreb, Egypt and Sudan have a very high proportion of tarred roads as their populations are concentrated in small areas with vast unutilised areas. Nigeria, SA and Kenya have tarred only 15%, 21% and 7% of their total respective road networks.

SA has 20,000km of installed rail infrastructure and, given its relatively small size compared to other regional groupings, this translates to a high rail per land area. In absolute terms, the Maghreb region has 8,933km of installed rail, but if the underproductive land area is excluded from its total land area, the region would rank much higher.

The East Africa region is expected to add an additional 3,234km of rail infrastructure in the next three years, which will rank it third in absolute terms behind SA and Southern Africa excluding SA.

The lack of intraregional trade represents a significant opportunity for African companies and economies within a preferential trade bloc to displace imports from outside of Africa with African products. The success of the TFTA will partially rely on the development of infrastructure. • *Goussard is an associate at RisCura and a contributing author on the Bright Africa report*

TELECOM

Regulatory Authority of Guinea-Bissau demands improvements in mobile network services

Mobile phone operators “MTN” and “Orange” in Guinea-Bissau have until 15 August to find solutions to the technical problems that their telecommunication services face. The request was made at a meeting between leaders of the National Regulatory Authority (ARN) of Guinea-Bissau and mobile network operators, MTN and Orange. Mobile networks have been operating at a deficit in Guinea-Bissau and there are periods in the night when its impossible to make calls, and at other times there are sudden cuts in communication.

According to the Chairman of the ARN Board, Djibril Mané the meeting took place following work at the beginning of this year to assess the quality of service and the need for national coverage by the two telecommunications companies. Mané said a proposal had been delivered to the two companies on how they can offer quality services that meet people’s needs.

The Chairman of the ARN said the two operators had promised to examine the proposals and then present a solution.

“As you know the ARN has the power granted to it by the law. It is not only a regulatory and supervisory authority, but also promotes activities to develop the sector in Guinea-Bissau,” said Djibril Mané. (macauhub/GW)

How the App Economy will drive innovation in Africa

The mobile economy has finally arrived in Africa. Anyone who doubts should simply take a look around them. The millennial generation have become the leading purveyors of the emerging “App Economy”. They are driving the boom in mobile services and reinventing the way businesses engage with their internal and external audiences and stakeholders.To compete in this new “app economy,” telcos will need to invest in gaining market share” through mobile applications, services, advertising and the customer data that powers them. Mobile point of sale is also set to take off in the enterprise. By the end of 2015, nearly 50% of enterprises with 2,500 or more employees will have some variation of a mobile point of sale (mPoS) deployment.

More than 80 % of market-leading organisations globally already recognise that mobile is fundamentally changing the way they do business. By providing apps and services that directly support the devices and connectivity of their core businesses, Africa’s telcos can improve customer satisfaction, decrease the cost of customer service, and generate sizable efficiency dividends to their customer retention and employee productivity.

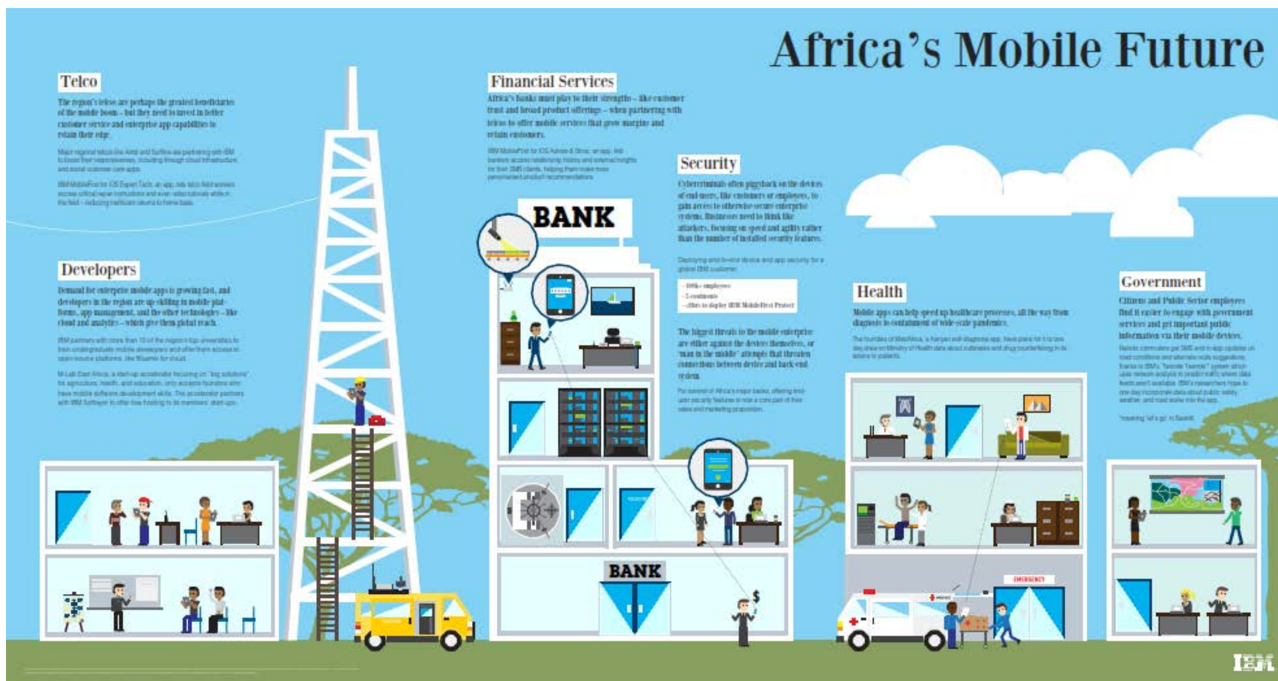
The mobile ecosystem is therefore poised to create new economies driven by a new set of rules. Not one African nation has escaped the movement to mobile. The dynamics of mobile growth on the continent will continue to provide good study material for savants of global telecommunications, especially when you look at how mobile has helped to transform the national gross domestic picture of nations and the personal economies of citizens at the bottom of the pyramid.

Take a look at Nigeria, a nation of about 170 million people. Nigeria’s mobile uptake has been one of the fastest in the emerging market over the last 12 years, growing from just under 500,000 lines in 2001 to its current 120 million lines. In the Indian Island nation of Mauritius (population 1.3 million), the impact of mobile has been no less significant. Rated as one of the easiest countries to do business in in Africa, Mauritius has clearly benefitted from the adoption of new technologies like mobile and bio-technology in its agriculture sector.

It should therefore come as no surprise that Africa’s cellular network operators have been able to benefit from rapid growth in mobile subscriptions. But traditional telco business models rely on high demand for voice and messaging services, which still comprise over 90 % of mobile revenues in many markets in the region. Analysts estimate that data will make up almost 27 % of telco service revenues in Africa by 2018. However, as the adoption of smart devices mobile data grows, telcos face increasing competition from over-the-top (OTT) providers offering free apps for messaging and VoIP calls.

The telco industry can benefit significantly from embracing this mobile disruption. In the African markets where 80 % of consumers have no bank accounts, for example, telcos have already disrupted financial services providers with mobile money services. With their knowledge and control over mobile networks and infrastructure, telcos also occupy a prime position to facilitate the mobile transformations of other industries; from retailers adopting enterprise mobile solutions to manage back-end logistics, to governments seeking to offer the same ease of use and convenience that citizens already expect from the private sector.

For example, in Ghana, Surfline Communications is using an IBM cloud solution to support critical back-end processes. This IBM technology is helping Surfline not only to focus on mobile innovations for its own customers, but also support the infrastructural and implementation needs of Ghana’s businesses and government agencies as they start to invest more heavily in mobile services.



Adopting a mobile mindset

For most Africans, mobile devices are the primary technology platform. African telcos would do well to consider the frictions experienced by prepaid customers, who account for 9 in every 10 Africans with a mobile device. Prepaid customers with medium to high spending – particularly those using smart devices – typically want flexibility in their service consumption. However, these same customers face the inconvenience of frequently topping up their accounts using vouchers, a legacy procedure that has not changed in the past 15 years. This can be transformed with a simple smartphone app which automatically tops-up a customer's prepaid account from their mobile wallet, when it hits a certain threshold. It would save telcos the significant margins that typically go to retailer-middlemen selling prepaid credits; and create a new source of revenue for banks enabling direct access to bank accounts to top-up. Bharti Airtel, a leading Indian telco, offers customers an award-winning app built with IBM technology which lets them manage multiple services (and even add new ones).

For Africa's phone companies, the capacity to act local and think in global terms would be crucial test of their market relevance. As other parts of the world continue to pivot to mobile, the telcos in Africa have a valuable blank slate on which to develop new products and services (and even new business models, based on open software design and collaboration), with relevance to a range of other industries in the region and around the world. These telcos have a natural advantage to take the lead in mobile services innovation, thanks to their history of control over the device and the network. *Rui Serra is IBM Territory Manager – Central Africa (Angola, Indian Ocean Islands & SADC Region) (Ventures Africa)*

RETAIL

Thirsty for Growth, Liquor Giant Taps African Market

Diageo targets even poorest consumers with liquor made locally and sold cheaply For 20 years, Leonard Odhiambo has run a thriving business off a dirt path in Kibera, the biggest slum in sub-Saharan Africa. He brews changa'a, a potent spirit made from molasses and mashed grain. A half-liter bottle sells for just over a dollar.

Changa'a is illegal, but the police aren't his biggest threat these days. Diageo PLC, the world's largest spirits company, is selling inexpensive liquor barely a hundred yards from his door. The cheapest, a whiskey called Jebel Gold, costs about 10 cents for a 30-milliliter "tot"—about two-thirds of a shot. Mr. Odhiambo says he is losing customers to the nearby liquor shack, which also offers non-Diageo branded products such as Napoleon Gold Brandy and King Horse Vodka. "They sell cheaper than they used to," he says.

International spirits companies are expanding across Africa, targeting even the poorest consumers with liquor made locally and sold at dirt-cheap prices. In major cities and, increasingly, in rural areas as well, the world's biggest liquor makers are launching low-price versions of big-name brands, forming partnerships with independent distillers and creating their own versions of local spirits.

Africa has emerged as a rare bright spot for London-based Diageo, which said that operating profit for the fiscal year ended June 30 fell 0.8% on weaker sales in North America, the Asia-Pacific region, Latin America and the Caribbean. In Africa, discounting the effect of acquisitions and currency fluctuations, sales rose 6%. Earlier this week, Diageo moved to wield more control over its growing business in South Africa, terminating a joint venture with Heineken NV.

The global spirits industry sees Africa as the final frontier—a potentially huge market that is largely untapped. Only 2% of the industry's profits came from Africa and the Middle East in 2013, according to Sanford C. Bernstein & Co. Between 2013 and 2017, the continent's liquor market is projected to grow by 45%, to $2.39 billion, Diageo has told investors.

There are wealthy consumers in Africa who can afford expensive Western liquor. But cheaper local brands dominate the rest of the legal market. Global giants such as Diageo and Pernod Ricard SA of France now realize that to compete effectively in Africa, they need to move down-market. "All the real action is when you go below 200 Kenyan shillings," around $2, says John Williams, marketing director at Kenya Breweries Ltd., a Diageo subsidiary.

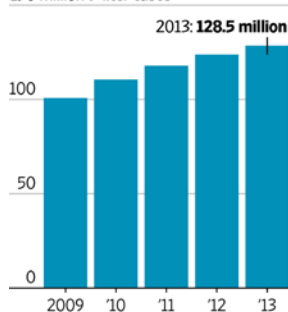
Slum sales

To compete head-on with changa'a merchants like Mr. Odhiambo, Diageo is selling low-price products out of shacks in some of Kenya's poorest slums. Jebel Gold is its cheapest brand, but others don't cost much more. A tot of Liberty, a whiskey, sells for around 20 cents, while Kenya Cane, a white rum, goes for around 35 cents. Diageo says most sales of those brands have been to drinkers moving out of the illicit market.

Competitor Pernod Ricard offers its Passport Scotch whisky for $4 per half-liter bottle in many African countries. The brand has had the most success in Angola, where it sometimes was used in place of currency during the country's decadeslong civil war, according to Laurent Pillet, Pernod's top Africa executive.

Beer companies also see opportunity in the market for high-alcohol-content products. SABMiller PLC, the world's No. 2 brewer by sales, last year started selling in Tanzania a blended three-year-old Scotch whisky called Fyfe's. SABMiller already holds a nearly 30% stake in South Africa-based Distell Group Ltd., the No. 2 distiller in Africa by sales.

Diageo has invested more than $1 billion in Africa over the past five years. It controls about 25% of legal-spirits sales on the continent, according to research firm Euromonitor International, almost double the market share of Distell. Pernod Ricard is third with 6%, while other big names, such as Brown-Forman Corp., Bacardi Ltd. and Rémy Cointreau SA, have less than 2% each.



For Diageo, much of the rest of the world isn't looking as promising. Sales growth has abated in the U.S., Western Europe and China. A global bourbon boom has largely passed the company by. Revenue from North America, Diageo's biggest market, declined 1% in the year ended in June, excluding the effect of currency movements. Last month, Diageo said Chief Financial Officer Deirdre Mahlan would take over as president of its North America unit, replacing Larry Schwartz, who announced his retirement earlier in June.

The company also is contending with a U.S. Securities and Exchange Commission inquiry into whether it has been shipping excess inventory to U.S. distributors in an effort to boost its results, The Wall Street Journal reported last week. Diageo said it is "working to respond fully to the SEC's requests for information in this matter."

Diageo's competitors also are staking claims in Africa, and Kenya has become a battleground for the world's two biggest spirits companies. Diageo has operated for nearly a century in the country, which has one of sub-Saharan Africa's largest economies, but now faces pressure from Pernod Ricard, which opened a Nairobi office in 2012. Massive billboards for Pernod's Jameson Irish Whiskey and Diageo's Johnnie Walker Scotch dot the city's skyline, while salesmen compete to get their brands into the hundreds of new bars and stores that open each year.

The battle for Nairobi is likely to be replicated across Africa in the next decade. "Africa is Asia in 15 years," says Alexandre Ricard, Pernod Ricard's chief executive. "That's how important it can become for us." Diageo hit some bumps on its initial foray into the low end of the market. Three years ago, the company launched Jebel, a predecessor to Jebel Gold. It was packaged in plastic pouches to save on costs. When a smaller competitor introduced a rival brand in glass bottles, which are perceived as safer and more hygienic, Jebel's sales collapsed. Jebel Gold is now sold out of a keg so customers can see the liquid being poured, alleviating concerns it has been tampered with. Diageo thought it could apply global marketing techniques to its African spirits brands. "We've been guilty in the past of coming at it from a Diageo perspective of premiumization and total focus on the brand," says Nick Cook, Diageo's commercial director in Ghana. "It's actually more about keeping a brand locally relevant and keeping the costs down. That's something we're not used to."

Now, branded mugs and tablecloths are provided to bars in poor areas. In Ghana and Nigeria, herbs—regarded as essential for good health—have been added to products.

In Kenya, liquor makers market to the lowest rungs of the economic ladder by advertising on radio stations known as slum radio, which play to settlements across the country on constantly changing frequencies.

Radio is the "medium of choice" for many of Diageo's lower-price brands in Kenya, said the company's Mr. Williams. The distiller has reached customers who have never before consumed legal alcohol by using what it calls vernacular radio-stations broadcast in one of Kenya's 67 different dialects, often to a single tribe or town. "We can use dialect or slang to reach tribes or areas we'd never have got to before," Mr. Williams said. The company is using motorbikes instead of trucks to transport its liquor to remote Kenyan communities.

In East Africa, one of Diageo's top five global markets, the company's liquor sales doubled in the last two years. In the last six months of 2014, sales of what Diageo calls emerging spirits—products sold for between $1 and $2.50—increased 28% in East Africa. During that same period, sales of beer priced at the same level fell 12%.

Health campaigners say the rapid expansion of spirits brands is compounding an existing problem. Although nearly half of African men abstain from drinking alcohol, those who drink have the highest prevalence of "heavy episodic drinking" of any region in the world, according to a report by the World Health Organization. "In our society, drinking is a big problem," said William Ntakuka, program officer for SCAD, a Kenya-based nonprofit organization that campaigns against alcohol and drug abuse. "It's bad, and it's getting worse." Diageo, Pernod Ricard and other international spirits companies operating in Africa all run responsible-drinking programs and say their products should be consumed in moderation.

Billboard ads

In many African countries, laws about marketing alcohol aren't as strict as they are in much of the developed world. Many African governments, for example, allow billboard advertising of alcohol brands directly outside schools.

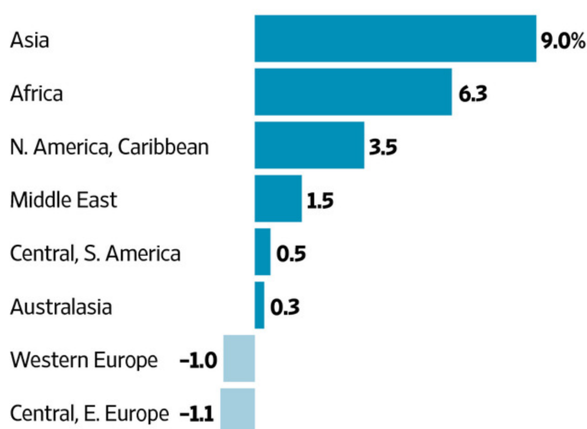
In the U.S., Diageo and other alcohol companies are prohibited from placing ads within 500 feet of schools. In Africa, some countries allow ads to be placed anywhere. Diageo says it abides by local laws and works with governments to improve advertising standards.

The growth of the African market has taken international liquor companies—many of them with emerging-markets experience in Asia and Latin America—by surprise. Pernod Ricard in 2011 wanted to begin selling in Angola but had no local expertise. It moved an executive from Poland to Angola and start the business from a hotel room in Luanda, the country's capital.

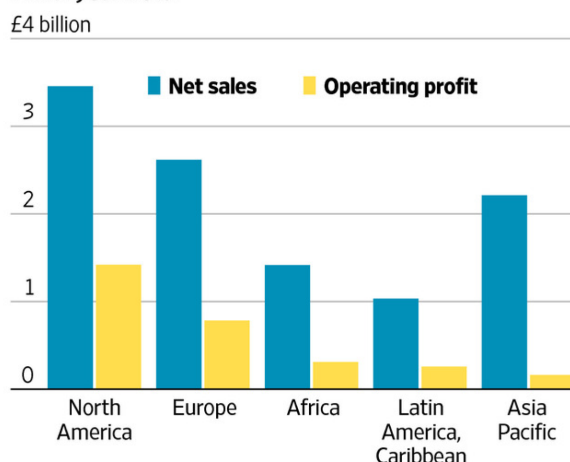
Growth Opportunity

Diageo and other international spirits companies are expanding across Africa, targeting even the poorest consumers with liquor made locally and sold cheaply.

Industrywide wine and spirits sales, by region
Average annual sales growth, 2009-13



Diageo's sales and operating profit, by region
Fiscal year 2015



Sources: IWSR; Diageo Note: Fiscal year 2015 ended June 30 £1 billion=$1.5604 billion THE WALL STREET JOURNAL.

In Uganda, Diageo needed to increase capacity quickly. Without waiting for approval from headquarters, executives ordered a $40,000 production line from a local supplier. It was delivered and operational within weeks.

In 2013, Diageo opened a mobile distillery in Accra, Ghana, that it calls "the cube." Made from five 8-by-40-foot shipping containers, the cube produces 1,500 plastic bottles of liquor an hour. Setting up a new distillery with full production capacity would have cost around $45 million. Building the cube cost about $3 million. It operates 24 hours a day, six days a week.

If one area of Africa becomes saturated with a particular brand—or if consumers don't take a liking to a new product—the distillery can be packed up and moved to a new location. Diageo currently operates mobile distilleries in Ghana, Nigeria and Mozambique, and has plans to expand throughout Africa.

In Ghana, the main product made in the cube is Orijin Bitters. It was created to satisfy local tastes. Ads for it around the city read "Herbs, Fruit, Alcohol." A 750 milliliter bottle sells for just over $2. "We could run three cubes and still not have enough," says Eric Botchwey, the distillery's production manager.

In Ghana, as in many African countries, liquor companies are trying to take market share away from beer brewers, which have long had a solid foothold on the continent. Around 10% of the beer industry's global profits come from Africa and the Middle East, compared with 2% for the spirits industry, according to Bernstein.

In Nairobi, Pernod Ricard is introducing its Jameson brand to beer drinkers by working with local bars to brew beer in casks used to make Jameson whiskey. Italy's Gruppo Campari SpA suggests drinkers in Nigeria mix Campari, a bright red liqueur, with beer to create a cocktail known as a "Churchill."

Diageo is one of Africa's biggest brewers through its ownership of Guinness and numerous local breweries, so the company in many markets is competing against itself. In several countries, Diageo sells miniature bottles of Johnnie Walker Red Label Scotch whisky with a free mixer for the same price as premium lager.

There are signs that tastes are shifting. Total African liquor sales by volume increased 8.6% in 2014, according to research firm IWSR. Spirits have "suddenly started becoming something aspirational," says Vignesh Ramachandran, head of marketing at Nakumatt Holdings Ltd., Kenya's biggest supermarket chain.

As competition intensifies, Diageo is intent on defending its market share in Africa. "International players come and go," says Charles Ireland, chief executive of Diageo's East Africa Breweries Ltd. "But it's our turf, and we fight hard to protect it." *(Wall Street Journal)*

Africa and Latin America help lift SABMiller revenue

South African investors appeared unfazed by the slump in revenue from SABMiller's European markets in the first quarter, instead focusing their attention on continued growth in Africa and Latin America.

The world's second-largest brewer said it grew its net producer revenue 3% between April and June, slightly higher than the previous quarter, as Africans and Latin Americans consumed more beer. SABMiller's brands in Africa and Latin America include Castle, Hansa, Flying Fish, Grolsch, Millers, Aguila Light, Club Colombia and Millers.

Growth in Europe, however, fell sharply due to the 17% plunge in revenue from Poland that resulted from SABMiller removing its products from a major convenience store chain during the period. "It was our decision to delist our brands from Zabka through virtually the entire quarter," SABMiller's media relations manager George Hudson told Business Day. "The reason for this was that we were not prepared to lower our prices. Our value strategy focused on leading with a price increase in November 2014 of 3.7% following many years of static prices. The adverse price positioning of our brands relative to the competition impacted our sales," he said.

Deliveries to Zabka resumed at the end of last month, Mr Hudson said, having been halted since last December. SABMiller also experienced weak beverage volume growth in North America and the Asia Pacific. Excluding the weak performance abroad, local analysts were generally pleased at the company's performance. "Emerging markets have been good for SABMiller. They have achieved both volume and price growth. In other regions, volume growth has been negative and price growth mixed," said Momentum Asset Management's portfolio manager Wayne McCurrie.

Similar sentiments were expressed by Avior analyst De Wet Schutte. "The poor performance from eastern Europe is broadly related to geopolitical tensions in Russia. But SABMiller's destiny does not lie in these markets. We believe it lies within its Latin America and Africa markets," he said. *(BDLive)*

AGRIBUSINESS

Angola and Argentina study cooperation in the fisheries sector

A delegation from Angola led by the minister of Fisheries, Vitória Barros Neto is in Argentina for official contacts to enhance two-way cooperation in areas related to fisheries, aquaculture, construction of small fishing boats, fishing gear and cooling systems, according to the Argentinian media. The Angolan delegation met with officials from the Ministry of Agriculture, Livestock and Fisheries of Argentina and travelled to Mar de la Plata to visit the National Institute of Research and Development of Fisheries (INIDEP). The Argentinian representative, Javier Rodriguez said he hoped to be able to establish a fisheries agreement with Angola similar to the one Argentina has with China and the Republic of Korea. Fishing is the third most important industry in Angola after oil and mining but 90 % of fish caught is intended for domestic consumption. *(Macauhub)*

Sugar exports from Mozambique may increase in the 2015/16 season

Exports of sugar in the 2015/16 season in Mozambique may rise by about 19 %, reaching 305,688 tons, Mozambican daily newspaper Noticias reported. The newspaper cited figures due to be published in Manhica, Maputo province, at a seminar at the Xhinavane sugar factory attended by the Minister for Trade Industry, Max Tonela.

In 2014/2015 Mozambique produced 422,622 tons of sugar, which was an 11 % increase compared to the previous campaign. The sugar industry in Mozambique was practically destroyed following the civil war when production dropped to 13,000 tons. The increase in sugar production is a result of the renewal of four of the six Mozambique sugar factories located in Marromeu, Mafambisse, Xhinavane and Maragra following a total investment of US$800 million.

The sugar industry currently employs 35,000 people. The main markets for Mozambican sugar are the European Union, the United States and countries in the region. *(Macauhub)*

Kenya May Invite Bidders for Sugar Companies From September

The Kenya Privatisation Commission will invite investors to submit bids for a controlling stake in each of five state-owned sugar companies the government is selling, after reviewing the businesses next month.

The commission is “updating due-diligence work necessary to implement the transaction once stakeholder consultations are finalized,” Chief Executive Officer Solomon Kitungu said in an e-mailed response to questions July 29. It wants to push through the sale of 51 % equity in the assets by February, Kitungu said.

Due-diligence work is expected to be completed by early August, followed by talks with stakeholders including the government and growers, Kitungu said. “Requests for expressions of interest will be undertaken immediately after completion of the stakeholder consultations,” he said.

Kenya is selling state-owned sugar producers as part of a program to overhaul the industry, which the Food and Agriculture Organization says is beset by dilapidated factories, poor governance and insufficient funding. Domestic production costs can be as high as $900 per metric ton of refined sugar, compared with as little as $300 per ton in countries in the 19-nation Common Market for Eastern and Southern Africa, according to the state-run Sugar Directorate.

Kenya produced about 547,800 tons of sugar in 2013, compared with 2.56 million tons in South Africa, the continent’s biggest producer, according to the latest data available on the website of the Geneva-based Food and Agriculture Organization.

The Kenyan government is selling 51 % stakes in Nzoia Sugar Co., South Nyanza Co., Chemelil Sugar Co., Muhoroni Sugar Co., and Miwani Sugar Co. The value of the assets will be determined once due diligence has been completed, Kitungu said.

The sale of the stakes will comprise “new shares, to enable each of the companies to retain the proceeds from the sale of the 51 % shareholdings,” Kitungu said. Raw sugar for October delivery dropped 1.7 % to 11.27 cents a pound on ICE Futures U.S. *(Bloomberg)*

MARKET INDICATORS

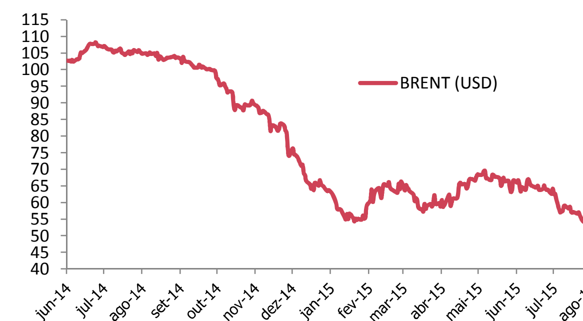
03-08-2015

STOCK EXCHANGES		
Index Name (Country)	03-08-2015	YTD % Change
Botswana Gaborone Domestic Index (Botswana)	10.936,44	15,10%
Bourse Régionale des Valeurs Mobilières (Ivory Coast)	298,40	15,62%
Case 30 Index (Egypt)	8.077,65	-9,51%
FTSE NSE Kenya 15 Index (Kenya)	190,17	-11,75%
Morocco Casablanca Stock Exchange CFG 25 (Morocco)	20.655,46	2,07%
Nigerian Stock Exchange All Share Index (Nigeria)	30.168,28	7,44%
FTSE/JSE Africa All Shares Index (South Africa)	51.833,07	4,14%
Tunindex (Tunisia)	5.635,78	10,72%

Source: Bloomberg and Eaglestone Securities

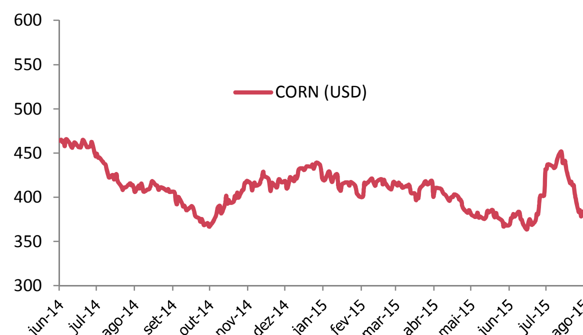
METALS		
	Spot	YTD % Change
Gold	1.093	-7,74%
Silver	15	-6,30%
Platinum	979	-18,98%
Copper $/mt	5.230	-16,98%

Source: Bloomberg and Eaglestone Securities



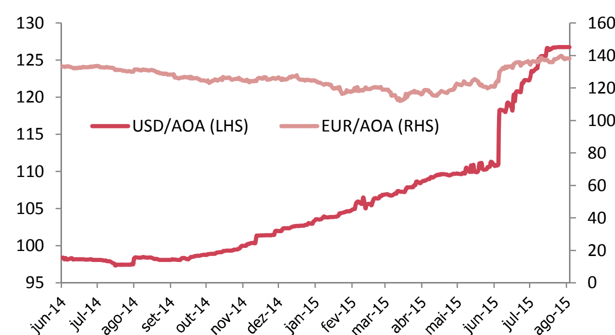
ENERGY		
	Spot	YTD % Change
NYMEX WTI Crude (USD/barril)	46,4	-14,41%
ICE Brent (USD/barril)	51,1	-13,62%
ICE Gasoil (USD/cents per tonne)	481,3	-9,16%

Source: Bloomberg and Eaglestone Securities



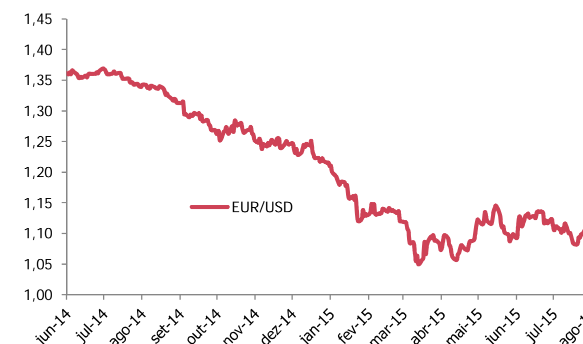
AGRICULTURE		
	Spot	YTD % Change
Corn cents/bu.	375,3	-6,36%
Wheat cents/bu.	492,8	-17,12%
Coffee (KC) c/lb	125,1	-26,14%
Sugar#11 c/lb	11,1	-25,80%
Cocoa $/mt	3180,0	9,96%
Cotton cents/lb	63,7	4,31%
Soybeans c/bsh	931,5	-9,61%

Source: Bloomberg and Eaglestone Securities



CURRENCIES	
	Spot
KWANZAS	
USD	126,251
EUR	138,112
GBP	196,509
ZAR	9,896
BRL	36,809
NEW MOZAMBIQUE METICAL	
USD	38,401
EUR	42,092
GBP	59,888
ZAR	3,016
SOUTH AFRICAN RAND SPOT	
USD	12,733
EUR	13,958
GBP	19,858
BRL	3,720
EUROZONE	
USD	1,10
GBP	0,70
CHF	1,06
JPY	136,17
GBP / USD	1,56

Source: Bloomberg and Eaglestone Securities



UPCOMING EVENTS

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

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

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

4th African Pensions, Sovereign Funds & Insurance Forum, 10-11 September 2015 – London
http://apsfif.com/index.php?page=London-Europe-Forum

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

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

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

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

London: East Africa Pensions and Sovereign Funds Investment Forum: 22 - 24 September 2015
https://live.ft.com/Events/2015/FT-Africa-Summit-2015

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

FT Africa Summit 2015 London, 04 - 05 October 2015, at Claridge's Hotel
Sustaining the Momentum in what looks set to be a less benign external environment – with prices falling for many of the commodities African countries rely on for export earnings - will require governments to be more judicious in the way they spend scarce resources and more proactive in providing a competitive environment for business.
https://live.ft.com/Events/2015/FT-Africa-Summit-2015

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

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

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

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Disclosures

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

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

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

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

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