INSIDE AFRICA

5 January 2015

Now is the time to invest in Africa

EAGLESTONE
SECURITIES

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BRIEFS

Angola
- Old kwanza banknotes cease to circulate in Angola
- Angola's oil minister expects oil prices to rise
- Angola expected to return to budget surpluses only in the medium term
- Angolan bioenergy company produces 3,100 tons of sugar
- Angola will have new integrated foreign trade system in 2015

Cabo Verde
- Cabo Verde launches new banknotes this month

Côte d'Ivoire
- Côte d'Ivoire will continue to lead with longer maturity bonds, followed by Burkina and Togo in 2015.
- USD750mn Eurobond issued in July 2014 complemented increased FDI inflows (3% of GDP) as business climate has improved.
- Côte d'Ivoire has handed over the execution of cocoa contracts for international buyers to local exporters in a bid to boost domestic players.

Ethiopia
- Saudi investor backs US$100mn rice project in Ethiopia
- Banking sector liberalisation can lift growth

Ghana
- High inflation expectations maintained 91- and 182-day T-bill yields around 26%.

Mozambique
- Tax revenues in Mozambique expected to total US$5.4 billion in 2015
- Mozambique Tax Authority and mining companies disagree on tax payments
- Mozambique's rice output dips in 2013/14
- Consortium sends coal mined in Mozambique to India

Nigeria
- Although the yields on government securities have risen 200 to 300bp, the government will continue to issue short and long term bonds to meet its financing requirement
- The Central Bank of Nigeria has issued new FX regulation in an effort to support the NGN by reviewing NOPL from 1% of shareholders' funds unimpaired by losses to Zero
- Plunge in oil prices may take a bite out of banks, but not a big risk

Tanzania
- Tanzania, Mozambique Could Lead in Gas Finds

Uganda
- Uganda's coffee exports are expected to slow over the next two months.
- Kenya has resolved a long-standing sugar trade dispute with Uganda

In-depth:

How to realise the potential of Africa's youth

Africa is fortunate. Unlike more industrialized countries and even some industrializing countries like China, Africa is endowed with a much younger population. This could offer a tremendous comparative advantage in years to come that could propel the continent forward as a dynamic and productive engine of growth for the entire world. As elucidated by the UNFPA, "A window of economic and social growth occurs when the working age population becomes larger than people of non-working age…" making significantly higher growth rates possible as "the state faces fewer costs associated with children and the elderly". But for Africa to realize this advantage, it needs two things: investment to create good jobs, and the young people with the skills to fill them.

According to the United Nations, persons between 15 and 24 comprise a fifth of the world's population with the vast majority living in developing countries. But, at present in Africa, this cohort accounts for almost two thirds of the unemployed. While there has been no shortage of initiatives to tackle the youth "issue", these have been at the social margin with mixed results. Policy reforms and donor support have included both supply and demand side activities, mostly directed to investment in public services complimentary to the private sector which, while necessary, have not been sufficient.

This is not to say that inclusiveness, efficiency and quality in the basic public goods for young people at an early age – education and health – are not important. Chronic malnutrition for a child of less than two, means that that child will never reach his/her intellectual potential and will probably not have more income (from legal sources) than his or her parents. Children, from the womb, need be considered national assets – or "public goods" and investments made early on in their health and nutrition and in quality education from the level of pre-school upwards. A top UN official recently highlighted this, by saying that "if Africa [like] East Asia, adapts to its local context and makes comparable investments in young people, the region could…[add] as much as 500 billion U.S. dollars to its economy every year for as many as 30 years." resulting in "the total transformation of Africa."

But the hard reality is that, public investment needs to be mostly funded by revenue from the private sector and that each job requires a certain investment for which, in aggregate, there is insufficient fiscal room or donor largess, or insufficient political will, (or a combination of the three) to address what is needed. Most investments in Africa have been in capital intensive extractive sectors that, unlike more factor balanced investments, have not generated the human resource supply responses for value addition, and the related human resource development, at the quality and scale necessary. Government and donor policy interventions so far have not succeeded in making value addition in Africa more attractive for investors, including evidently for capital flight.

Africa urgently needs a policy perspective that looks to private investment as the fiscal engine to generate the public goods for youth, which the state cannot already supply. The policy paradigm needs to shift to see a healthy and basic educated youth, more as a competitive and market opportunity to be promoted to investors rather than a social problem hungry for public services to be supported by aid. The rationale for the private sector is also compelling, as youth incomes can disproportionately drive demand, including for credit, through increased household and family formation.

Changing policy priorities is not easy. The dearth of evidence on what works and what does not, may have undermined the argument for greater policy and donor emphasis on investment for value addition in Africa. Most interventions have not been adequately evaluated. Programs have presumed what the obstacles to youth employment are and how best these can be removed. The causes of failure have not been clearly diagnosed. Some of the information gap can be attributed to informality in Africa. However, the lack of survey information goes beyond the informal sector to the formal sector. More rigorous diagnostic studies are needed to identify the binding constraints to investment in value addition and youth employment. But the quest for perfect information should not be cause for inaction.

The consequences otherwise, are foreboding. Poverty and deprivation accompanies youth unemployment. A key lesson from Senegal's election violence was that youth unemployment can fuel the fire of political violence and civil unrest. A World Bank survey in 2011 showed that about 40% of those who join rebel movements say they are motivated by a lack of jobs. The policy perspective and priorities must change and they must change soon.

The bottom line for policy makers, private sector and donors is that it cannot be business as usual any longer in Africa. The opportunity cost of another generation lost is too high. The contagion from inaction will leave no one untouched. Policy makers and donors must undertake the systematic diagnostic needed, and, more importantly, act on the results.

This article is published in collaboration with The World Bank's Let's talk Development Blog. Publication does not imply endorsement of views by the World Economic Forum. *(World Economic Forum)*

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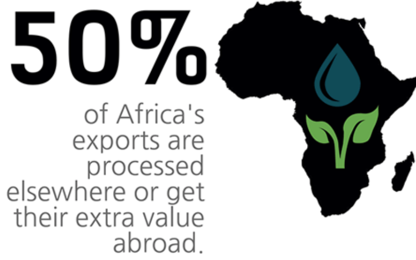

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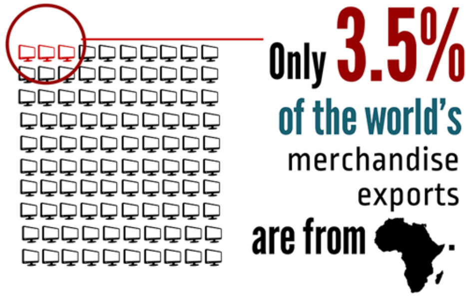

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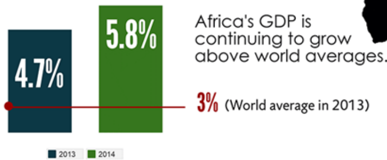

The continent's growth is becoming more broad-based.

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#AEO2014

African Economic Outlook 2014

Making sure the global economy benefits people means investing in jobs, skills, basic services and protecting communities from shocks.

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#AEO2014

Did you know?

Ethiopia has created 60,000 jobs in the apparel industry and supplies H&M.

South Africa has turned around its auto industry.

Ghana has empowered women in its shea butter, coffee and cocoa industries.

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#AEO2014

Africa's economic outlook for 2015

Assuming a gradual strengthening of the world economy and improvements in political and social stability in those African countries currently affected by conflicts, the African continent is set to record a projected +5% economic growth in 2015

Foreign direct investments (FDI) and external financial flows play an increasingly important role in Africa's development and economic growth prospects. Equally important is improved institutional performance and better governance. So, what are we going to see in 2015?

There will be more foreign investments and remittances from non-OECD (Organisation for Economic Co-operation and Development) countries that will continue to underpin the positive trend. For instance, the cash-rich Japanese and South Korean corporates will focus on acquisitions in Africa. Global investors will pool their assets in specialised structures in order to fund infrastructure projects in Africa, supporting and facilitating trade activities amongst African member states.

Although resource-rich countries will remain the prime destination for FDI's into Africa, manufacturing and services will attract an ever increasing share of the 750+ new greenfield FDI projects.

Should commodity prices recover from its current lows; the growth outlook will be robust. Growth will further accelerate with stable macro-economic environments, large investments from BRIC countries and rising internal consumer spending. As from next year, the development agenda for Africa will target more equitable and socially-inclusive economic growth and structural changes, focusing on empowerment, governance, social transformation and gender equality. Rwanda will move to the implementation stage of its strategic programme to build its financial centre similar to that of Mauritius'.

The three main challenges remain:

1. Stagnating traditional European export markets
2. China's growth is slowing
3. The falling oil price

All of the above are expected to negatively impact the growth outlook of Africa's extractive industries.

If the Ebola outbreak is protracted or spreads, it will have dramatic consequences for economic activity in western Africa. This is likely to create disruption in transportation, cross-border trade and investments, supply chains and tourism in the West Africa region.

If the Ebola outbreak is contained, we can expect more FDI investments from Europe, more specifically French multinational corporations investing in English and Francophone West African countries.

Outlook by country

Growth in South Africa, the continent's most advanced economy, has been lackluster in 2014, due to protracted strikes, low business confidence, and a depreciating rand. A slight recovery is expected next year with improving labour relations and gradually stronger exports. With more attractive opportunities outside South Africa, 2015 will see hungry South African corporates continue to acquire, consolidate and develop their pan-African businesses.

Nigeria, the continent's top oil producer which overtook South Africa as the largest economy in 2014, may experience one of the most accelerated growths, forecasted at 7.3% in 2015. This strong performer is, however, heavily dependent on natural resources and is still vulnerable to global demand.

Another high performer is going to be Ethiopia where real GDP growth is expected to remain around 7%, owing largely to the strong performance of the agricultural sector, but also as electricity supplies increase. Production prospects look broadly favourable for the Ethiopian agricultural sector largely due to more investment in the sector along with higher income contributing to consumption growth. Investment in new sugar refineries will make sugar one of the most reliable agricultural exports.

2015 will also see the set-up of more sovereign wealth funds in African countries that will target opportunistic investments in the infrastructure, services, and agricultural sectors. Additionally, more pension funds and insurance companies will be allowed to invest offshore.

We shall see a stabilisation of a majority of the African currencies. More African economies will be able to tap capital markets with sovereign bond issuances in the Eurodollar market just like Kenya and Ivory Coast did in 2014.

And where does Mauritius fit in the equation? The island will continue to remain the most preferred international financial centre for facilitating investments and trade in Africa. Its existing double taxation and investment promotion treaty networks with African countries will grow and some previously signed treaties will be ratified, making Mauritius even more attractive as a financial hub for the continent. Not to forget that the increasing population of high-net-worth individuals (HNWIs) in Africa is growing rapidly. And these HNWIs will be looking for a platform of proximity, one which is responsive to their needs and requirements, to house their personal assets and for their wealth succession planning. Mauritius remains poised in 2015 to be the private banking centre of choice for affluent Africans.

Yogesh Gokool is the head of international banking at AfrAsia Bank Limited. *(How we made it in Africa)*

Oil rout sours Africa debt sweet spot

Countries in sub-Saharan Africa have raised a record sum of almost $7bn this year. African debt was once a rare sighting on frontier markets, a territory inhabited by only the most adventurous of creditors. Not anymore. Sub-Saharan African bonds dominated emerging markets this year as governments accelerated national borrowing plans to take advantage of rock-bottom rates.

A stream of debuts that included Ethiopia, the poorest country to ever issue a eurobond, were joined by states that had defaulted on debt in the past and were seeking fresh bond issues.

Demand from global investors starved of yield in more familiar asset classes pushed yields in African bonds ever lower, encouraging governments to expand already ambitious debt sales. Six months after Kenya sold $2bn in sovereign bonds — the largest market debut made by an African country—the government was back, seeking to borrow a further $750m. Ivory Coast sold 10-year sovereign bonds three years after defaulting on its debt in the midst of civil war.

In total, sub-Saharan African countries have raised almost $7bn this year, a record sum according to Dealogic, the market research firm.

"The global mispricing of risk means that it makes sense for governments to issue debt right now," said Charles Robertson, chief economist at Renaissance Capital. "Financing essential infrastructure growth can be done at cheap rates. And every new country coming to the market offers investors a new diversification of risk."
But that was before oil prices began to spiral down and the outlook for global growth grew more choppy. As the year drew to a close African bonds started to sell off, pushing prices down and yields backup. Ghana saw the yield on its 2023 bond jump above 10%, while Rwanda's 10-year bond rose from less than 6% to 7.4%. The yield on Nigeria's 10-year debt rose by more than 1 percentage point to 7.6% as the largest economy in sub Saharan Africa watched its currency tumble to a near-record low against the dollar and the domestic stock market drop to its lowest point since the start of 2013. Every African sovereign bond has been affected by the sell-off and as yields rose more questions were being asked about the health of the economies that had borrowed so enthusiastically.
In the past, most African governments limited their borrowing to local debt markets or loans.
Sovereign bonds borrowed in dollars are more desirable for global investors and so offer African countries a relatively inexpensive source of finance but they carry considerable currency risks if the dollar strengthens and can pose the problem of rollover risks and greater macroeconomic volatility if investor interest in exposure to African debt wanes, warned the UK's Overseas Development Institute.
The International Monetary Foundation suggested earlier this year African nations should explore ways other than bonds to finance budgets. Low interest rates might be tempting governments to load up with too much debt, the IMF said. In an interview with the Financial Times, Christine Lagarde, IMF managing director, said she was concerned that the "Africa rising" narrative was at risk of being spoiled. This year Ghana, the first country in sub-Saharan Africa other than South Africa to borrow on sovereign bond markets, sought financial help from the International Monetary Foundation after its currency plunged.
Sub-Saharan African sovereigns with strong regional trade links, such as Uganda, will fare better than resource exporters such as Democratic Republic of Congo in the event of a steeper-than expected slowdown in China's growth and falling oil prices, says Huwvan Steenis, analyst at Morgan Stanley.
But there is little they can do to avoid the possible withdrawal of capital by global investors if interest rate increases by the Federal Reserve encourage them to move away from emerging markets. The picture is not all gloomy. Sub-Saharan Africa GDP is expected to grow at an average rate of 5% up from 4.5% last year, says Fitch Ratings, which looks at the 18 countries it rates. *(Financial Times)*

Angola expected to return to budget surpluses only in the medium term

The implementation of Angola's state budget for 2015 presents some uncertainty due to a drop in oil prices, according to Eaglestone Securities, which expects the country to return to budget surpluses only in the medium term.
The Angolan state budget for 2015 outlines an increase in public debt, of US$37.9 billion to US$48.3 billion, or 35.5 percent of GDP, with the government having to resort to financing to bridge the revenue shortfall caused by the drop in oil prices on the international market.
"The Angolan government will continue to depend on a significant contribution from tax revenue, especially taxes on the oil sector, to finance its spending," at a time when it needs to spend money on infrastructure and social projects, said the Eaglestone analysts.
With a deficit of 7.6 percent of GDP expected in 2015, the next few months will require "special attention from the Angolan authorities regarding management of the country's public accounts," although prospects for Angola's economic growth, "remain favourable," Eaglestone said.
"As in the 2008/09 crisis, in which Angola had two consecutive record deficits and sought IMF help in 2009, we expect that the significant deterioration in the budget deficit forecast for 2015 is episodic and the country will quickly return to budget surpluses in the medium term," said the consultancy's report.
In 2015, despite an increase in oil production, Angola will have to manage on 16.3 percent lower tax revenues from oil, a sector that accounts for almost two-thirds of total revenues.
The average price of a barrel of oil expected in the next year is US$81, significantly below the US$104 initially planned for 2015, but well above the current price of the barrel in international markets – between US$50 and US$60.
"This shows how Angolan accounts remain highly dependent on the oil sector and that the risks to the oil price scenario may affect revenue collection in the period," the report said.
By contrast, tax revenues from the non-oil sector are expected to rise 27.1 percent, reflecting "the structural reforms that the authorities are carrying out to increase tax collection outside the oil sector," it said.
On 1 January, 2015 new income, industrial and general tax codes started operating in Angola, concluding a restructuring process that began in 2011.
One of the Budget trends for this year is an increase in funding for the social sector – education, health and social security – in contrast to cuts in security and defence.
The largest share of the budget will go to current expenditure (74 percent of total), including salaries and goods and services, both with increases in excess of 20 percent over the previous year. *(Macauhub)*

SOVEREIGN RATINGS

North and South America - Asia

	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
01-01-2015	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
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-3	F3
VENEZUELA	Caa1	CCC+	CCC	NR	C	C
USA	Aaa	AA+u	AAA	NR	A-1+u	F1+

Sources: Bloomberg, Eaglestone Advisory

Eurozone

	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
05-01-2015	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Austria	Aaa	AA+	AAA	P-1	A-1+	F1+
Belgium	Aa3	AAu	AA	NR	A-1+u	F1+
Cyprus	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	Caa1	B	B	NP	B	B
Ireland	Baa1	A	A-	P-2	A-1	F1
Italy	Baa2	BBB- u	BBB+	P-2	A-3u	F2
Latvia	Baa1	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	Ba1	A-	BBB+	NR	A-2	F2
Spain	Baa2	BBB	BBB +	P-2	A-2	F2
United Kingdom	Aa1	AAAu	AA+	NR	A-1+u	F1+

Sources: Bloomberg, Eaglestone Advisory

Region - Africa/Middle East

05-01-2015	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Angola	Ba2	BB-	BB-	NR	B	B
Bahrain	Baa2	BBB	BBB	NR	A-2	F3
Benin	NR	NR	WD	NR	NR	WD
Botswana	A2	A-	NR	NR	A-2	NR
Burkina Faso	NR	B-	NR	NR	B	NR
Cameroon	NR	B	B	NR	B	NR
Cape Verde	NR	B	B	NR	B	B
Egypt	Caa1	B-	B	NR	B	B
Emirate of Abu Dhabi	Aa2	AA	AA	NR	A-1+	F1+
Ethiopia	B1	B	B	NR	B	B
Gabon	Ba3	BB-	BB-	NR	B	B
Ghana	B2	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	BB-	BB-	NR	B	B
Oman	A1	A	NR	NR	A-1	NR
Qatar	Aa2	AA	NR	NR	A-1+	NR
Republic of Congo	Ba3	B+	B+	NR	B	B
Republic of Zambia	B1	B+	B	NR	B	B
Rwanda	NR	B	B+	NR	B	B
Saudi Arabia	Aa3	AA-	AA	NR	A-1+	F1+
Senegal	B1	B+	NR	NR	B	NR
Seychelles	NR	NR	B+	NR	NR	B
South Africa	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

IMF, WORLD BANK & AFRICAN DEVELOPMENT BANK

ADB grants US$59 million to Mozambique

The African Development Bank (ADB) has granted the government of Mozambique US$29.5 million to support the 2014 State Budget.

This is the first in a series of three annual budgetary aid operations budget that will continue until 2016, representing a total of US$59 million.

According to Mozambican daily newspaper Notícias a statement from the Mozambican Finance Ministry said the central purpose of the support was to promote inclusive growth, sustainable development and to create business and employment opportunities.

The ADB has supported the Mozambican state budget since 2000 and considers this form of aid crucial to support the country's development.

Lake Turkana Wind Power Project nominated Power Deal of the Year in 2014

The Lake Turkana Wind Power Project (LTWP) reaches financial close following an eight-year journey.

Earlier this month, the EUR 623-million project marked a significant milestone with financial close, making it the largest private investment in Kenya's history. This project has won several awards and has been recently nominated as the 'African Renewable Deal of the Year 2014' by Thomson Reuters Project Finance International.

The Turkana project comprises a 300 MW Independent Power Plant to be constructed, owned and operated by Lake Turkana Wind Power company and a 428-kilometre transmission line to connect the power station to the power grid to be constructed by the Government of Kenya. The African Development Bank (AfDB) Group is supporting the project through African Development Fund and African Development Bank instruments and has been extensively involved since 2007; working closely with the project sponsors and the Government of Kenya to structure this transformational integrated project.

Potentially Africa's largest single wind power project to be constructed, Lake Turkana has attracted financial support from the African Development Bank (AfDB), European Investment Bank (EIB), the Standard Bank of South Africa, Nedbank, Netherlands Development Finance Company (FMO), Proparco, East African Development Bank (EADB), PTA Bank, EKF, Triodos and DEG. The project's debt-raising for the generation project was led by the AfDB, as Mandated Lead Arranger, with the Standard Bank of South Africa and Nedbank Limited as co-arrangers.

As the Mandated Lead Arranger for the power plant, the AfDB arranged approximately EUR 436 million of senior loan facilities and approximately EUR 37.5 million of subordinated loan facilities for LTWP. The Government of the Netherlands has also provided a grant of EUR 10 million and the European Union a further EUR 25 million, through the EU Africa Infrastructure Trust Fund. This project is a great example of Development Finance Institutions working together with commercial banks to develop Africa.

Additionally, the AfDB is providing a EUR 20-million ADF Partial Risk Guarantee (ADF PRG) for the transmission line component, to protect the power plant against the risk of 400-km Suswa-Loyangalani transmission line and substations construction delay. This is the AfDB's first PRG transaction. The transmission line and related substations are financed by the Government of Spain and Government of Kenya. The PRG was a key condition for access to long term debt and financial close for the power plant.

Donald Kaberuka, President of the African Development Bank Group highlighted the importance of this transaction and stated that: "This project underscores the Bank's role to act as a catalyst for the development of transformative infrastructure projects of this nature."

The signing and disbursement signifies the completion of the project's financing with financial close achieved on December 11. Construction of the Lake Turkana project is expected to commence this year and will begin producing power in early 2016, adding 300 MW to the Kenya national power grid.

LTWP is a key deliverable under the Kenyan Government's commitment to scaling up electricity generation to 5,000 MW and to provide cost-effective renewable power to the Kenyan consumer. This project alone will produce approximately 20% of Kenya's currently installed capacity at €7.52 cents/kWh (Ksh9/kWh). It is also a Vision 2030 flagship project and will be transformative in terms of the development impact in the northern arid areas of Kenya, to the Kenya's electricity sector, and to the country as a whole. It is also expected to generate up to US $150 million annually in foreign currency savings to Kenya through fuel displacement costs.

AfDB makes US$ 22 million loan to develop Lake Tanganyika in Zambia

On December 18, 2014, the Board of Directors of the African Development Bank (AfDB) Group approved a US $22.49-million loan to Zambia for the development of Lake Tanganyika.

This project has been formulated as part of the long-term vision for Zambia ("Vision 2030") by which it intends to become "a prosperous middle-income country by 2030". Its aim, thus, is help implement the amended Sixth National Development Plan, which covers 2013-2016 and aims to facilitate and accelerate "economic growth and development in the service of the people". Accordingly, it aims to stimulate job creation and rural development, in this way boosting inclusive growth.

The project will be implemented over a five-year period in two districts, Mpulungu and Nsama, which surround the drainage basin of the lake and which have 157,830 inhabitants. The incidence of poverty is much higher in these districts than in other districts of Zambia.

More specifically, the project will promote sustainable and equitable management and use of the lake's natural resources, and it will help improve the livelihoods of local communities (in the drainage basin of the lake), by encouraging the development of economic infrastructure and human resources, and by strengthening market linkages and the development of value chains for the products of natural resources.

The project should improve the fish supply (catches) by 20 to 25%. In addition, it will help members of the local population adopt sustainable practices and technologies for the management of land, forests and water, with the goal of limiting land degradation and deforestation, and boosting agricultural production. Furthermore, the project should have a positive, virtuous impact on the conservation and preservation of the area's wildlife and heritage and on specific resources – particularly the national park – which can play a role in local economic development.

Unleashing the full potential of the lake's resources will increase the incomes of rural households. Project implementation will be participative, so that local people take ownership of it and ensure its sustainability.
The total estimated cost of the project is US $29.62 million. In addition to AfDB, the Global Environment Facility (GEF) is making a contribution with a US $7 million donation and the Zambian government is committing US $190,000.

The HKB Bridge is a symbol of a booming Côte d'Ivoire and of "Africa rising", says Kaberuka
Opened on December 16, 2014 in Abidjan, the Henri Konan Bédié (HKB) Bridge is an enabler for urban mobility in the Ivorian economic capital. During the opening ceremony, Donald Kaberuka, President of the African Development Bank (AfDB) Group, made a speech on behalf of all the funders involved in the project, in the presence of the Ivorian Head of State, President Alassane Dramane Ouattara, and his predecessor, Henri Konan Bédié, after whom the new bridge has been named.
Kaberuka paid tribute to, " the Government, the promoter, and to financial partners for the tenacity that has led to numerous obstacles being overcome and our arrival at this result that we are celebrating today."
Costing 308 million euros, 20% of which (58 million euros) were provided by AfDB, the project undertaken within a public-private partnership (PPP) embodies the proven expertise of the Bank in the field of infrastructure. And this is not only in Côte d'Ivoire, as the Bank President highlighted. "Through interventions of this type here in Côte d'Ivoire, in Senegal, Nigeria and other African countries, AfDB has built up experience that now enables us to overcome these challenges. "This bridge, like many others in Africa where the AfDB has been involved, also points to this emerging Africa, in spite of difficulties and challenges in places," Kaberuka said.
Most of all, the new third bridge of the "Pearl of the Lagoons" is a reflection of this "Africa rising" that is seeing the emergence of ever more major cities or even megacities. "This is like the continent as a whole. Strong demographics; a very strong thrust of urbanisation," said Kaberuka.
Recalling that Abidjan generates nearly half (US $17 billion) of Côte d'Ivoire's GDP, he saw the new HKB Bridge as "the symbol of a new Côte d'Ivoire, which is not only building a physical bridge, but social bridges too."
As a side-note to the opening ceremony, Kaberuka was presented with the insignia of Grand Officer of the Ivorian Order of Merit by the Grand Chancellor Henriette Diabaté.
http://www.afdb.org/en/news-and-events/article/the-henri-konan-bedie-bridge-a-masterpiece-in-the-heart-of-abidjan-13858/

AfDB approves US $70 million Kariba Dam Rehabilitation Project
The Board of Directors of the African Development Bank Group, during its ordinary sitting on Monday, December 15, 2014 in Abidjan, approved a proposed ADF loan of US $39 million to the Republic of Zambia, and a grant of US $12 million from the Bank's Transition Support Facility (TSF) and a grant of US $24 million from the African Development Fund Regional Operations (RO) envelope to the Republic of Zimbabwe for the Kariba Dam Rehabilitation Project.
The project involves the rehabilitation of the Kariba Dam infrastructure by reshaping the plunge pool and rehabilitating the spillway. The plunge pool will be reshaped in order to dissipate energy from the spilled water thereby reducing the energy on impact and hence bedrock erosion which could undermine the dam foundations, leading to dam failure. The project will rehabilitate the spillway gates to avoid possible jamming in the open or closed positions both of which would result in dam failure and catastrophic regional loss of lives, livelihoods, and billions worth of assets and power.
The value-added of the Bank Group in this project is being part of the donor group to ensure adequate financing of the project, as well as helping in the design of additional technical and social investigations to assure the technical, social integrity and economic soundness of the rehabilitation approach. Specifically, the Bank Group has been able to leverage internal resources under the Transition Support Facility to fund the Zimbabwe's contribution to the project costs when no other financier was in a position to assist, demonstrating strong commitment to being a development partner to countries in situations of fragility and transition, contribute to mitigation of the risk to fragility, ensuring human safety to both Zambia and Zimbabwe and the region as well as support the regional integration agenda. The Bank is also contributing to the creation of work synergy between the Southern African Power Pool and the Zambezi River Authority (ZRA) to enhance regional integration.
The project will include a capacity-building component which includes training for technical staff of the ZRA and skills transfer through the supervision engineer and panel of experts. The programme will strengthen ZRA's Emergency Preparedness Plan and also includes a programme for improved community emergency preparedness.

INVESTMENTS

Does Africa Need A Free Trade Area?
Like a true phoenix, Africa is rising from the ashes of despondence and wretchedness and, as validated by the rest of the world, is seeing an absolutely unprecedented explosive growth and economic development driven by socio-political stability, the rise of the middle class citizen, and the seemingly sudden realization by international investors that the

continent offers some of the highest returns on investment in the world. Consequently, Africa has been dubbed the last development frontier and the place for all global businesses to expand to if growth remains their objective. The continent is not without its woes, most significantly the huge infrastructure deficit, but its story is now more promising than at any previous point in its history.

In 2012, African leaders, under the umbrella of the African Union (AU), decided the next big thing for Africa was a Continental Free Trade Area (CFTA) to be fully set up by 2017, and significant effort has gone into implementing this.

"Enhancing this trade – such as through a large continent-wide trade deal – and deepening market integration can contribute significantly to sustainable economic growth, employment generation, poverty reduction, inflow of foreign direct investment, industrial development, and better integration of the continent into the global economy," the AU declaration stated.

A valid reason for pursuing this is the well-known regional integration argument and the need to boost intra-African trading. The World Trade Organization (WTO) says Intra-African trade currently stands at 12% of total trade, compared to 60% for Europe, 40% for North America, and 30% for ASEAN. Seeing that there is a direct relationship between the intra-regional trading (IRT) index of a region and its economic development, the AU took this stance; but there may be more fundamental issues to address before plying the route of a Continental Free Trade Area.

According to Princeton University, a Free trade area is a type of trade bloc, a designated group of countries that have agreed to eliminate tariffs, quotas and preferences on most or all goods and services traded between them; it can be considered the second stage of economic integration in between a preferential trading area and customs union. As economic integration increases, the barriers of trade between markets are expected to diminish thereby facilitating a free flow of people, goods and services. It is this end state that the African Union is looking to transit to by the creation of a Continental Free Trade Area.

Following its convictions, the AU had set up a Continental Task Force (CTF) to facilitate the CFTA, and full negotiations are expected to hold between 2015 and 2016 in line with the core objectives of the CFTA. These objectives include creating a single continental market for goods and services, with free movement of business persons and investments, thus paving the way for an accelerated establishment of the Customs Union. Another objective is the expansion of Intra African trade through better harmonization and coordination of trade liberalization and facilitation and instruments across the Regional Economic Communities (RECs) and across Africa in general. Lastly, the CFTA is expected to enhance competitiveness at the industry and enterprise level through exploitation of opportunities for scale production, continental market access and better reallocation of resources.

The United Nations Economic Commission for Africa (UNECA) calculates that the CFTA could increase intra-African trade by as much as $35 billion per year, or 52% above the baseline, by 2022. As a result, imports from outside of the continent could decrease by $10 billion per year, and agricultural and industrial exports would increase by $4 billion (7%) and $21 billion (5%) above the baseline, respectively. If coupled with complimentary trade facilitation measures to boost the speed and reduce the cost of customs procedures and port handling, the share of intra-African trade would more than double over the baseline, to 22% of total trade by 2022. These findings were published by the International Centre for Trade and Sustainable Development (ICTSD).

There is definitely the case for a regional integration ambition of this magnitude, but as hinted earlier, there is a horse that should come before the free trade area cart, and this is the issue of financial leakages and illicit financial flows. A more prudent and timely short term goal, that deserves a concerted and continental effort, should be to curb illicit financial outflows from the region. Africa may very well be losing the equivalent of what it gets in terms of foreign direct investment (FDI) every year due to these leakages, meaning there may be less need for investments if these holes are plugged.

The ECA asserts that Africa has lost $50 billion every year in the last decade to such leakages; this is almost the same amount of money it has received in terms of official development assistance. If this is really the case, Africa can be its own financial powerhouse if it successfully plugs in all the leakages. Also, estimates from various recent studies including "Financing Africa's post-2015 development agenda" reveal that, from 1970 to 2008, Africa lost somewhere between $854 billion to $1.8 trillion in illicit financial flows. Definitely, this undermines revenue generation and reduces the benefits from economic activities, particularly in the extractive sector. It also undermines Africa's ability to mobilize resources generated by such sectors to fund developmental goals.

Sub-Saharan Africa has become a net exporter of capital to the rest of the world because of illicit cash outflows, which equals about 5.5% of its GDP. These figures are alarming and all point to the same thing; we have a big financial worm inside Africa, and it may be worthwhile and more prudent to deworm the continent first of all before pushing for a Continental Free Trade Area. *(Ventures Africa)*

Averda Widens its Services in Angola, its Second Operation in Africa

Averda is the largest, and one of the fastest growing, waste management companies in the Middle East and Africa

Averda, the largest, and one of the fastest growing, waste management companies in the Middle East and Africa, is delivering city cleaning services in Ingombota, a major urban district within Angola's capital city of Luanda. The five-year contract, awarded recently, sees Averda operate in joint venture agreement, under the name Ecoverde.

Ingombota covers 10 sq km on the North Eastern coast of the country. It is the political and economic hub of the capital, with more than 160,000 residents. The population almost doubles during the day as it is home to the country's Parliament, major banks, hotels, the presidential palace, three European embassies, the central bank, three towers and the headquarters of a multinational company. Averda cleans 6,000km of streets in the district per month.
MohamedAli Hodeib, Chief Operating Officer for the Levant & Africa, Averda said: "We are happy to be serving the people of Luanda. The stabilisation phase of the operation, debuted in April, is now complete. Averda is fully deployed through Ecoverde, having achieved the initial target of bringing the city streets to the desired level of cleanliness, in par with our international standards. We are proud to be partners in Luanda's waste management, its economic growth and with the main stakeholders in the city, its residents and visitors. We are looking forward to inspire a change in practices and to raise awareness of sound waste management."
The contract was Averda's inaugural in Angola and its second in the region, having entered the market in Morocco in 2012. Averda started with a mobilisation phase in Angola in August 2013 during which experienced teams conducted on the ground surveys to design specific and durable waste solutions. Equipment has been brought in later that year, better and newer vehicles and containers, mechanical bin washers, small vehicles to get into the narrow city streets. In September this year the scope of work widened from waste collection to include sweeping. Averda introduced a new efficient and environmentally friendly vehicle for mechanical sweeping and automatic bin washing for the first time in Angola. Averda employs 350 Angolan personnel including labourers, supervisors and drivers. Averda provided its Angolan workforce with safety and environmental awareness training as well as technical training on equipment. *(Africa Outlook Mag)*

Portuguese hotel group plans to expand to Cabo Verde and Mozambique

Portuguese hotel group Vila Galé plans to expand to Cabo Verde (Cape Verde) on the islands of Boa Vista and Sal said the company's chief executive Gonçalo Rebelo de Almeida. Entry into the West African archipelago was previously considered in 2012 but the group eventually put these plans on hold to focus on its hotel in Rio de Janeiro, which opened last week. The new hotel unit has 292 rooms and cost Vila Galé 35 million euros. "More recently we started looking for plots of land again with the idea of having a tourist resort in Cabo Verde like Marés or Cumbuco, both in Brazil," the CEO told Portuguese newspaper Sol.
In addition to Cabo Verde, Vila Galé also has plans to invest in Mozambique's capital, Maputo, and Gonçalo Rebelo de Almeida said the group intends to have a city hotel there, which may involve purchasing or leasing a building that has yet to be built. Vila Galé is one of the leading hotel groups in Portugal and is on the list of 250 largest companies in the hotel industry worldwide. It is currently responsible for managing 24 hotel units: 18 in Portugal – Algarve, Beja, Oeiras, Cascais, Ericeira, Estoril, Lisbon, Coimbra, Porto and Madeira – and 6 in Brazil – Fortaleza, Caucaia, Salvador, Guarajuba, Pernambuco and Angra dos Reis – a total of 11,964 beds. *(Macauhub)*

Singapore establishes itself as a financial platform for Angola

Singapore is establishing itself as a major financial platform for Angolan private and public investors, including state oil company Sonangol, and replacing Dubai.
According to Africa Monitor Intelligence newsletter, Singapore was already, at least since 2008, one of the preferred international financial markets for depositing Angolan state reserves and Sonangol funds, but it is now as the main destination of Angolan private capital abroad. With increased relations between Angola and China, Sonangol's offices in Singapore – Sonangol Asia Ltd – have also been gaining importance as a centre for marketing oil in the international market, said the newsletter. Sonangol's offices in Singapore sell far more oil in the Asian spot market than the London office, which until recently was the most important hub in terms of volume of sales. According to AM Intelligence, Sonangol has another office in Houston and plans to open one in Shanghai.
At present, China purchases about half of Angola's oil production, and state oil companies have entered oil production with huge investments, the latest of which was the purchase of US$1.52 billion stake from Marathon Oil in Block 31, by Sinopec , which is Sonangol's partner in several projects.
Loans to Angola since the end of the civil war exceed US$14.5 billion and oil has often been used as collateral for these. Africa Monitor said trade between the two countries has been growing; Singaporeans in Angola, both residents and visitors, are mainly technical staff, including bank officials or financial consultants.
According to the Economist Intelligence Unit, China will continue in the coming years to be one of Angola's "key strategic partners," ensuring a "consolidation" of two-way relations with a view to "diversifying access to international financing." Sonangol announced a US$2 billion loan from the China Development Bank to support expansion projects in the oil and gas industry. *(Macauhub)*

Pharma chains on the way

While pharmacy chain stores are a common sight on the high streets of the US, UK or Japan, they are few and far between in most African countries. However, Kenyan firm Haltons is seeking to replicate the success of its counterparts in the industrialised world, following an undisclosed investment by private equity fund Fanisi Capital last year
There are currently thousands of unregistered and unofficial pharmacies across the continent, offering a piecemeal supply of branded, generic and fake medicines. The Active Pharmaceutical Ingredients (API) are sometimes adulterated

to make them go further; others contain no active ingredients at all. The emergence of a big national chain that targets low income families could therefore offer a great deal of confidence to consumers. Fanisi has also invested in Rwandan pharmaceutical wholesaler Sophar. In a statement, the company explained: "Sophar's core business involves the importation and marketing of branded pharmaceutical drugs within the Rwandan market. "With a unique semi-cooperative structure and successful business model shareholders are the main customers – the company is set on the path of faster growth in product range, geographic reach and distribution capability." Similarly, private equity firm Catalyst Principal Partners bought a stake in Kenya's Mimosa Pharmacy in August jointly with Africa Chemist and Beauty Care (ACBC), a Mauritius-based pharmaceutical chain. The managing director of Catalyst, Biniam Yohannes, says: "The sector has evolved rapidly over the last decade, with increased consumption of pharmaceutical and personal care products in formal retail channels. Our investment will further fill the gap between the consumer demand and market supply, with the aim of building the business into a world-class pharmacy retail chain of regional scale." One barrier that will take many more years to overcome is the urban-rural divide in Africa. The lion's share of drug sales on the continent are made in urban areas and the provision of pharmaceuticals and indeed medical treatment of any kind is limited in more remote areas. Two thirds of all drug sales in Angola, for instance, are made in the capital Luanda. While reliable pharmaceutical retailing would be a breakthrough in Africa's big cities, there is little prospect of it emerging in rural districts within the next generation. *(African Business)*

Financing Africa's massive projects

It is an audacious US$4.8bn project undertaken by one of the world's poorest countries. At the construction site in the Benishangul region of Ethiopia near the Sudanese border, some 8,500 workers are labouring tirelessly every day to build the gigantic Grand Ethiopian Renaissance Dam. When completed in 2017, the dam will generate 6,000 megawatts of electricity for domestic consumption and export.

On the surface, the 558 ft tall dam – Africa's biggest hydropower project – belies Ethiopia's financial muscle. The GDP per capita in Ethiopia is only $475. The late Prime Minister Meles Zenawi, who laid the foundation stone in 2011, said the dam would be built without begging for money from donors. Since then, construction has progressed steadily using money from local taxes, donations and government bonds. Ethiopians abroad and at home contributed the first $350m, with government workers contributing amounts equivalent to a month of their salaries.

Semegnew Bekele, an Ethiopian construction engineer working on the dam, told The Guardian, a British newspaper: "Ordinary people are building an extraordinary project." Development experts now showcase the dam as proof of an innovative approach to project financing. "Approximately $450m has been raised from Ethiopians to help build the dam and I think the target is probably a billion dollars," says Zemedeneh Negatu, managing partner at Ernst & Young Ethiopia, a financial consulting firm.

Ethiopians, private companies and even other countries such as Djibouti are buying bonds. In addition, the Ethiopian Electric Power Corporation, a state-owned utility, is investing its own revenue and the money it is borrowing from state-owned banks. Economists warn that using private sector finance to pay for the dam could slow Ethiopia's economic growth in the future. But the government counters that this will be offset by selling electricity to countries in East Africa, a region with improving economic growth.

Ethiopia's recipe for financing the dam from bonds and taxes is being touted as a model for other African countries. This East African country uses a computerised system to track and collect taxes, making evasion difficult. The government regularly carries out awareness campaigns to explain taxation and publicise what collected taxes are funding such as the dam.

Dismantling tax havens

Ethiopia's financing approach, including taxes, is just one of the emerging ways of funding projects in Africa. Other countries on the continent are working towards similar initiatives. Africa currently collects about 27% of its GDP in taxes, which is insufficient to fund infrastructure such as roads, bridges, schools and hospitals.

At the Ninth African Development Forum in Marrakesh, Morocco, last October, Prime Minister José Maria Pereira Neve of Cape Verde explained that Africa could receive more tax revenues with "good governance and transparency in the management of public finances". Many of the 700 delegates at the conference, which was organised by the UN Economic Commission for Africa (ECA), including some African heads of state, private sector and civil society representatives, discussed innovative ways of financing Africa's projects. They urged African governments to laser-focus on tax havens where some multinational companies keep their money.

Tax havens, which are places where taxes are markedly low, are a part of the broader problem of illicit financial flows (IFFs) from Africa, an issue that has lately drawn scrutiny. In 2013, for instance, ActionAid, an international non-government organisation focusing on poverty, launched a global campaign to stop Barclays, a British bank, from promoting tax havens in Africa. By "helping your clients set up operations in tax havens like Mauritius, you are part of a system that is draining vital public funds out of the continent each year," ActionAid warned the bank. Barclays denied it encourages business set-ups in tax havens.

Magnets for investors

Africa loses between $50bn and $148bn annually to IFFs, according to a 2013 ECA report titled: The State of Governance in Africa: The Dimension of Illicit Financial Flows as a Governance Challenge. Tracking and stopping

"illicit financial flows is not just a moral imperative, it is a good input for transformative policies," said Carlos Lopes, ECA's executive secretary, in an interview with Africa Renewal held at the conference. IFFs include under-invoicing, over-pricing, double duties, disguised profits and the use of tax havens.
In tones that were at times urgent and angry, some speakers at the Marrakesh conference maintained that while Africa could still accept aid and encourage foreign direct investments, these should not be the main sources of finance. Africa's vast natural resources such as gold, platinum, diamonds, chromite, copper, coal, cobalt, iron ore and uranium – 12% of the world's oil reserves and arable land and forests – will continue to be magnets for investors. The rate of return on investment in Africa today, even adjusting for real and perceived risks, is higher than in any other developing region, according to an ECA report.

Private equity firms forage

Lopes is optimistic about Africa's private sector investment prospects. "Africa might have finally found a way to whet the appetite of private equity investors," he says, adding: "The reality is that Africa cannot rely on development aid for its transformation agenda, so its appetite is moving towards private investment and domestic resource mobilisation." The message sounds good except that, again, tax loopholes are spanners in the works. In response, Lopes is arguing for an African common market to harmonise disparate regulatory systems and discourage companies from exploiting both the loopholes and the tax havens.
Private equity funding, which is when rich individuals or institutions inject capital into a company and acquire equity ownership, can be lifelines for companies gasping for cash. Yet, ten years ago, it wasn't even well known in Africa, according to the ECA. But in the second quarter of 2013 alone, 164 firms secured $124bn private equity capital, according to Preqin, a firm that tracks private equity trends.
The African Development Bank (AfDB) states that between 2010 and 2011, investment deals in Africa increased from $890m to $3bn. In 2012, institutional investors injected $1.14bn in Africa-focused private equity funds, according to African Private Equity and Venture Capital Association, an organisation that promotes private investments in Africa. For example, Ethos Private Equity, a South African firm, alone received $900m from equity funds.
The AfDB has also jumped on the private equity bandwagon, launching a pan-African facility to support the development of women fund managers. Geraldine Fraser-Moleketi, the bank's special envoy on gender, told Africa Renewal that the idea is about looking at "innovative policies because current models are not inclusive." Africa's approximately one billion population and a combined consumer spending power that will rise to over $1.3tr by 2020, according to McKinsey, a global management consulting firm, makes the continent a tantalising prospect for private equity funders.
Pension funds pool money from workers to be paid upon retirement and are particularly useful for long-term investments. During tough financial times, pension funds can be handy to augment infrastructure expenditure, financial experts believe. David Ashiagbor, a consultant with the AfDB's "Making Finance Work for Africa" project, says Africa's pension funds currently hold $380bn in assets, thanks to a decade of economic growth. Even then, only very few countries, including South Africa, have pension systems that are broad-based, relatively transparent and protect beneficiary rights. Another problem is that many pension funds lack credibility due to poor services to beneficiaries and mismanagement of funds, according to 27four, a South African firm that consults on managing retirement funds. Consequently, not every African country can rely on pension funds for projects.

Growing investments at home

Despite Africa's socioeconomic challenges, Lopes remains optimistic. "I am also a realist," he says, identifying three megatrends in Africa's favour. "The first is the demographic one. It is true the rest of the world is aging and Africa is getting younger. The second is the hard commodities in Africa once you take out oil and gas. The third is Africa's reservoir of productivity through unused arable land."
Cristina Duarte, Cape Verde's finance and planning minister, who has announced her candidacy for the AfDB's presidency, says Africa must keep trying to grow investment at home, adding: "How can we convince others to invest in our continent and in our development if we are not doing the same to the full extent of our ability?" Still, the current project financing picture in Africa is mixed: Ethiopia's fast-moving dam construction is a success story compared with a trans-West African highway that is yet to be completed 40 years after it was conceived. At the Marrakesh Development Forum, however, the palpable feeling was that Africa is entering a new dawn of innovative financing. *(How We made it in Africa))*

M&A

Kellogg Bids for Egyptian Snack Maker Bisco Misr

Company Outbids Private-Equity Firm Abraaj Group, Values Bisco Misr at About $144 Million

Kellogg Co. outbid a private-equity firm for control of Egyptian snack maker Bisco Misr, a deal that would mark a small step forward in the U.S. food company's desire for international expansion.
Kellogg submitted a bid of 89.86 Egyptian pounds a share, or about $12.57, to acquire a 51% stake in Bisco Misr, a spokeswoman for the Battle Creek, Mich., company said. She said the company wouldn't comment further until a mandatory tender-offer period closes on Jan. 11.

Private-equity firm Abraaj Group, which had offered 88.09 Egyptian pounds a share for Bisco Misr on Dec. 24, said via its website that it would bow out of the bidding. Abraaj's offer had valued Bisco Misr at the equivalent of $142 million, and Kellogg's offer would bump that up to about $144 million. Bisco Misr, which makes Minto-brand candies and Bisco Wafers cookies, reported net profit of 37.4 million Egyptian pounds and revenue of 373.6 million pounds for the nine months through September. The company, which also is known as Egyptian Company for Foods, couldn't be reached for comment. The acquisition would be relatively small for Kellogg, compared with its $2.7 billion purchase of Pringles in 2012. But it fits the company's aim to increase exposure to snack trends and emerging markets—both of which offer much better growth prospects than cereal. Cereal sales in the U.S. are expected to decline again in 2015, so Kellogg is facing pressure to rejuvenate its classic brands like Special K and Corn Flakes while also laying the groundwork for expansion into other areas. Kellogg has said it expects revenue in 2014 to be down between 1% and 2%, excluding acquisition and integration costs. Revenue totaled $14.8 billion in 2013.
The Pringles acquisition gave Kellogg a more global infrastructure, but since then it hasn't made any major purchases. It recently lost a bidding war for British snack company United Biscuits, which was sold to Turkey-based Yildiz Holding for about $3.4 billion.
The bidding war over Bisco Misr, which boosted the price some 20% from the initial offer, is a sign of rising investor interest in Egypt, Abraaj said. While it didn't explain why it backed out of the bidding, Abraaj said it "wishes Bisco Misr and Kellogg success, and trusts that Kellogg will…continue to preserve and grow this Egyptian national icon." *(Wall Street Journal)*

Montepio of Portugal confirms purchase of 44.5 pct of bank in Mozambique

Montepio of Portugal confirmed in Lisbon it had acquired 44.537 percent of Banco Terra, a Mozambican financial institution, in a statement sent to the Portuguese Securities Market Commission (CMVM).
Besides Montepio, Rabo Development Bank of the Netherlands holds an equal share of 44.537 percent, the remaining capital being split between the Norwegian Investment Fund for Developing Countries (8.409 percent) and GAPI (2.517 percent), the Portuguese bank said. Banco Terra was founded in 2008 with the goal of being one of the leading institutions for funding in the areas of food and agriculture and to provide financial services to rural and suburban populations, with a network of branches in the provinces of Maputo, Inhambane, Manica, Sofala, Tete and Nampula. *(Macauhub)*

BANKING

Banks

ICS Financial Systems Partners GTBank To Extend Presence in Africa~

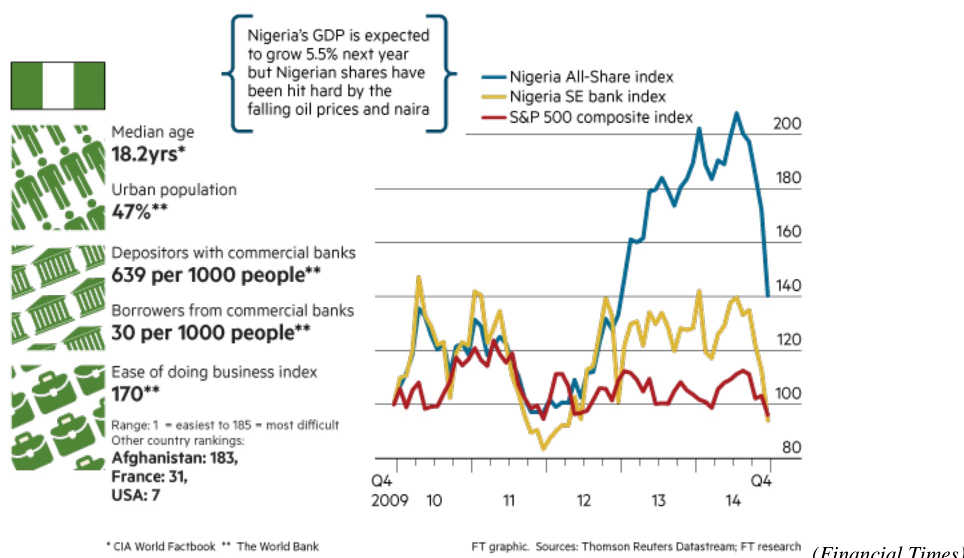
ICS Financial Systems Limited (ICSFS), a global software and services provider for banks and financial institutions, partnered with new banks through expansion of its operations in Kenya, Rwanda and Uganda. This project was awarded to ICSFS by Guaranty Trust Bank Plc (GTBank), which is one of the largest banks in Africa. Guaranty Trust Bank recently acquired Fina Bank, an East African Bank, which was subsequently rebranded and became a subsidiary of GTBank Plc.
ICS BANKS was successfully deployed at Guaranty Trust Bank Kenya, Guaranty Trust Bank Uganda and Guaranty Trust Bank Rwanda in record breaking time. The three banks experienced a smooth implementation process which started in January, 2014 and was completed in August 2014.
During the implementation period, ICSFS applied great efforts to overcome all obstacles which eventually led to the successful implementation of ICS BANKS in all three East African subsidiaries of GTBank Plc.
Guaranty Trust Bank Rwanda has implemented a fully comprehensive solution ICS BANKS in all 18 branches, which is also the case for Guaranty Trust Bank Uganda and Guaranty Trust Bank Kenya, who have implemented the system in all branches.
"We would like to take this opportunity to thank ICS Financial Systems for their high level of professionalism and team spirit which contributed to achieving this milestone." Mr. Adekunle Sonola, GTBank' East Africa Group Managing Director and Managing Director at GTB Kenya commented, "We also promise our customers that we will continue to apply significant improvements to enable delivery of superior-value services, that will fulfill all your financial requirements. ICS BANKS will to support us in meeting our goals using the latest technology available."
Mr. Bayo Veracruz; Managing Director at GTB Rwanda commented, "Fast implementation means significant savings for us not only in terms of project costs, but also in terms of starting our banking business to serve our clients. We are happy to offer our clients the latest banking services in Rwanda on ICS BANKS provided by ICS Financial Systems."
Mr. Olufemi Omotoso; Managing Director at GTB Uganda commented, "We are very pleased with the successful and timely implementation of ICS BANKS. It's a remarkable accomplishment that illustrates and speaks of the skills and efficiency of ICS Financial Systems implementation team and illustrates the potentials of ICSFS."
Executive Director for Business Development at ICSFS; Mr. Wael Malkawi stated, "We are really proud of our implementation team for achieving this success. We are keen to provide first-class financial services to GTBank Group, which is a major player in providing banking services in Africa and one of ICSFS' biggest clients. This

remarkable achievement is based on our historical presence in Africa, knowledge and experience with local requirements and regulations."
GTBank has been a client of ICSFS since 1998 and is using ICS BANKS in Nigeria, Gambia, Sierra Leone, Ghana, United Kingdom, Ivory Coast, Liberia and now in its new subsidiaries; Kenya, Uganda and Rwanda.
ICSFS is present in 31 countries, three continents, and has a client base of over 80 customers that are all running banks and financial institutions. *(Ventures Africa)*

Nigerian banks: losing steam

Lenders look exposed by loans to the power sector
The road to town is riddled with potholes and passes through crowded slums. Not a metaphor for life, but a description of the journey from the Murtala Muhammed International Airport into the heart of Lagos. A metaphor, rather, for opportunity.
Nigeria is Africa's largest economy. Rebased in April, its gross domestic product of $510bn outranks that of South Africa ($372bn). But infrastructure lags behind. Nigeria's 4.5GW power output is about a tenth of South Africa's. Brownouts are frequent.
Making up this shortfall takes funding and Nigeria's banks have been eager providers. In 2013, the government began a $3bn power privatisation programme. Loans to the sector propelled banks' asset growth of about one-fifth that year. These assets have performed poorly, so the next phase due in 2014 — privatisation of the independent power producers — has been slow. The banks do not disclose their exposures to the sector, but local bank Afrinvest says the banks have had to add loans to keep last year's assets performing.
Currency mismatch is also a concern: in the year to August 2014 the sector issued $1.9bn of eurobonds, equalling the total of the three previous years. Some of this will have funded power assets producing cash flows in naira — down a sixth against the US dollar this year.
Even power sector transactions have been dwarfed by those in the oil and gas sector, amounting to nearly $20bn since 2013, Afrinvest says. At a budget break-even price of $110, it is not only the country's fiscal position that looks precarious; the banks are also exposed. Afrinvest estimates that loans to the oil and gas sector account for three-tenths of the loan book at Sterling Bank, Guaranty and Access. For Sterling Bank, this is 1.5 times shareholders' funds. Safest is Fidelity, with 15 per cent of its loans to the sector and less than half of shareholders' funds at risk.
The risks to the sector seem well flagged. Share prices are down as much as two-fifths this year and trade at price to book multiples of about 0.6 times. Still, with an election next year and oil prices ever lower, the banks may get cheaper yet. The road will be bumpy, regardless.

Losing steam



(Financial Times)

African Bank will need a plan B in 2015

South Africa's bankers and their regulators really need their holidays this year. Not since 2002 has the banking system had to deal with a bank in trouble. The solutions for the collapse of African Bank had to be made up on the fly, with no clear precedent to draw from.
The stresses have been clear: over the course of the four-month rescue it has become evident that plan A, a reinvigorated, independent African Bank, is not going to work, as I argued in last week's column. Just what plan B is will have to be figured out next year.
The rescue effort has sucked in the six biggest banks, which have all had to agree to underwrite R10bn worth of capital for African Bank. Much of that is being guaranteed by the Reserve Bank and the Public Investment Corporation, so the

banks have far less skin in the game than it appears. But it is enough to force them to figure out a solution for African Bank, however contrived it may have to be. This is everyone's problem.
The African Bank experience has taught the world some new lessons about bank rescues. The initial idea of splitting the bank into a good bank and bad bank, separating a troubled, insolvent balance sheet from a sustainable, solvent one, sounded good. It had just been done in Portugal to rescue Banco Espirito Santo (BES), the second-largest bank there. It was sort of done to rescue Northern Rock in the UK. And it was the rough model that was deployed in the US during the financial crisis, in which authorities bought up swathes of toxic assets to restore solvency in banks and other lenders.
Here's what we learned this year. For it to work, you need to excise the bad book out of the good bank. It needs to be a neat piece of surgery that doesn't disrupt the operations of the bank and as far as possible leaves management intact. Of course, no regulator wants to leave a failed management team in place and the departure of CEO Leon Kirkinis marked African Bank's collapse.
You have to be realistic, though. If you don't have the luxury of a strong, experienced and committed management team to run your good bank, there is nearly zero chance of success. Bringing top quality management into a failed bank is just not an option. And without it, as we are seeing with African Bank, you can't get a healthy profitable operation going again.
Our authorities may have been more circumspect had they known how BES's rescue was going to pan out. That, too, has been far from what was hoped at the outset. The resurrected good bank, now named Nuvo Banco, saw its first CE resign in a month. The creation of the bank, the first attempted under Europe's new post financial crisis plan for distressed banks, is also being dragged into court by hedge funds and other creditors who argue they are being illegally prejudiced. Regulators there have realised the best hope is for Nuvo Banco to be sold. It has absorbed €4.6bn of European tax payer money, and may well not be sold for that amount.
So both BES and African Bank have taken the shine off the good bank/bad bank model of bank rescues. What will come in its stead?
The global thinking is to increase the loss-absorbing abilities of banks themselves. If trouble strikes, the bank will be able to (or rather, regulators will be able to) trigger a conversion of some funding from debt to equity, "bailing in" creditors rather than delivering a bailout from the tax payer. Of course, we have yet to see this in action. If the lenders are pension funds and other institutions, a "bail in" may trigger systemic and political problems one step down the line.
If 2014 could be done again, would regulators have dealt with African Bank the same way? I suspect not. Bond holders were lucky to get only a 10% haircut, which doesn't appear to have given the bank a big enough of a solvency buffer to get it through a tough trading period. A bigger one would have been better. And instead of an effort to keep a new bank open, the focus would have shifted to a more traditional curatorship in which assets would have been liquidated as efficiently as possible.
The only winner in the current mess is Capitec, which has seen a major competitor substantially removed from the market. When African Bank's travails first struck, Capitec's share price was buffeted over fears it may suffer some similar fate. That was exactly the wrong assumption — in fact it heralded an easier time of it for the deft operator. That has since become clear and the share price has rallied some 50% since.
Hopefully some holiday reflection will crystallise what regulators should do come next year. Capitec's rude health may make it a central player in a plan B for African Bank. *(BDLive)*

Spanish Bank BBVA Offers Oil-driven Angola $500m To Diversify Economy

Spanish bank Banco Bilbao Vizcaya Argentaria (BBVA) has handed Angola, an economy driven largely by oil, a $500 million grant to sustain the country's economy in light of falling oil prices.
"The funding from BBVA is earmarked for projects included in the Public Investment Programme in Angola," a statement from Angola President office said. "Making use of the Spanish financial group was part of the government's strategy for diversification of funding sources to cover public investment projects".
Due to a drop in oil revenues as oil prices have fallen sharply on the international market – Angola's state debt is expected in 2015 to reach US$48.3 billion, or 35.5 percent of gross domestic product (GDP).
Angola is the second-largest oil producer in Sub-Saharan Africa, behind Nigeria. The country experienced an oil production boom between 2002 and 2008 when production started at several deepwater fields almost simultaneously. In 2007, Angola became a member of the Organization of the Petroleum Exporting Countries (OPEC).
The first commercial oil discovery in Angola was made in 1955 in the onshore Kwanza (Cuanza) basin. Since that discovery, Angola's oil industry has grown substantially, despite a civil war that occurred from 1975 to 2002. *(Ventures Africa)*

Ethiopia: Banking sector liberalisation can lift growth

Ethiopia is one of the fastest growing economies in Middle Africa largely due to higher agricultural output and increased construction and other service activities, in part reflecting government investment, global commodity demand, and incentives for specific export sectors over the past decade. Economic growth has averaged 10.6% in the past decade, compared with 5.8% for sub-Saharan Africa (SSA) over the same period. However, growth is expected to slow to an average of 8.1% over the next five years, partly due to the closed nature of the economy, and specifically the

banking sector, which is dominated by state-owned banks, especially the Commercial Bank of Ethiopia (CBE). The structure of the banking sector is unique in Middle Africa on account of the dominance of state-owned banks, which control two-thirds of the local banking sector, and which the government uses to set the desired levels of lending (such as investment in specific sectors and government projects to boost economic growth). This is contrary to the trend elsewhere in Middle Africa, where private sector banks dominate the banking sector and drive economic growth via credit to the private sector. *(Ecobank)*

Markets

National Bank of Angola puts new coins into circulation

Coins of 50 and 100 kwanzas will enter into circulation in 2015 in celebration of the 40th anniversary of Angola's independence, the governor of the National Bank of Angola announced in Malanje.
At the ceremony to launch the 20-kwanza coin, which went into circulation on the same day, José de Lima Massano noted that once those denominations went into circulation the 2012 kwanza "family" of coins and banknotes would be complete. The launch of the 20-kwanza coin, which is intended to honour Queen Nginga Mbande, marked the three hundred and fifty-first anniversary of her death. The new coin has two colours and is coated in bronze and silver and has an image of Queen Njinga Mbande on it, along with its face value and other symbols of Angolan culture. *(Macauhub)*

Governor of the Bank of Mozambique estimates GDP of 7.5% in 2014

The Governor of the Bank of Mozambique (BM), Ernesto Gove, said in Maputo he estimated Gross Domestic Product (GDP) is expected to be around 7.5 percent in 2014, increasing his forecast from the beginning of year. Gove said economic performance was again supported by the contribution of agriculture and the extractive industries. "We are pleased to note that the dynamism of economic activity comes from sectors that traditionally have a higher multiplying effect on employment and on the activity of small and medium enterprises, which should be continuously pursued for the purpose of more equitable redistribution of wealth," he said as he took stock of the 2014 financial year. With regard to challenges facing Mozambique the governor of the Bank of Mozambique, cited by Mozambican newspaper Notícias said maintaining peace and consolidation of the normal functioning of the country were essential conditions for strengthening macroeconomic stability and the financial sector, as well as for achieving the targets that will be set by the Government in the Economic and Social Plan for 2015. *(Macauhub)*

Angola Finally Launches Stock Exchange

Africa's second biggest oil producer, Angola, unveiled the first phase of its stock exchange with the launch of a Wholesale Treasury Market and Treasury Securities Registration Market in the capital city, Luanda.
Angola currently does not have a stock exchange. Though the government first announced in 2006 that it intended setting up its first ever stock exchange. The exchanged would be named the Angolan Debt and Securities Exchange (BODIVA).
The country's Finance Minister, Armando Manuel, said earlier that he hoped BODIVA would evolve rapidly to list shares and bonds of public and private companies. He also noted the importance of government bonds issued to finance the long-term Public Investment Programme and to stimulate the secondary market to accelerate economic growth.
The promised Angolan exchange should have a capitalization of about 10 percent of Gross Domestic Product (GDP) in the first 18 months of operations. It will include the country's major banking institutions, telecoms companies and some oil firms.
The Economy of Angola is one of the fastest-growing economies in the world; with The Economist asserting that between 2001 to 2010, Angola's GDP growth averaged 11.1 percent *(Ventures Africa)*

Trade Finance

How Nigeria, Others Can Consolidate Intra-Regional Trade

There is significant scope for growth in intra-African trade in agricultural goods if regional groups in Africa have strengthened capacity to support the negotiation and implementation of regional agreements, the latest African Economic Outlook (AEO) report has stated.
Indeed, the report, covering both North Africa and Sub- Saharan Africa and published by the African Development Bank (AfDB), Organisation for Economic Co-operation and Development (OECD) and United Nations Development Programme (UNDP), maintains, "the elimination of non-tariff barriers, simplification of border procedures - supported by improved regional transport infrastructure - will improve trade efficiency."
The report notes that in 2012, African agricultural exports were valued at US$57 billion, some 9.1% of African merchandise exports.
"Between 2005 and 2011 African agricultural trade grew at 14% per annum in value terms. By 2012, intra-African agricultural trade amounted to US$13 billion, or 23.5% of the total, up 4% from 2005". Asia received 21.7% of Africa's agricultural exports (some US$12 billion), up from 16.7% in 2005", the report stated.
However, nearly half of African agricultural exports (US$26 billion) were destined for European markets, where they accounted for 3.9% of Europe's agricultural imports (up from 2.7% in 2005).

The AEO report maintains that a "strategic leap in South- South and intra-African trade" is now under way.
To consolidate the growth in intra-regional trade in agro- food products, the AEO report considers that regional groups in Africa require "strengthened capacity to support the negotiation and implementation of regional agreements".
It points out, however, that there are also "legislative and institutional gaps in some regional communities" in respect of competition policies and, in particular, mechanisms for dispute settlement.
More broadly, the report maintains that "multinationals are investing more in African agriculture," but "booming commodity investments are not yet creating the industries and services the continent needs." Multinationals are nevertheless "enhancing Africa's local agricultural production and involvement in global value chains through local sourcing that gives them an edge in global markets".
Despite the multinational investment in African agriculture- based value chains, Africa's "contribution to the global value chains is a mere 1.5%".
This is attributed to the "lack of a reliable planning of value chain activities", with "no clear link with innovative policies and regulatory development to allow the continent to scale up value chains".
The report suggests Africa's "national and regional comparative advantages can be found in low labour costs and low-tech activities" in "cocoa, rice, cassava, pineapples, peanuts and cotton", with this having the potential to stimulate value chain development in the continent.
However, for this comparative advantage to be exploited, it is implied that the current "overreliance on external investors, foreign technology and capacity" will need to be addressed. (*The Guardian)*

Tech

Making Change: Mobile Pay in Africa

Small Digital Transfers via Text Fuel Micro-Business, Turning 'Bottom Billion' Into a Market

The wife of a cow herder recently switched on a light in her home for the first time ever, all thanks to a mobile phone.
Rokoine Tipanoi used the mobile phone in November to make a tiny down payment on a solar panel on her roof that provides electricity to her home. The payment was so small, in fact, that it's cheaper to light her room now than it was to fill her old kerosene lantern. Hundreds of thousands of such payments have allowed a Kenyan startup called M-Kopa LLC to build a business, one light bulb at a time. "Now I have two lights, instead of one lamp. And I can charge my phone," Ms. Tipanoi said of the new solar panel she snagged for a $30 deposit and daily fees of 40 Kenyan shillings, or less than 50 cents.
Across Kenya, mobile money is breathing life into micro business. Companies whose business models are based on mobile payments have shown how targeting some of the world's poorest customers can not only pay but also be a promising way to grow. Small digital transactions are fueling new ventures, from insurance to loans, and pointing the way for other companies that want to reach the global poor, or the "bottom billion."“The mobile phone made the bottom of the pyramid viable as a business opportunity," said Aly Khan Satchu, who runs a Kenyan investment firm. "If you're taking a dollar off a million people, that's a reasonable revenue stream, but it wasn't possible to do that without the mobile phone."
Another company called Kopo Kopo Inc., founded by two Americans, sells a product that allows mom-and-pop retailers to accept digital payments, and then to computerize their bookkeeping. A Kenyan-American venture called M-Changa Ltd. gives extended families a phone app to raise money for weddings and funerals—the type of events that draw support from an entire Kenyan village. And Kenya's UAP Group insurance company insures small farmers, and compensates crop failures via mobile payments based on satellite weather data, sometimes before the crops fail.
Mobile money users "load" cash onto their phones by handing it to agents stationed at grocery stores, gas stations and shopping centers. They receive a text message with their balance and then they can send money to another person or to a company via text message. A bank account isn't required.
Africa's emerging middle class—estimated at 350 million—has become a focal point for multinationals operating on the continent. But Africa's poor haven't figured in many boardroom discussions, largely because they can't afford much of what foreign companies sell and the continent's poor roads make them hard to reach.
Africa, nonetheless, is a key testing ground for microbusiness models. About 70% of the global poor live in Africa. Sub-Saharan Africa's gross national income was $1,657 per capita in 2013, according to the World Bank.
Cue the humble cellular phone. About 65% of households in sub-Saharan African had at least one mobile phone in 2013, and the region is the world's fastest growing mobile-technology market, according to Gallup data. Most of these aren't smartphones, but low-price phones that customers load with a few dollars at a time to use for calling and text messaging.Some of the poorest customers use only text messages, because they are cheaper. For those companies that do want to reach the continent's most price-sensitive consumers, Kenya has become a useful launching pad.
Back in 2007 Kenya introduced one of the world's first mobile-phone payment systems, called M-Pesa after the Swahili word for money. Digital payments are now so common that everyone from day laborers to grandmothers send money across the country via phone. Kenyans pay for groceries at checkout by tapping on their phone and avoid trips to the electric company by paying for power via mobile money. Some doctors even accept M-Pesa as payment—all via simple text messages.

M-Kopa co-founder Jesse Moore, a Canadian, saw an opportunity to go beyond payments to financing and settled on solar panels as the best vehicle for that business. Swaths of Kenya are off the power grid, meaning that about 35 million ordinary Kenyans depend on kerosene lanterns for light and guys with car batteries to charge cell phones.
Mr. Moore first came to Kenya to help launch M-Pesa for mobile provider Safaricom Ltd., in which Vodafone Group PLC has a minority stake. He returned in 2012 and founded M-Kopa with two business partners, in a bet that mobile technology would open up opportunities.“ We believed there would be businesses built on the back of mobile payments and we wanted to be part of that,” Mr. Moore said.
The partners had to design a secure system that tied the solar panel to a prepaid meter. But Mr. Moore said the most difficult part was setting up the business so that buying a solar panel appealed to a consumer who couldn’t even afford a modest increase in the price of milk.M-Kopa set their sales agents loose in some of the country’s poorest areas because they were determined to succeed at tapping what appeared to be a neglected market. In some cases, even the refundable deposit of about $30 is too expensive, according to Jackson Lekanayia, a sales agent for the area about an hour’s drive from Nairobi that includes Kahara village.“ Sometimes they say they don’t have the money right now, so I give them a flier,” Mr. Lekanayia said. “Usually they call back in a few weeks or a month and they have the money.”Ms. Tipanoi, who in November saw electric light inside her home for the first time, found the money for the down payment through sales of beaded necklaces. She could never afford flashlight batteries—much less a solar panel—but When she saw a sample solar panel setup from M-Kopa during a weekly trip to a nearby market down, she arranged for the small daily payments. It takes about a year of daily payments to pay of the eight-watt panel.
Now, there’s ample light to cook in the evenings. Her two teenage children are able to study without kerosene smoke filling the house. And for the first time in her life, 52-year-old Ms. Tipanoi owns a flashlight—it charges off the solar panel by day and lights her way along village paths at night. *(Wall Street Journal)*

Funds

Urwego secures Rwf1b loan from BRD to fund SMEs

Urwego Opportunity Bank has secured a Rwf1 billion short-term loan from Development Bank of Rwanda (BRD) to finance small-and-medium enterprises (SMEs). The one year funding is hoped to ease access to affordable credit and ultimately boost economic growth, Alex Kanyankole, the BRD chief executive officer, said. “Our objective is to serve all the segments of the market… We are confident that this partnership will enable Urwego Bank finance SMEs that BRD has not been able to serve,” Kanyankole said during the signing ceremony of the credit refinancing agreement.“Our ultimate objective is to ensure that people access affordable credit, while the lender also makes a profit. This is how we shall be able to boost financial inclusion.” Though he did not disclose the interest rate, the BRD boss said the agreement answers the question of affordable finance. Emmanuel Mawocha Tineyi, the Urwego Opportunity Bank chief executive officer, said they are targeting over 100,000 SME operators, especially farmers. He said the facility will make it possible for the bank to double the number of farmers it is serving to about 80,000 from the current 40,000 agribusiness operators. It will also help complement the bank’s efforts to expand its outreach, he added. “We will be able to scale up products relevant to clients needs. We are yet to open more branches in Rubavu and Karongi districts, therefore this line of credit will complement the ongoing efforts to expand our reach,” Tineyi added. Recently, BRD signed a Rwf8 billion long-term loan agreement with Rwanda Mountain Tea for the construction of a 4MW hydro-power plant (Giciye II) in Nyabihu District, Northern Province. *(Times Of Africa)*

ENERGY

In blackout-hit South Africa, could hydrogen be the answer?

At first glance, the Cape Flats Nature Reserve building at the University of the Western Cape doesn't seem exceptional.
The modest two-storey structure hosts office space and utility rooms for the six staff who care for the plants and animals living in the 30-hectare reserve.
But the building is a major milestone in South Africa's struggle to ease its dependence on fossil fuels. It runs on hydrogen, an infinitely renewable fuel that, when used to generate power, produces no emissions apart from water and heat.
The building's electricity is supplied by a prototype hydrogen fuel cell (HFC) power generator that was launched in November by the university's Hydrogen South Africa (HySA) Systems Centre of Competence.
Developed in collaboration with local heating-technology company Hot Platinum, the generator is a testament to South Africa's advances in hydrogen fuel cell technology.
In a country struggling with blackouts, energy shortages, high tariffs and years of under-investment in power infrastructure, it offers the hope that hydrogen could be an answer to South Africa's search for reliable alternative energy sources.

NO EMISSIONS, NO NOISE

"The generator produces electricity in an environmentally friendly way, without pollution or noise,” said Piotr Bujlo, leader of the generator project and a technology specialist at HySA Systems.

Fuel cells are already used to power vehicles and provide power in remote or inaccessible places, including on space capsules and satellites.

Researchers at the University of the Western Cape (UWC) hope that their work on hydrogen fuel cell innovations may help with the global quest to cut reliance on fossil fuels, as well as helping with South Africa's own attempts to give more of its population access to electricity.

According to HySA Systems, its new generator can be used anywhere where a maximum 2.5 kilowatts of electricity is required. It has an advantage over nuclear power or coal power in that hydrogen can be produced on-site – using a water electrolyser – which means there is no need to pipe or truck the fuel in from somewhere else. “The generator is highly competitive in places where there is no grid,” Bujlo said.

Hydrogen fuel cells take the energy produced by a chemical reaction in the presence of a catalyst – such as platinum – and convert it into useable electrical power, with only water vapour and heat as by-products. As energy-storage devices, they work much like batteries except that while batteries store all of their chemicals inside, and eventually go dead, fuel cells have a constant flow of chemicals.

ABUNDANT POWER

"Hydrogen is the most abundant gas in the universe, so with HFC systems the energy is inexhaustible,” said Bruno Pollet, director of HySA Systems.

The generator systems used in the HySA project are almost entirely South African designed and produced, apart from the fuel cells. Pollet says the next generation of HySA technologies will be 100 percent locally developed.

HySA Systems and Hot Platinum are currently installing and testing a new version of the fuel-cell system for domestic use, with hope of having it ready to demonstrate in 2015.

The generator is one of the many innovations that have been developed under South Africa’s National Hydrogen and Fuel Cell Technologies Research, Development and Innovation Strategy launched in 2007, a programme aimed at exploring the feasibility of using fuel cell technology for decentralising energy.

Cosmas Chiteme, director of alternative energy at the government's Department of Science and Technology (DST), said the government is investing in hydrogen and fuel cell technologies with the hopes of building on South Africa's reputation in the field. "The intention is to create the critical knowledge and human resources capacity to enable the development of high-value commercial activities," he said.

PRIVATE SECTOR INTEREST

The DST has so far invested $40 million (450 million rand) in its hydrogen-energy strategy. Using $17 million (194 million rand) to date, the University of the Western Cape’s HySA project has so far produced a range of innovations, including South Africa's first hydrogen-powered tricycle, scooter, and golf cart, along with the country's first fuel-cell component manufacturing line.

The private sector has been paying attention. In September, HySA Systems joined a project with European airline manufacturer Airbus and the National Aerospace Centre to work on understanding how hydrogen fuel cells might perform when subjected to the harsh and varying environmental conditions in which commercial aircraft operate.

But, according to HySA Systems director Pollet, before hydrogen energy can become more widely available, decision makers need to be persuaded of its benefits. "Hydrogen fuel cells could be commercially available in South Africa as soon as the local industry, government departments and other stakeholders see the benefits of the technology: low cost, high efficiency, clean performance,” he said. But first, “I think they need to be educated about the technology." *(Reuters)*

Mozambique OKs Construction of Two 1000MW Capacity Hydro-Power Plants

The Mozambican government has given a greenlight to private hydro power companies to construct two hydro-electric plants along the Zambezi River that will produce 1,000 megawatts of electricity at a time.

“Concession-holding companies Hidroeléctrica de Chemba and Sociedade Energética de Tambara will produce 600 MW and 400 MW, respectively. “The concessions will have a construction period of five years and 25 years of operation, after which the projects will revert to the state, which, through state power company EdM, has a 12.5 percent stake,” said a Mozambique government official. The official added that the two projects on the Zambezi River will have a positive impact on the economy and the region, attracting new investments and improving the local population’s living conditions.

Mozambique has been hit by constant power cuts in recent months but the southern African country’s energy sector is attracting significant investment, beyond its much discussed large offshore gas discoveries. Mozambique has become one of the most promising countries in Africa in terms of natural gas and coal resources.

The country’s Tete Province is estimated to hold large untapped coal reserves of 25 billion short tons, according to the International Energy Agency. *(Ventures Africa)*

Ethiopia To Double Energy Output With $2bn Plant

Ethiopia’s energy output is set to be doubled as a $1.8 billion dam project, which has been under construction for a while along Ethiopia’s Omo River, could begin generation in June 2015 and become fully operational by the first quarter of 2016.

The plant, named Gilgel Gibe 3, is expected to help the East African nation solve its perennial energy issue and sustain its rapidly growing economy, which is expanding at 9 percent per year. “88 percent of the work for the Gibe 3 hydropower project has already been completed,” Azeb Asnake, chief executive officer of the Ethiopian Electric Power Corporation, told Reuters. Construction commenced in 2008 and was meant to last three years but funding shortages, occasioned by concerns over the environmental impact of the project, has stalled completion.
One of the issues raised by critics of the project is that it will reduce water flow and affect fishery at Lake Turkana, which the Omo river feeds. This made it lose potential funding from the European Investment Bank and the African Development Bank.
The Industrial and Commercial Bank of China later released a loan of $500 million for turbines.
Azeb however dismissed the concerns raised. According to her, Ethiopia’s research suggests that regulating river flow will stabilise fluctuating water levels. She disclosed that two of ten units would be ready in six months, while an extra unit would be added each month afterwards. Once completed, the plant will generate 1,870 MW of power. The country is also developing 6,000 MW Grand Renaissance Dam along the Nile. *(Ventures Africa)*

SADC Energy Plan Could See $48bn Saved

The Southern Africa Power Pool (SAPP) has suggested that the region could experience savings of over $48 billion if all the current electricity generation projects in the pipeline are implemented in a coordinated fashion; this would mean synchronizing the implementation of various planned energy projects with expected capacity of 27,881MW and current completion date in 2018.
SAPP Chief Market Analyst Engineer, Musara Beta, disclosed this at a recent regional energy regulators conference adding that a master plan for the regional power market is vital as it helps to reduce capital costs by implementing least cost projects for the benefit of the region.
“It also reduces excess capacity for the pool. But more importantly savings of over $48 billion can be realized if the various projects are implemented in a coordinated fashion,” he said.
The various projects have been planned for various reasons including the fact that the weighted average electricity access in the region is at 36 percent with a capacity shortfall including reserves of 2,758MW.
Dr Lawrence Musaba, SAPP Co-ordination Centre Manager, believes the fundamental step that should be taken by the region is the creation of an enabling environment for power sector investments, and then ensure projects were prepared to make them bankable.
“This includes both the policy and legal framework as well as the regulatory framework. On this, SAPP mobilizes grant funding for project preparation including project feasibility studies and works to reach financial close. There is need to ensure projects are properly prepared for financing,” Musaba said.
Dr Musaba said the SAPP had secured a grant of $6.5 million from the government of Norway and Sida aimed at supporting competitive market development. Other grants had been acquired from the Development Bank of Southern Africa, African Development Bank and the World Bank. “Of that amount ZIZABONA (Zimbabwe-Zambia-Botswana-Namibia, Angola-Namibia (Anna) the Central Transmission Corridor (CTC) were each given $300 000,” he said.
Going forward, political will and regional harmonization of laws will play a huge role in ensuring the projects are realized because most of the projects are between countries and many national legislations are yet to support such regional execution of projects.
Also, there is the need for governments to provide investment incentives to all local and foreign investors in the power sector. This can easily be achieved by addressing policy issues and allowing for VAT and tax exemptions for import of power equipment and machinery for a defined period. *(Ventures Africa)*

World Bank To Provide $1.7bn Support To Nigeria’s Power Sector

As Nigeria continues to make progress on the path leading to a fully efficient power sector, the World Bank would be supporting the Power Sector of Africa’s largest economy with $1.75 billion (N324 billion) over the next four years; this is according to a statement by the Nigerian Bureau of Public Enterprises (BPE) early this week.
According to the statement made by Mr Chigbo Anichebe of Public Communications at the BPE, the bank’s Country Energy Task Team Leader for Nigeria, Mr Eric Fernstrom, declared this intention at a Capacity Building Programme on Post Privatization Monitoring for Power Sector jointly organized by the bank and the enterprise to ensure that the reform objectives were realized.
The funding came as a result of the transparency exhibited in the transaction processes and the robust post-reform measures put in place by the National Council on Privatization (NCP). Also, the $1.7 bn is, interestingly, about 25 percent of the total $7bn set aside for Nigeria and will be made available over the next four years.
This development coincided with the move of the Nigerian Electricity Regulatory Commission (NERC) to release a new regime of electricity tariffs for consumers. Dr Sam Amadi, Chairman of the NERC, declined to give details of the new tariff structure but admitted that one of its key provisions will be the shielding of residential consumers from tariff increments for 6 months. “While we ensure that tariff is cost reflective, it will not constitute a burden on consumers. For the avoidance of doubt, there will be no increase for residential consumers for at least six months until we begin to see

improvement. We expect that with more gas coming to the power plant because of these facilities and other interventions, in the next two three months, there will be increase in capacity," he said.
The power sector challenges in Nigeria have been a great source of concern for residents and business owners in the country. The gaps in power supply have contributed immensely to the cost of doing business in the country as many entrepreneurs have had to resort to supplying themselves with electricity via generators and mini-plants, all of which require huge investments in fuel.
According to the Guardian UK, Africa's most populous country produces less grid electricity than the Republic of Ireland. South Africans consume 55 times more energy per head, and Americans 100 times more. Over 50 percent of Nigeria's 160 million people receive no electricity at all.
Also, the privatization initiative of the Federal Government, which was definitely a step in the right direction, does not automatically create funding; therefore more work is necessitated in order to make the sector commercially viable and attractive. Nationals are hopeful that this move by the World Bank will contribute greatly to alleviating their burdens and spur more investments in the sector. *(Ventures Africa)*

Standard Bank Pledges €625 Million to Build Africa's Largest Wind Farm

Lake Turkana Wind Power will build a 310 Megawatt (MW) wind farm in north-eastern Kenya with the help of Standard Bank and 11 other financiers
Lake Turkana Wind Power will build a 310 Megawatt (MW) wind farm in north-eastern Kenya with the help of Standard Bank and 11 other financiers, including Nedbank, the African Development Bank and the European Investment Bank.
Standard Bank, Nedbank and the AFdB are the Mandated Lead Arrangers for the Project. Standard Bank and Nedbank both provided the commercial bank guarantees for the EIB Commercial Bank Guarantee Facility. The two commercial banks will also be providing the interest rate hedge for the project, which reached financial close on 11 December 2014.
The wind farm will comprise 365 Vestas Wind Systems that will be erected in the town of Loiyangalani in Marsabit County, approximately 10km east of Kenya's Lake Turkana, and will be constructed over a period of 32 months. Financing for the project, which is expected to provide electricity to the Kenyan national grid equivalent to nearly 20% of the currently installed generating capacity, in its first year of operations, will comprise 70% senior debt, 10% mezzanine debt as well as a 20% equity stake.
"This transaction is a good example of how to successfully bring private players into the renewable energy sector and serves as a good vote of investor confidence in the Kenyan economy," said Kwame Parker, Standard Bank's East Africa Head of Power and Infrastructure. "The project is designed to provide a clean source of electricity to Kenya. It will not only contribute to the social and economic development of Kenya, but will also contribute towards Kenya's goal of significantly increasing its installed capacity and reducing its reliance on more expensive sources of power."
As part of the project, Lake Turkana Wind Power will rehabilitate 204km of an existing road leading to the wind farm site while the Kenya Electricity Transmission Company Ltd, which is owned by the Government of Kenya, will construct the required 428km overhead transmission line as well as a sub-station to be located at in the town of Suswa, 90km north of Nairobi. The renewable power generated by the project will be fed into Kenya's national grid thanks to a 20-year power purchase agreement between LTWP and the Kenya Power & Lighting Company.
"The innovative and unique structure of this transaction is the culmination of four years of hard work together with our arranging partners with the aim of bringing the right funding solution to the participants in this deal," said George Kotsovos, Executive, Power and Infrastructure Finance at Standard Bank.
"Power generation is a very relevant sector in East Africa at the moment, especially when one considers the energy shortfall and the important role that it plays in boosting economic growth. Standard Bank is proud to have been able to offer its expertise to contribute towards boosting the generating capacity of a fast-growing economy like Kenya, which remains the economic power house of the region." *(Africa Outlook Mag)*

INFRASTRUCTURE

Chimoio-Espungabera road in Mozambique completed in 2014

Work on the road connecting the city of Chimoio and the border town of Espungabera (Mossurize) in Mozambique's Manica province will be concluded this year, Mozambican daily newspaper Notícias reported.
The rehabilitation of the 240-kilometre road costing US$110 million, by Portuguese company Mota-Engil, which began work in September 2011 and was financed by the World Bank, Portugal and Mozambique.
The road is the main artery linking the city of Chimoio, the district headquarters of Sussendenga, the administrative post of Dombe and the border town of Espungabera, the district headquarters of Mossurize, bordering the Chipinge district in Zimbabwe, which are all strategic regions for agricultural, livestock and mining production as well as tourism and fauna. *(Macauhub)*

Port E-Cargo Tracking to Boost Collection

Tanzania Ports Authority (TPA) Director of Information Communication Technology, Phares Magesa.

ENGAGEMENT of stakeholders in introducing electronic cargo tracking note (ECTN) system as ordered by Surface and Marine Transport Regulatory Authority (SUMATRA) will start next month.

Tanzania Ports Authority (TPA) Director of Information Communication Technology, Mr Phares Magesa said in Dar es Salaam last week that ECTN will help boost the authority and Tanzania Revenue Authority's customs duty collection.

"ECTN will ensure that we get precise information on imports and exports from authorities at the port of departure," said Mr Magesa and revealed that currently, both TPA and TRA rely on importers and exporters submitted documents which are often questionable. He said next month, the process of introducing ECTN which was aborted in 2013 after Sumatra intervened, following an official complaint lodged by Tanzania Shipping Agents Association contesting the awarding of a contract to Belgian based Antaser Afrique without proper procedures. "Introduction of ECTN is very important to us because it will boost our revenue in terms of wharfage collected but also to TRA in terms of customs," Mr Magesa argued. He pointed out that transparency and accountability will also be enhanced especially at the country's prime port of Dar es Salaam.

'Efficiency at Dar es Salaam port will also be improved, our target is to reduce dwell time from the current nine days to five days by the end of 2015," the TPA ICT Director argued, saying Dar es Salaam port which serves six landlocked countries will become one of the most efficient ports in Africa. He said the system which helps authorities know the real value of imported or exported goods through electronic communication would be rolled out at all seaports, airports and border posts of the country to help track cargo.

In 2013 soon after awarding Antaser Afrique BVBA the ECTN contract which was due to take off in September of that year, TASAA filed a complaint with Sumatra disputing the process of the tender awarding which violated the 2004 Public Procurement Act.

In a ruling delivered in August 2013, the then Sumatra, acting Director General, Ahmad Kilima ordered TPA to instruct Antaser Afrique BVBA to stop the process of introducing ECTN system by September 1, 2013. "TPA should instruct Antaser BVBA to use the same channel (i.e. website) to inform shippers that the ECTN implementation has been stopped until further notice," Mr Kilima said in the ruling which followed TASAA's opposition.

The Sumatra acting DG's ruling further instructed TPA to follow proper procedures as per existing regulations and also, "Conduct meaningful consultation with all key stakeholders with a view to establishing potential benefits and costs of the envisaged system."

TPA signed a five year ECTN contract with Antaser Afrique BVBA to start giving the service effective September 1, 2013 a move which forced TASAA to seek Sumatra's intervention. TASAA also argued that Antaser was given the ECTN system contract without following proper public procurement regulations.

Antaser got the tender without consultations with stakeholders while another company from France, Phoenix Cargo Security Limited, had started the process of making consultations with stakeholders since 2011.

Stakeholders were also opposed to the deal which gave the Belgian company, powers to decided how much will be charged for the service.

Experience from Nigeria where Antaser BVBA was contracted for a similar job, shows that it made Nigerian ports noncompetitive because of hiked costs of the service. "Stakeholders will also decide on the payment of the service during our consultations," said Mr Magesa who further dismissed arguments that ECTN will simply de duplication of the cargo tracking system provided free of charge by shipping lines and TRA through Tancis system.

Stakeholders fear that introduction of ECTN at Dar port will make its services more expensive hence fail to compete with Mombasa, Beira and other ports in the region which have no ECTN system.

"But every service comes at a cost, how much will that be will be decided by the port community through consultations," Magesa who is also in charge of the project noted.

According to the contract signed between TPA and Antaser BVBA dated July 4, 2013, while it required that TPA ensures that consensus from all stakeholders is achieved, the question of pricing was left to the contracted company to decide.

In analysis published by TASAA at the peak of the crisis in 2013, based on data collected from the Belgian company's operations in West Africa including Ghana which is the only Anglophone country to use the system, the total monetary cost on containers and motor vehicle cargo (without counting liquid cargo such as fuel) will be more than 100.4 million US dollars annually using 2012 cargo data records.

"In the short run, the cost of all imports will increase, shipments of motor vehicle units to Tanzania may face possible diversion to Mombasa port, a trend that had been the case four years ago when more than 35 per cent of all vehicle imports to Tanzania were passing through Mombasa port due to costly delays and inefficiencies at Dar port," TASAA Executive Secretary, Elitunu Mallamia, argued in a statement. Mr Mallamia further noted that had Sumatra supported the ECTN deal, local consumers would also have paid heavily. "Hundreds of billion shillings in the cost of ECTN would have been paid by the fishermen of Matema in Kyela, the cotton farmer of Sengerema in Mwanza and the investors whom we are still struggling to attract, government institutions and the economy as a whole."

On assisting to boost government revenue and curb tax evasion, TASAA had an explanation, "At the moment, after cargo has been loaded onto the ship and Bill of Lading issued, the BL number can be used to track location of the cargo,

its status, carrier and expected time of arrival among other details. Shipping companies offer this service free of charge to the user.
Further, TPA's revenues are ad valorem, charged based on the customs declared value supplied to TRA by the shipper/importer/exporter and verified by TRA's own price databases. TRA has heavily invested in computerisation of the customs procedures to a fairly good extent, especially in the support systems and databases to bolster their valuation capabilities in preamble," he argued. Experience from Nigeria where Antaser had a two year contract severed in 2011, also makes many port stakeholders worried. Nigerian Minister of Finance and Economy, Dr Ngozi Okonjo-Iweala, abolished the ECTN deal in 2011 due to opposition from stakeholders. *(Tanzania Daily News)*

Kenya's Port of Mombasa Beats Container Traffic Target for 2014

Port handled 1m twenty-foot equivalent units in 2014, exceeding own target of 980,000, Kenya Ports Authority Managing Director Gichiri Ndua says in e-mailed statement.
*Target beaten due to improved efficiency
* Port handled 894,000 TEUs in 2013
* Container dwell time reduced to 3.7 days in 2014 from 5.8 days previous yr
* Infrastructure development will increase port capacity, Kenya's Minister of Transport and Infrastructure Michael Kamau says in separate e-mailed statement
* Mombasa joins Durban in South Africa as only sub-Saharan Africa ports to exceed 1m TEUs, Kamau says *(Bloomberg)*

Spend to reach $180bn

Spending on infrastructure in sub-Saharan Africa is projected to reach $180bn a year by 2025, double the $93bn a year the World Bank says the continent needs for infrastructure build.
A PwC report says scarce resources, a shift in global economic power to emerging markets and urbanisation were among the main drivers of growth for infrastructure spend, but the funding gap remains a real issue.
The top three challenges in delivering capital projects were availability of skills; lack of state capacity to plan, procure, manage and implement projects and political risk; and government interference.
Transport and energy — including water — were among the biggest budget allocations for infrastructure. Africa continues to attract global investors, developers and operators searching for growth, and despite some regional concerns, opportunities abound for infrastructure investment and development.
More than half of respondents indicated that their planned spending on infrastructure – both new projects and refurbishment of assets – would increase by more than 25% from the previous year. Much would be focused on new development, with 51% planning to spend more than half of their budgets on new assets. Respondents from West Africa were especially bullish, with 58% planning an increase of more than 25% in spending, followed in East Africa (53%) and Southern Africa (40%). Funding from sovereign wealth funds, bonds and pension funds was becoming increasingly important, but such investors were more interested in fully operational not greenfield projects. *(African Business)*

MINING

Sale of diamonds earns Angola US$1.2 billion

Diamond production in Angola, until November, earned the country US$1.2 billion, the Angolan minister of Geology and Mining said in Luanda according to Angolan news agency, Angop. Francisco Queirós said that with the current results, the diamond industry was expected to reach almost 100 percent of its annual sales target. The Geology and Mining Minister said that the production target for 2014 was US$1.3 billion.
Queirós also said in Luanda that the sales of ornamental stone totalled US$8.3 million. He said that by November production totalled 48.016 cubic metres, accounting for about 94 percent of the annual target.
This year Angola started an aero-geophysical survey to identify its geological mineral zones and to date has overflown 361,604 linear kilometres. Preliminary results of the survey will be announced in the first six months of 2015 and the first scientific information should be available by the end of the year. *(Macauhub)*

Angola Sees 2017 Gold-Output Start in Plan to Cut Oil Reliance

Angola sees production from two gold mines being developed in the country's north starting in 2017, helping diversify the economy of Africa's second-biggest oil producer, Minister of Geology and Mines Francisco Queiroz said.
About $600 million has been invested in exploration for the metal at Mpopo in the southern Huila province, Queiroz said an in interview yesterday in the capital, Luanda. Development is also taking place at Chipindo in the northern exclave of Cabinda, he said. Both projects are public-private partnerships, Queiroz said, without naming the companies.
Angola, recovering from a 27-year civil war that ended in 2002, is looking for ways to cut its reliance on oil, which the government counts on for more than three quarters of revenue. Crude is trading near a five-year low, raising concern that the country's budget deficit will increase, according to the International Monetary Fund.
"Given the uncertainty regarding financial resources, diversifying our economy is a must," Queiroz said. "Investing in our mining industry will help us cope with such uncertainties."

The only gold production taking place in Angola is illegal artisanal output by individuals in Cabinda province, he said. “We are starting up a licensing process so that miners can do it legally, according the mining code.”
Angola is the world’s fourth-biggest diamond producer by value and plans to invest in Zimbabwe’s gem industry through Sociedade Mineira do Catoca Sarl, whose shareholders include the government’s Endiama EP and a unit of Brazilian construction company Odebrecht SA.
Exploration for copper at the Mavoio project in the northern Uige province will start soon, and the country wants to make investments in bauxite, used to extract aluminum, in Guinea Bissau and in neighboring Namibia’s iron industry through state-owned Ferrangol EP, he said. *(Bloomberg)*

Brisk Zambia growth seen, new mine tax regime remains – Fin Min

Zambia's economy grew by 6% in 2014 and real growth is expected to quicken to 7% between 2015 and 2017, the minister of finance said. Alexander Chikwanda said in a statement the government also intended to resolve the issue of value-added tax (VAT) refunds with mining companies and hoped to agree with them on new mining taxes.
Africa's second-largest copper producer is withholding $600-million in VAT refunds owed to mining firms and will only repay the cash when companies produce import certificates from destination countries. They say this is impossible because of the role of middlemen in the trade. "Our hope is that we can still resolve this matter in a manner that is mutually beneficial for both the country and mining companies," Chikwanda said. He also said the government remained committed to a new mining tax regime that comes into effect, which the industry says it can ill afford. But Chikwanda pledged to engage with producers on "the reported concerns by some mines."
Zambia increased open pit mining royalties to 20% from 6% and underground royalties to 8% from 6% in the 2015 budget, a move mining companies said could cost 12 000 jobs.
The plan has already prompted Toronto-based Barrick Gold to suspend operations at its Lumwana copper mine, which supports nearly 4 000 direct jobs in the area. *(Engineering News)*

Barrick to Suspend Operations at Zambia Copper Mine
Move Comes After Zambia Increases Royalty Rate

Barrick Gold Corp. said it will suspend operations at a copper mine in Zambia and record an impairment charge after the country passed legislation to more than triple the royalty rate on open-pit mining operations.
The Canadian mining giant said the new taxation regime eliminates corporate income tax, but imposes a 20% gross royalty on revenue “without any consideration of profitability.” The previous rate was 6%.
“The introduction of this royalty has left us with no choice but to initiate the process of suspending operations at Lumwana. Despite the progress we have made to reduce costs and improve efficiency at the mine, the economics of an operation such as Lumwana cannot support a 20% gross royalty, particularly in the current copper price environment,” Co-President Kelvin Dushnisky said in a statement.
China is the world’s largest consumer of copper, and signs that its growth is slowing have weighed on copper prices all year. Toronto-based Barrick had warned in October it might halt operations at Lumwana if the country raised the royalty rate.
Like other miners, the company has been under pressure in recent years to cut costs and focus on more-profitable projects amid lower commodity prices and after building up large debts buying assets during the boom years.
Barrick said it would record the impairment charge related to Lumwana in the fourth quarter. The operation’s current net carrying value is about $1 billion, it said. The operation will be put on a care and maintenance basis, with job cuts starting in March. The mine supports about 4,000 direct jobs, it noted. Lumwana produced 138 million pounds of copper in the first nine months of the year, Barrick said. *(Wall Street Journal)*

PTM closes $113.8m public offering

South Africa-focused project developer Platinum Group Metals (PTM) announced that it had successfully closed a $113.84-million public offering. The Vancouver-based firm had issued 214.8-million shares at a price of $0.53 each, including 7.2-million shares issued under an over-allotment option. BMO Capital Markets and GMP Securities acted as the underwriters and agreed to buy the shares on a bought deal basis. PTM said it would use the net proceeds of the offering to fund Phase 2 development at the Western Bushveld Joint Venture (WBJV) Project 1 platinum mine, near Rustenburg, in the North West. The company said the funds should be enough to fully fund the completion of mill and concentrator construction at the WBJV Project 1 platinum mine. PTM last month reported the project as being 64% complete, with first production planned for the fourth quarter of 2015. *(Engineering News)*

Karnalyte Resources in talks for $700m financing, announces special shareholder meeting

Potash project developer Karnalyte Resources revealed that it had inked an engagement letter with an Indian financial institution in October last year, to help arrange $700-million to develop the Wynyard carnallite-sylvite project, in Saskatchewan.
The company said that the investment capital was expected to come from a syndicate of financial institutions, which were currently busy conducting due diligence. Structuring discussions were under way.

Karnalyte noted that it had entered into project-financing discussions well before a group of dissident shareholders, under leadership of company founder Robin Phinney, had requested a special shareholder meeting.
The group called for a special shareholder meeting to consider removing from office certain of the existing directors, and electing to the board nominees submitted by Phinney.
Phinney owns about 14.6% of Karnalyte's outstanding common shares of Karnalyte and had over the weekend formed a group of concerned shareholders representing about 22.16% of the outstanding common shares of Karnalyte. Phinney had retained Norton Rose Fulbright as counsel.
Karnalyte announced that the special shareholder meeting would take place on May 12, confirming that the board's constitution, the financing package (if and as applicable) and other customary annual general meeting matters would be on the agenda.
The company said the meeting date was designed to provide the corporation with the necessary time to further advance the proposed financing and, if possible and if required by regulatory authorities, place it before shareholders, and avoid the time and unnecessary expense of two meetings in quick succession.
The firm warned that a potential change in the make-up of the board at this time could put the proposed financing arrangements at "substantial risk". It said that should it be able to finalise a deal before the special meeting, it would seek to hold the meeting at an earlier date. *(Engineering News)*

Angola is close to becoming self-sufficient in steel

A steel mill with capacity to produce 500,000 tons of steel per year is due to start operating in 2015 in Luanda, the Minister of Industry, Bernarda Gonçalves Martins said recently in Luanda.
As well as this plant, two others, whose installed capacity and location she did not name, are also due to start operating in 2015, which will help Angola become self-sufficient in steel, as is already the case with cement, in which production of 8 million tons/year exceeds consumption, currently estimated at 6 million tons per year.
Speaking to Angolan news agency Angop, the minister pointed out that, based on ongoing projects and those expected to be approved, Angola should achieve self-sufficiency in production of building materials, including steel rods and wire, in the medium term. "Within a short time steel rods for the construction industry will no longer be imported and in time there will be a surplus that can begin to be exported," added the minister. *(Macauhub)*

OIL & GAS

Tanzania, Mozambique Top Africa's Oil, Gas Table

Africa's energy industry could boom in the coming years, with Mozambique and Tanzania set to emerge as new frontiers if they can attract enough badly needed investment, a report said recently.
Six of the top 10 global discoveries in 2013 were made in Africa, with more than 500 companies now exploring across to the continent, according to a study by PriceWaterhouseCoopers.
Large gas finds in Mozambique and Tanzania would make the world "take note of east Africa as an emerging player in the global industry," said the report's advisory leader, Chris Bredenhann. The boom has brought investment opportunities, despite the lingering challenges of corruption, lack of infrastructure and regulation.
Transactions worth some $1 billion occurred every 17 days in Africa's oil and sector last year, the report said. Still, the continent faces fierce competition for vital investment from other parts of the world, the PWC report cautioned. "A huge obstacle to growth in Tanzania and Mozambique is the cost of the infrastructure required, which neither country can afford without help from foreign investors," it said. Nearly nine million barrels of crude were produced every day in 2013, more than 80 per cent of which came from established players such as Nigeria, Libya, Algeria, Egypt and Angola.
In gas that is even more concentrated, with nine tenths of annual natural gas production of 6.5 trillion cubic feet coming from Nigeria, Libya, Algeria and Egypt. Still, Mozambique could become a major player in the Asian market on a par with Australia, the United States and Papua New Guinea when it starts exporting gas, expected in 2020, the report said. Already majors such as Eni, Chevron and BP have invested in its gas fields, some of the largest discovered in the past decade. Demand for oil in Africa was also expected to 'rise significantly' over the next 20 years, driven by population growth, urbanisation and the emergence of a middle class, the report said. *(Tanzania Daily News)*

Angola economy: Low oil prices will boost diversification

Amid falling oil prices, the Angolan authorities have pinned their hopes on manufacturing to diversify the economy in 2015.
Low oil prices are putting increasing pressure on Angola's economy, making the government's real GDP growth target rate of 9.7% even more challenging. Nonetheless, there are green shoots in the non-oil economy, including in manufacturing, which accounts for less than 10% of GDP but is poised for rapid expansion,
Buoyed in part by a protectionist customs tariff introduced in early 2014, a number of new factories have opened in industrial zones across the country. These industrial zones-the largest of which is in Viana, on the outskirts of the

capital, Luanda, boasting more than 100 units across 2,700 ha-tend to generate more employment, including unskilled jobs, than the highly capital-intensive oil industry. If they develop further, they may help Angola to reduce its reliance on imported goods. In November the country hosted its first "Expo-Industria" trade event, with
70 exhibitors over 20 sectors, underscoring growing interest. The government is pushing hard for foreign investment into manufacturing, including by offering investors favourable tax terms.
Many challenges remain, however. It will be necessary to avoid economically non-viable prestige projects (or "white elephants") and to ensure the long-term viability of investment projects.
There are also reservations about Angola's highly protective customs system, as it undermines competitiveness and contributes to high domestic prices. Partly because of that, the government has consistently delayed its entry into the Southern African Development Community (SADC) Free-Trade Area (despite being a SADC member), for fear of being flooded with cheap imports from countries like South Africa.
Yet as the country's local manufacturing base gradually expands, the authorities may come to reconsider their position on SADC. Indeed, if Angola succeeds in improving electricity supplies and cutting red tape, it could be in a strong position to develop regional exports, including through the three newly rehabilitated railways that link major production hubs to the Atlantic ports of Luanda, Lobito and Namibe and the borders of the Democratic Republic of Congo, Zambia and Namibia. *(Economist Intelligence Unit)*

Mozambique extends deadline for submission of oil tender proposals

The government of Mozambique has extended to 30 April the deadline for submission of tenders for the 5th tender for oil and gas prospecting and exploration, according to an official statement.
In the statement, the government announced that the decision to extend the tender deadline, which was launched simultaneously in the cities of Maputo and London on 23 October, was due to “great interest shown by oil companies to participate actively in the tender. “ This interest was expressed by the massive turn out of representatives of oil companies at the launch of the tender. In Maputo the event was attended by 100 people and by 350 people in London, representing more than 50 oil companies. “Given several requests for extension of the deadline for submission of proposals and the need to maximise the number of competing companies, the government of Mozambique has decided to extend the deadline for submission of proposals in this tender until 12.00 on 30 April 30, 2015,” the statement said.
Initially Mozambican and foreign companies interested in developing oil and gas research and production activities in 15 blocks were expected to submit their proposals by 20 January 2015. The tender is offering three blocks in the Rovuma basin and 12 in the Mozambique basin, eight of them in the offshore area and four onshore. *(Macauhub)*

AGRIBUSINESS

IFAD finances agriculture and artisanal fisheries in Mozambique

The International Fund for Agricultural Development (IFAD) has granted over US$46 million to Mozambique this year for fisheries and agriculture, Mozambican daily newspaper Notícias reported. The money is part of funding of US$213 million to be paid by IFAD by 2020. The government of Mozambique and staff from IFAD met in Maputo to analyse the use of funds in seven projects that are currently underway. Agricultural projects are being carried out in northern Mozambique, in Zambezia and Limpopo while those linked to promotion of artisanal fisheries are located in the provinces of Cabo Delgado, Maputo, Sofala and Manica. (macauhub

USAID-EU Program Helps Zimbabwean Farmers

A program funded by USAID and the EU has helped small-scale farmers in dry areas of Zimbabwe ward off hunger and generate income by commercializing indigenous plants. The outcome of the program has exceeded expectations.
In the bushes of Chimanimani, about 400 km (248 miles) southeast of Harare, Marcia Matsika collects baobab fruit in the scorching heat. She is one of 8,000 small-scale farmers in dry land areas of Zimbabwe who have benefitted from a program designed to teach harvesting and production skills and to link collectors or farmers to buyers and markets.
"I collect some wild fruits which I then sell," Marcia Matsika told DW. "The project is assisting me quite a lot. I can now pay school fees for my six children and I can now buy food. We have since bought a water pump."
The underlying idea of the project was to concentrate on indigenous plants that had a high nutritional, pharmaceutical or other value but were not being used to their full potential. They include baobabs, devil's claw, rosella and chili peppers. The three-year program has just been completed.
Marcia Matsika teaches others how to process baobab fruit so that it can be sold
It was funded by the United States Agency for International Development (USAID) and the European Union and was implemented by several partner organizations.

Getting the ball rolling

Melissa Williams, who heads USAID in Zimbabwe, said the goal of the project was to increase income for people who were in very dry land areas. "We have been here to get things started," she added.

When the project began, USAID and the EU were targeting about 4,000 people. But over the past three years, more than 8,000 smallholder farmers have become involved.
Private sector business people were showing interest. "A lot of products they are exporting are going to the European market," Melissa Williams said. "One of the partners has European linkages. Hence that is their initial market."

Exceeding expectations

In the beginning, the project had been all about fighting hunger and not about business - let alone exporting.
Yet that is now a reality, and life has changed not only for Marcia Matsika, but for people like Gilbert Chakasikwa, who cultivates chili. Before the EU-USAID project, chili was also an underutilized high-value plant.
Gilbert Chakasikwa confirms that the project has improved people's lives. "Now we can pay for our children's school fees, we have a decent life and we have managed to acquire livestock," he told DW.
"This project has improved our lives in so many ways," says Gilbert Chakasikwa
"I'm hoping to get enough money to buy a water pump so we can continue farming in the dry season," he said.
Becoming self-sufficient
Although it was USAID and EU funding that enabled partner NGOs to work with the farmers and increase food security, Caroline Jacquet of Bio-Innovation Zimbabwe, one of the partner organizations, is not worried. "We have made all the plans for the coming rain season and have managed to link producers to the market - so our job is sort of done," she told DW. "The local private companies now know where to source the raw material. ... So we do not really need it anymore."
The success of this project may help to reduce food shortages and poverty in the country in the long-term as more Zimbabweans become self-sufficient. At the height of Zimbabwe's hunger crisis in 2011, more than a third of the population of 13 million people were affected. Thanks to projects like this one, it is hoped that such grim figures will soon belong to the past. *(Deutsche Welle)*

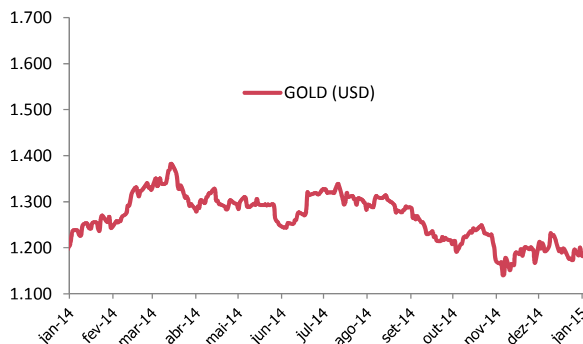
Public-private partnerships key in agric transformation

Government and the private sector should work together to enhance the agriculture sector and agribusiness development in the country, Attaher Maiga, the Food and Agriculture Organisation (FAO) representative in Rwanda, has said.
Maiga noted that the move could attract more investments into the agriculture industry. “It is essential to boost the capacity of agro-enterprises and farmer organisations. There is also need to engage public and private sectors to develop uniform strategies that promote agribusiness investment to increase productivity and the country’s growth,” Maiga said.
Maiga was speaking during an East Africa Community and FAO regional workshop on agribusiness and agro-industry investment promotion in Kigali.
The workshop attracted over 30 agro-economists, experts and dealers from across the region. “Public-private partnerships are critical to attract investments in the agriculture sector... We urge stakeholders across the region to work together and devise mechanisms that support agribusiness in the region,” Maiga said. He noted that the increasing global demand for high-value agricultural products presents private investors a lot of opportunities to expand their enterprises. He however decried the low investment into the sector, saying this is affecting agriculture industry’s growth. Emmanuel Kamugisha, the agriculture and food security officer at the Rwanda Ministry of East African Community Affairs, said efforts to step up agribusiness support were ongoing. “We want to increase knowledge on appropriate methodologies and tools that we can adapt to promote investment into the agriculture sector, especially value addition and other activities along the value chain,” Kamugisha said.
However, it is also important to understand the sector needs and identify challenges in the value chain to be able to come up with the appropriate investment strategies, he added. Innocent Musabyimana, the Ministry of Agriculture permanent secretary, said the size of the agricultural market in Africa is about $68.2 billion annually (and still growing). “Therefore, we should improve agriculture to benefit from this growing demand,” he said.
According to Musabyimana, embracing value addition is key to increase the competitiveness of the country’s agriculture exports. Sector experts, say EAC partner states need to define individual national goals and agribusiness investment promotion strategies reap from growing global food market. *(Times of Africa)*

MARKET INDICATORS
05-01-2015

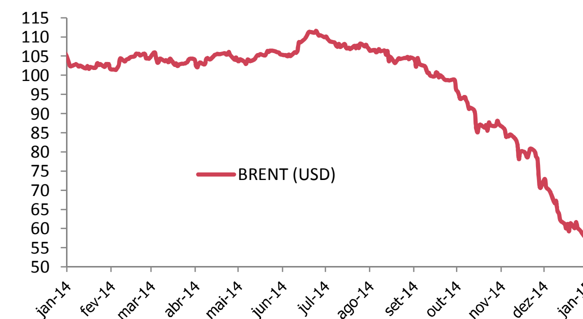
STOCK EXCHANGES		
Index Name (Country)	**05-01-2015**	**YTD % Change**
Botswana Gaborone Domestic Index (Botswana)	9.501,60	26,52%
Bourse Régionale des Valeurs Mobilières (Ivory Coast)	256,30	53,86%
Case 30 Index (Egypt)	9.011,07	64,96%
FTSE NSE Kenya 15 Index (Kenya)	214,14	70,29%
Morocco Casablanca Stock Exchange CFG 25 (Morocco)	20.297,24	6,03%
Nigerian Stock Exchange All Share Index (Nigeria)	33.943,29	20,89%
FTSE/JSE Africa All Shares Index (South Africa)	47.961,18	22,19%
Tunindex (Tunisia)	5.109,65	11,57%

Source: Bloomberg and Eaglestone Securities



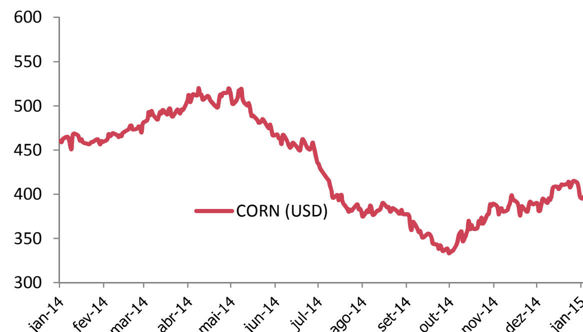
METALS		
	Spot	**YTD % Change**
Gold	1.200	-28,40%
Silver	16	-46,62%
Platinum	1.212	-21,33%
Copper $/mt	6.255	-21,13%

Source: Bloomberg and Eaglestone Securities



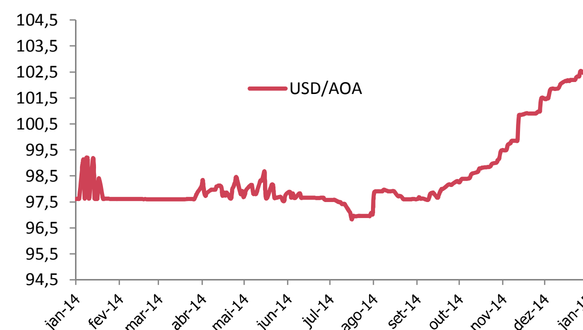
ENERGY		
	Spot	**YTD % Change**
NYMEX WTI Crude (USD/barril)	50,8	-45,47%
ICE Brent (USD/barril)	54,0	-50,26%
ICE Gasoil (USD/cents per tonne)	512,8	-44,01%

Source: Bloomberg and Eaglestone Securities



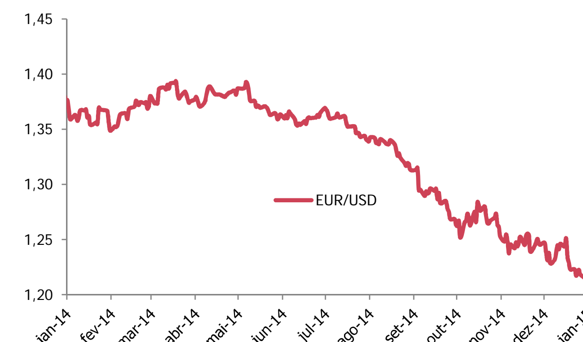
AGRICULTURE		
	Spot	**YTD % Change**
Corn cents/bu.	404,5	-42,23%
Wheat cents/bu.	592,3	-24,82%
Coffee (KC) c/lb	164,2	11,90%
Sugar#11 c/lb	14,2	-27,86%
Cocoa $/mt	2948,0	30,79%
Cotton cents/lb	60,4	-20,39%
Soybeans c/bsh	1024,8	-26,76%

Source: Bloomberg and Eaglestone Securities



CURRENCIES	
	Spot
KWANZAS	
USD	103,050
EUR	122,932
GBP	156,990
ZAR	8,790
BRL	37,994
NEW MOZAMBIQUE METICAL	
USD	32,678
EUR	39,880
GBP	50,928
ZAR	2,853
SOUTH AFRICAN RAND SPOT	
USD	11,715
EUR	13,973
GBP	17,850
BRL	4,321
EUROZONE	
USD	1,19
GBP	0,78
CHF	1,20
JPY	142,65
GBP / USD	1,52

Source: Bloomberg and Eaglestone Securities



UPCOMING EVENTS

ANGOLA will host the 2nd AFRICAN URBAN INFRASTRUCTURE FORUM in Luanda from 19th -20th January 2015

INVESTING IN AFRICAN MINING INDABA 9-12 February 2015- Cape Town, South Africa
Investing in African Mining Indaba™ is an annual professional conference dedicated to the capitalisation and development of mining interests in Africa. It is currently is the world's largest mining investment event and Africa's largest mining event.
http://www.miningindaba.com/ehome/index.php?eventid=84507&

FT African Infrastructure Financing and Development: Investing in sustainable African growth 10 March 2015, One Great George Street, London
www.ft-live.com/africaninfrastructure

5th Africa Debt Capital Markets (ADCM) Summit 16th April, Washington DC, USA
Held during the World Bank & IMF meetings, the S"' ADCM Summit will apprise on Africas capital markets, showcase investment opportunities, and convey its position within the global context of financial markets

AFRICAN BANKER AWARDS 2015 – 21st May 2015
http://www.ic-events.net/awards/african_banker_awards_2014/index.php

World Economic Forum on Africa 2015, Cape Town, South Africa 3-5 June 2015
Then and Now: Reimagining Africa's Future
In 2015, the World Economic Forum on Africa will mark 25 years of change in Africa. Over the past decade and a half, Africa has demonstrated a remarkable economic turnaround, growing two to three percentage points faster than global GDP. Regional growth is projected to remain stable above 5% in 2015, buoyed by rising foreign direct investment flows, particularly into the natural resources sector; increased public investment in infrastructure; and higher agricultural production. *http://www.weforum.org/events/world-economic-forum-africa-2015*

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*

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Additional information is available upon request.

LONDON-28 Dover Street- T: +44 20 7038 6200

LUANDA-Rua Marechal Bros Tito n° 35/37 - 9th Floor B- Kinaxixi, Ingombotas-T: +244 222 441 362

LISBON-Av. da Liberdade , 131, 6th Floor- T: +351 21 121 44 00

CAPE TOWN-22 Kildare Road Newlands 7700- T: +27 21 674 0304

MAPUTO-Rua dos Desportistas Edificio JAT 5, 4th Floor -T: +258 82 055 17 04

AMSTERDAM-Herengracht 450-454 1017 CA - T: +31 20 240 31 60

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.

EAGLESTONE SECURITIES

Business Intelligence
Caroline Fernandes Ferreira
(+351) 211 214 430
caroline.ferreira@eaglestone.eu

Research
Tiago Bossa Dionísio
(+351) 211 214 431
tiago.dionisio@eaglestone.eu

Guido Varatojo dos Santos
(+351) 211 214 468
guido.santos@eaglestone.eu