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9 June 2014

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In-depth:
Africa Rising—Building to the Future

Keynote Address by Christine Lagarde

Managing Director, International Monetary Fund - Maputo, May 29, 2014

Introduction

Good morning, *bom dia.*

It is my great pleasure to welcome you to this conference on Africa. I wish to thank President **Guebuza** and the government of Mozambique for hosting this event, and the many other partners who have made it possible.

It is indeed a great privilege to be here today, five years after the Tanzania Conference. Africa's achievements are remarkable, and the overall outlook for the continent is optimistic. This is an exciting time for Africa. And the theme of the conference, *Africa Rising*, captures this excitement.

Mozambique's Journey

In many ways, Mozambique epitomizes this positive spirit. Over the past two decades, Mozambique has posted one of the fastest growth rates in the Sub-Saharan region—an average of 7.4 % per year.

Major steps have been taken to reduce poverty and raise life expectancy. These are the fruits of years of institution-building and sound economic management. The recent discovery of natural resources offers a unique opportunity to further build on these gains and make growth more inclusive.

An African proverb says: "*If you want to go quickly, go alone. If you want to go far, go together.*"

Mozambique has come far—and the journey continues; the IMF has been and will continue to be by its side. We have been working together providing both financial support and policy advice. We have also supported Mozambique's reform agenda with stepped-up technical assistance and capacity building efforts, which continue today.

I would like to commend Mozambique—and indeed the region—on this impressive performance. Africa has taken its destiny into its own hands. Now is the time to build the future.

This conference offers a unique opportunity to reflect—together—on the lessons learned from Africa's success and the challenges ahead. There is still much to be done. The continent is very diverse, and some countries risk being left behind, especially those faced with recurring conflict. In others, the rapid growth is yet to be widely shared across the population, with many Africans failing to see the fruits of economic success.

In that spirit, I would like to share with you three perspectives:

(i) Where we stand— taking stock of Africa's achievements;

(ii) What near-term and longer-term challenges are emerging; and

(iii) What are the key policy priorities to address these challenges and help deliver on the promise of Africa's future.

1. Where We Stand—Africa's Takeoff

Let me start with where we stand. Sub-Saharan Africa is clearly taking off—growing strongly and steadily for nearly two decades and showing a remarkable resilience in the face of the global financial crisis.

Economic stability has paid off. More than two-thirds of the countries in the region have enjoyed ten or more years of uninterrupted growth.

This growth has delivered a more educated population, with significant declines in infant mortality. In Benin and Madagascar, for example, primary school enrolment has increased by more than 50 percentage points. This may be from low levels, but it is still a huge improvement.

And for good reasons, Africa is now a growing investment destination for both advanced and emerging economies—with a record $80 billion inflow expected this year.

Indeed, it is no surprise that 'frontier economies' such as Kenya, Uganda, and Botswana are challenging old stereotypes and roaring loud as *Africa's lions*.

And yet, the tide of growth has not lifted all boats.

Poverty remains stuck at unacceptably high levels—still afflicting about 45 % of the region's households. Inequality remains high. And some countries, still facing recurring internal conflict, are struggling to exit from fragility.

Africa's success journey has been truly remarkable. But if the global crisis has taught us anything, it is the importance of making the benefits of growth more broadly shared. When everyone benefits, growth is more durable.

Over the years, the IMF has been a close partner in Africa's journey—including during the crisis. We have listened, we have learned, and we have responded.

We have reformed our lending instruments to increase access and flexibility to countries in need; extended our zero-interest policy; and streamlined conditionality.

We have tailored our policy advice to better address the very specific challenges facing the region. And we have supported this advice with five regional technical assistance centers—in Gabon, Ghana, Côte d'Ivoire, Mauritius, and Tanzania. Today, the largest share of the IMF's capacity development services is devoted to Africa.

We look forward to continuing—and strengthening—this fruitful partnership.

2. Challenges Ahead—Near-term Worries and Longer-term Challenges

Africa's future lies with itself and its people. True—the outlook for the region is very positive. Africa is expected to grow by about 5.5 % this year and next, and the poorest countries even faster—close to 7 %.

But it must keep a firm eye on what's going on beyond its horizons. Globally, even as the world turns the corner of the Great Recession, the recovery remains weak and uneven. What does this mean for Africa?

Near- term worries

In the near term, the region's outlook could be clouded by three main worries:

(i) slower growth in advanced economies, and in particular emerging market economies which are major trading partners for Africa;

(ii) lower prices for some commodities; and

(iii) tightening external financial conditions and potentially increased market volatility as monetary policy is normalized.

Policymakers will no doubt have their hands full. But they know what to do. The IMF stands ready to help with its policy advice, its technical assistance, and if needed, financial support.

Longer-term challenges

Beyond these more immediate worries, there are a number of longer-term challenges that can dramatically affect the outlook for Africa. Some for the better; others—not so much.

Demographic challenges: Africa is the youngest continent in the world. By 2040, the continent is projected to boast the largest labor force in the world—1 billion workers strong—more than China and India combined. Channeling this increasing reservoir of human capital to productive sectors offers unrivalled economic and social opportunities. To take full advantage of them will require skillful management and vision.

Technological challenges: Technological innovation offers great possibilities. It can help support global integration, improve productivity, and foster inclusion. Harnessing its power effectively and efficiently is the challenge.

Environmental challenges: Climate change and sustained demand growth press on the sustainability of natural resources—further exacerbating inequality and exclusion. The challenge is to implement policies to foster growth that is, in turn, inclusive and environmentally sustainable.

3. Building to the Future—Three Policy Priorities

So what are the policy priorities to ensure that these challenges become opportunities?

I see three: *build infrastructure*, *build institutions*, and *build people*.

Build infrastructure

First, *build infrastructure*—energy, roads, and technology grids. These are the foundations of any strong and durable edifice.

What does this mean in practice? Closing Africa's infrastructure gap.

Over the past three decades, per capita output of electricity in Sub-Saharan Africa remained virtually flat. Only 16 % of all roads are paved, compared with 58 % in South Asia. These shortfalls represent huge costs to businesses—and to people.

Many countries in the region are taking encouraging steps to close this infrastructure gap. In Ethiopia and Mozambique, for example, investments in the energy sector are being scaled up, including through projects that promote cross-border trade in electricity. Kenya and Côte d'Ivoire are also initiating regional infrastructure projects in electricity, and road and railroad networks.

These investments are critical for growth to be sustained—and broadened. High quality infrastructure can be a magnet for foreign investment. It can accelerate diversification and employment creation, and support further regional integration.

Yet the costs of closing this infrastructure gap can be daunting. The investment needs for the region are estimated at about $93 billion—annually. In most cases, the investments are large and upfront. They need to be carefully selected, managed and implemented within a medium- to long-term budget perspective.

Here, the Fund can help. We are working with many of our member countries—through our capacity building centers and on-the-ground technical assistance—to strengthen public investment and debt management capacity. This helps to put these countries in a much better position to take advantage of increasing financing options.

Build institutions

Let me turn to the second policy priority: *build institutions*. This means governance, transparency, and sound economic frameworks.

We talked about the foundations for the building; now think of institutions as the systems that ensure that the building functions properly and lasts a long time—like the heating, cooling and water systems.

We all know that Africa has tremendous potential—it is home to more than 30 % of the world's mineral reserves. Properly managed, these endowments offer unparalleled opportunity for economic growth and development. Moreover, these resources can be instrumental in relieving the large constraints in infrastructure that I just talked about.

Yet—and let me be frank—in too many countries, the rents from extractive industries are captured by just a few. Mining can account for an important share of output and export earnings, but often contributes relatively little to budget revenues and job creation. This corrodes the fabric of the economy and its social cohesion.

What can be done? Strengthening the institutional and governance frameworks that manage these resources is a good place to start. Transparency can help increase accountability—and help ensure that these resources are harnessed for the benefit of all.

Many countries have taken steps in this direction. For example, Sierra Leone and Uganda are setting new fiscal rules in anticipation of large resource flows. Côte d'Ivoire has also implemented a new legal framework for the mining sector that would help attract higher foreign direct investment.

These are areas where the IMF has helped bring a wide range of cross-country experience to bear. And we look forward to helping even more.

Build people

So, we have the foundations of our building (infrastructure); we have set up the systems to ensure that it functions effectively and efficiently (institutions); now we need to let the people in.

This brings me to my third priority: *build people*—children, youth, workers, and in particular, women.

Let me be clear: Africa's greatest potential is its people. They are the key for the region to fully capture the dividends from population growth. By some estimates, a one percentage point increase in the working age population can boost GDP growth by 0.5 percentage points. This is huge.

For this to happen, however, "good" jobs need to be created in the private sector. Today, only one in five people in Africa finds work in the formal sector. This must change. With wider access to quality education, healthcare and infrastructure services, it *can* change.

Similarly, technology can be tapped to extend the reach and access of financial services to millions of people. Here, Kenya's experience offers valuable lessons to the rest of the world on how to empower the poor through financial access.

By combining mobile banking with financial services provision, 75 % of Kenya's population now has access to financial services. Crucially, it is the poor that have benefited the most from this expansion.

Which brings me to a topic that is close to my heart: women. I know that most of the women in Africa cannot afford *not* to work. But when they do, they are mostly employed in informal activities. We all know what this means: low productivity, low incomes, low prospects. We also know the constraints: access to education, credit, and markets.

The gains to be made by overcoming these constraints are immense—particularly through girls' education. By some estimates, the economic loss in developing countries from the education gap between girls and boys could be as high as $90 billion a year—almost as much as the infrastructure gap for the whole of Sub-Saharan Africa!

As the old African adage goes: "*If you educate a boy, you train a man. If you educate a girl, you train a village.*"

My bottom line: invest in women. It has a great rate of return—economically and socially for the future.

Conclusion

Let me conclude:

We are all witnessing a momentous transformation in Africa. Five years ago in Tanzania, Africa's economies were under challenge as the global economy faced its most severe crisis since the Great Depression. We meet now in Mozambique with an outlook of optimism and high hopes.

The opportunities are vast and the challenges, while significant, can be overcome—through sustained strong policies, both economic and social. Now is the time to go further—to work together towards an inclusive, job-rich and sustainable growth strategy. Now is the time to extend the gains that many countries have enjoyed to those that have been left behind—by helping them overcome fragility and build strong institutions.

I want to end by quoting from the words of Mozambique's national anthem: "*Pedra a pedra construindo um novo dia.*" Stone by stone, building a new tomorrow—that is what Africa Rising is all about.

Africa Rising will benefit the lives of people on the continent. Beyond that, *Africa Rising* will benefit the world. An Africa ever more integrated in the world— and the world learning from Africa.

Thank you – *obrigada*.

The Myth of de-industrialisation in sub-Saharan Africa

The vast majority of experts agrees that a vibrant manufacturing sector can be a source of sustained productivity and growth.

There is even evidence that a healthy manufacturing sector can help to bridge the gap in income levels between rich and poor countries. But the historical importance of manufacturing in economic growth has led some observers to be sceptical about the sustainability of Africa's recent and rapid 'boom'. Rather than industrialising, many believe that the manufacturing sector in Africa has contracted and that the continent is actually de-industrialising. Yet a careful scrutiny of the recent facts indicates this is not so.

It is easy to understand the confusion. First, there is precedent for such a trend. There was a period of de-industrialisation in Africa that coincided with the privatisation of large state owned factories. This began in the early 80s and did not fully play out until the mid to late 90s. The average growth rate for the continent during this period was negative and, in some cases, there was actually urban to rural migration. New evidence suggests that these days are over.

Second, a lot of manufacturing employment takes place in the informal sector. Consider the case of Kenya where – according to the Kenya National Bureau of Statistics (KNBS) – only 12 % of the labour force is employed in the formal sector. Between 1990 and 2007, formal sector employment in manufacturing barely budged and its share of total

employment fell from 2 to 1.6 %. Based on these statistics, one might conclude that Kenya was experiencing de-industrialisation. But over this same period, manufacturing employment in the informal sector increased from a little over 300,000 to almost 1.6 million. Taken together, the share of employment in manufacturing actually grew from 5.5 % to 11.5 %. Kenya is not unique: the most recent statistics from Nigeria indicate that half of the 11 % of the population engaged in manufacturing works in the informal sector.

Productivity is higher in formal than informal manufacturing. But an overemphasis on this gap misses some important points. One of the reasons that much of modern day manufacturing is so productive is because it demands high capital intensity. In many African economies, where jobs are sorely needed, capital intensive manufacturing might produce growth, but arguably it will not solve the more pressing employment problem. Furthermore, productivity in informal manufacturing is still significantly higher than productivity in subsistence agriculture. What ultimately matters is productivity growth, and we simply do not have the information to judge whether or not it is growing in informal manufacturing because, so far, nobody has been able to measure value added in the formal and informal sectors separately.

A third reason for the confusion around belief that 'Africa' is de-industrialising is the tendency of researchers to lump all of Sub-Saharan Africa (SSA) together. This is a problem because Mauritius and South Africa are clearly outliers. The share of employment in manufacturing in Mauritius fell from 32 % in 1990 to 19 % in 2010, but this decline has been matched by an increase in employment in much higher productivity services. South Africa, meanwhile, which has been far more industrialised than the rest of SSA, faces unique challenges stemming from the legacy of apartheid. By contrast, in the rest of the sub-Saharan region - sometimes referred to as developing Africa - the share of employment in manufacturing increased by a little over 2 percentage points between 2000 and 2010.

Alongside the employment numbers, there are other signs that the manufacturing sector in developing Africa is starting to flourish. Between 2000 and 2010, the share of manufacturing exports in goods and services more than doubled from 10 % to 23 %; and if we exclude a handful of oil exporters, that share rises to 32 %. These numbers are not driven by a just a few countries, but based on a group of 34 countries in developing Africa. They are also not driven by one or two products. The range of manufactured exports varies from labour intensive activities, like textile and shoe manufacturing, to capital intensive activities, like petroleum refining. Finally, the period 2000-2010 does not appear to be an anomaly; there are good reasons to believe that this upward trend will continue. Chinese investment in African manufacturing has increased sharply in recent years. In 2010, it totalled $4.7bn compared with $5.7bn in mining. And more recent evidence indicates that the pace and magnitude of this investment has increased further since 2010.

The challenge now is figuring out how to ensure that these investments lead to job creation. Given the high degree of informality in manufacturing, it will be important to try to link businesses in the informal sector to those in the formal sector. Such linkages have the potential to raise productivity and wages in the informal sector while at the same time lowering the costs of formal firms by making them less reliant on imported inputs. It was just these kinds of linkages that led to the success of thousands of small firms in China.

Margaret McMillan is a Professor of Economics at Tufts University, a Senior Research Fellow at IFPRI and a Research Associate at the National Bureau of Economic Research.

SOVEREIGN RATINGS

North and South America - Asia

09-06-2014	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
ARGENTINA	Caa1	CCC+u	CC	NR	Cu	C
AUSTRALIA	Aaa	AAAu	AAA	NR	A-1+u	F1+
BRAZIL	Baa2	BBB-	BBB	NR	A-3	F2
CANADA	Aaa	AAA	AAA	NR	A-1+	F1+
CHINA	Aa3	AA-	A+	NR	A-1+	F1+
COLOMBIA	Baa3	BBB	BBB	NR	A-2	F2
INDIA	Baa3	BBB-u	BBB-	NR	A-3u	F3
JAPAN	Aa3	AA-u	A+	NR	A-1+u	F1+
MACAU	Aa2	NR	AA-	NR	NR	F1+
MEXICO	A3	BBB+	BBB+	WR	A-2	F2
SINGAPORE	Aaa	AAAu	AAA	NR	A-1+u	F1+
URUGUAY	Baa2	BBB-	BBB-	NR	A-3	F3
VENEZUELA	Caa1	B-	B	NR	B	B
USA	Aaa	AA+u	AAA	NR	A-1+u	F1+

Sources: Bloomberg, Eaglestone Advisory

09-06-2014	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
Region - Africa/Middle East	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Angola	Ba3	BB-	BB-	NR	B	B
Bahrain	Baa2	BBB	BBB	NR	A-2	F3
Benin	NR	NR	WD	NR	NR	WD
Botswana	A2	A-	NR	NR	A-2	NR
Burkina Faso	NR	B	NR	NR	B	NR
Cameroon	NR	B	B	NR	B	NR
Cape Verde	NR	B	B	NR	B	B
Egypt	Caa1	B-	B-	NR	B	B
Emirate of Abu Dhabi	Aa2	AA	AA	NR	A-1+	F1+
Gabon	NR	BB-	BB-	NR	B	B
Ghana	B1	B	B	NR	B	B
Iran	NR	NR	NR	WR	NR	NR
Israel	A1	A+	A	NR	A-1	F1
Jordan	B1	BB-	NR	NR	B	NR
Kenya	B1	B+	B+	NR	B	B
Kuwait	Aa2	AA	AA	NR	A-1+	F1+
Lebanon	B1	B-	B	NR	B	B
Lesotho	NR	NR	BB-	NR	NR	B
Libya	NR	NR	WD	NR	NR	WD
Mali	NR	NR	WD	NR	NR	NR
Mauritius	Baa1	NR	NR	NR	NR	NR
Morocco	Ba1	BBB-	BBB-	NR	A-3	F3
Mozambique	B1	B	B+	NR	B	B
Namibia	Baa3	NR	BBB-	NR	NR	F3
Nigeria	Ba3	BB-	BB-	NR	B	B
Oman	A1	A	NR	NR	A-1	NR
Qatar	Aa2	AA	NR	NR	A-1+	NR
Republic of Congo	Ba3	B+	B+	NR	B	B
Republic of Zambia	B1	B+	B	NR	B	B
Rwanda	NR	B	B	NR	B	B
Saudi Arabia	Aa3	AA-	AA	NR	A-1+	F1+
Senegal	B1	B+	NR	NR	B	NR
Seychelles	NR	NR	B	NR	NR	B
South Africa	Baa1	BBB	BBB	P-2	A-2	F3
Tunisia	Ba3	NR	BB-	NR	NR	B
Uganda	B1	B	B	NR	B	B
United Arab Emirates	Aa2	NR	NR	NR	NR	NR

Sources: Bloomberg, Eaglestone Advisory

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

09-06-2014	Eurozone					
	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Austria	Aaa	AA+	AAA	P-1	A-1+	F1+
Belgium	Aa3	AAu	AA	NR	A-1+u	F1+
Cyprus	Caa3	B	B-	NP	B	B
Estonia	A1	AA-	A+	NR	A-1+	F1
Finland	Aaa	AAA	AAA	NR	A-1+	F1+
France	Aa1	AAu	AA+	NR	A-1+u	F1+
Germany	Aaa	AAAu	AAA	NR	A-1+u	F1+
Greece	Caa3	B-	B	NP	B	B
Ireland	Baa1	A-	BBB+	P-2	A-2	F2
Italy	Baa2	BBB u	BBB+	P-2	A-2	F2
Latvia	Baa2	A-	BBB+	NR	A-2	F2
Luxembourg	Aaa	AAA	AAA	NR	A-1+	F1+
Malta	A3	BBB+	A	NR	A-2	F1
Neherlands	Aaa	AA+u	AAA	P-1	A-1+u	F1+
Portugal	Ba2+	BBu	BB+	NR	Bu	B
Slovakia	A2	A	A+	NR	A-1	F1
Slovenia	Ba1	A-	BBB+	NR	A-2	F2
Spain	Baa2	BBB	BBB +	P-2	A-2	F2
United Kingdom	Aa1	AAAu	AA+	NR	A-1+u	F1+

Sources: Bloomberg, Eaglestone Advisory

AFRICAN DEVELOPMENT BANK

AfDB approves road rehabilitation project for Kaolack groundnut basin region in Senegal

The Board of Executive Directors of the African Development Bank Group (AfDB) approved on 28 May, 2014 a Transport Sector Support Project for Senegal for the amount of UA 23.77 million (approximately 35.800 million dollars). The funding is provided through the **African Development Fund (ADF)** and will serve for the rehabilitation of the Dinguiraye-Nioro-Keur Ayib road in the Kaolack region.

The objective of the project is to facilitate the movement of goods and people along the road, so as to increase trade with the rest of the country and improve the population's access to basic services.

The road, which is about 40 km long, is a section of National Highway No. 4 (NH4) on the “trans-Gambian" corridor. It constitutes an economic and strategic link between the North and South of the Gambia and Senegal on the Dakar-Lagos Trans-African highway.

The project area covers the Kaolack region, with an estimated population of 795,906 inhabitants. “This project is expected to contribute towards boosting sub-regional trade and opening up rural areas in the country,” said the director of the Department for Transport and Information and Communication Technologies at the AfDB, Amadou Oumarou.

By financing the project, the Bank will be contributing towards the implementation of the priority actions program of the Senegal Economic Emergence Plan (PSE). **Transport infrastructure** and services constitute one of the sub-sectors that help to create wealth so as to **reduce poverty** in **Senegal**.

The Dinguiraye-Nioro-KeurAyib road rehabilitation project will address the problems of accessibility and opening up of the project area in particular.

“The project will **create jobs** for **youths** and **women** in rural and semi-urban areas and help curb rural exodus from the project area which has a very high net migration,” said Emmanuel Mbi, AfDB’s First Vice President and Chief Operating Officer who chaired the Board meeting

Agriculture Fast Track Fund awards two new grants with positive impact on local economy in Mozambique

The **AfDB’s Agriculture Fast Track Fund (AFT)** has awarded two grants worth almost US$1.5 million to high value agriculture infrastructure projects in **Mozambique**. EcoFarm Sugar Cane Production and Odebrecht Integrated Poultry Production projects have been selected for their strong impact on local communities in Mozambique. They will be receiving funding to finance their market analyses, site surveys and other preparation costs.

The AFT has granted two new **agribusiness** operators in Mozambique with funding for project development. The first project, Odebrecht Integrated Poultry Production and Distribution, will receive US$555,000. The company will offer chicken products that add value to local raw material. The second enterprise is EcoFarm’s Sugar Cane Estate Development, given US$797,500 in grant money. The project will be set near the town of Chemba in the Sofala Province of Mozambique. Three cooperatives will have ‘Land Use Rights’ to 50 per cent of the irrigated land as partners.

The AFT funds projects that are in the preparation stage. Odebrecht plans to use the grant to complete its final feasibility studies and market research. EcoFarm is scheduling undergo an environmental and social impact assessment.
The positive local impact pursued by both projects in Mozambique falls in line with the AFT's mandate to boost agriculture infrastructure in Africa.
Odebrecht trained 2,300 Mozambicans in **Health** and Safety, **Environment**, Quality and Psychology at Work through ACREDITAR. The company is looking to create, more than 4,000 jobs locally. The ACREDITAR training program seeks to help young people enter the labor market.
EcoFarm works with 1,150 farmers owning 50 per cent of the sugarcane estate and expects to create 1,000 jobs. The project seeks to add US$1.2 million of disposable income to the area. Sixty per cent of women in the region around Odebrecht and 50 per cent near EcoFarm will benefit from the projects as employees and both companies plan to ensure their female employees have opportunities for professional advancement.
Mozambique is one of the six first pilot countries (along with Côte d'Ivoire, Ghana, Burkina Faso, Tanzania and Ethiopia) to experiment the support of the AFT. The country is part of the New Alliance For **Food Security** and Nutrition in Africa, a coalition of Africans states committed to a Cooperation Framework for Food Security on the continent. The AFT contributes to better food security in Africa by helping to improve the infrastructure for agriculture.

AfDB Approves a USD 280 million Trade Finance Package for the African Export Import Bank (Afreximbank)

The Board of Directors of the African Development Bank (AfDB) approved on Wednesday, May 28, 2014 a USD 280 million Trade Finance Package for African Export – Import Bank (Afreximbank). The facility consists of a USD 30 million equity investment, a USD 150 line of credit and a USD 100 million unfunded Risk Participation Agreement (RPA) respectively. This composite facility of capital, liquidity and guarantees will help to expand Afreximbank's risk bearing capacity and provide medium-term funds for financing various trade transactions and projects across Africa. The facility will enable Afreximbank to increase its visibility as a credible confirming bank for trade transactions originated by African issuing banks. The additional equity investment also demonstrates AfDB's continued strong support for Afreximbank as a key player in Africa's trade finance market.
This project is well aligned with AfDB's core operational priorities of **regional integration** and **private sector** development. It will boost intra-Africa trade and promote regional integration, and contribute to the reduction of the trade finance gap in Africa. Given Afreximbank's commitment to helping African economies diversify their exports, strengthen trade value chains and promote value-adding commodity exports, this facility will contribute to macroeconomic resilience in at least 30 countries. It will provide financing to more than 100 financial institutions and corporates and support at least USD 2.2 million of trade in Africa over a 4-year period, thereby helping to deepen the financial sector and promote private sector development.
AfDB's additionality in the Project stems from:

- Its 'AAA' rating that will enable Afreximbank enhance its trade finance confirmation capabilities;
- Its ability to avail medium-term liquidity support to Afreximbank to provide appropriate trade finance to local banks and corporates in Africa; and
- Its demonstrable appetite for Africa risk.

About Afreximbank

The African Export Import Bank was established in October 1993 by African Governments, African Development Bank, African private and institutional investors as well as non-African financial institutions and private investors for the purpose of financing, promoting and expanding intra-African and extra-African trade. With an authorized share capital of USD 5 billion, Afreximbank's mission is to stimulate a consistent expansion, diversification and development of African trade while operating as a first class, profit-oriented, socially responsible financial institution and a centre of excellence in African trade matters.

INVESTMENTS

South Korea loans Mozambique US$124 million

The South Korea Export-Import Bank has provided Mozambique with **two loans worth US$124 million to build a road and landfill sites**, Mozambican daily newspaper Notícias reported.
According to the newspaper, the two loan agreements include **one for US$75.441 million for construction of National Road Number 104 (EN104)**, which links Nampula and Nametil, in Nampula province and **another for US$48.621 million for construction of landfill sites in Maputo and Matola.**
The two loans have a maturity of 40 years, including a 15-year grace period and an interest rate of 0.01 %.
The project to build EN104 covers a distance of 74 kilometres between the city of Nampula and the town of Namitil, which will now be paved. It is expected to improve conditions of travel for the population as well as for goods to and from the neighbouring districts of Angoche and Moma, which are potential producers of agricultural goods, heavy sands and titanium.

The landfill project involves building a modern facility to process solid urban waste that will serve the cities of Maputo and Matola, with an estimated capacity of 1,400 tons per day.
Yim Seong-Hyeog, vice president of the South Korea Export-Import Bank said as the loan agreements were signed that the first project funded by South Korea in Mozambique was construction of the Quelimane Central Hospital in 2008 and that so far South Korea had provided Mozambique with subsidised loans totalling US$318 million for eight projects. *(Macauhub)*

Arab Bank grants loan to Mozambique

The Arab Bank for Economic Development in Africa (BADEA) is set to provide Mozambique with **a US$11 million loan**, the Mozambican ministry for Planning and Development said in a statement.
A large part of the funding, which was agreed on the sidelines of the 49th annual meeting of the African Development Bank (ADB) in Kigali, Rwanda, or **US$9.8 million will be used to build the Technological Institute for Fishing and Marine Technology**, in Inhambane province.
Over the last four years BADEA has funded at least five Mozambican government projects in the social and infrastructure sector, worth around US$41 million. *(Macauhub)*

Trade between Angola and India totals US$7.646 billion in 2012/2013

Trade between Angola and India totalled US$7.646 billion in 2012/2013, **compared to US$1.286 billion in 2007/2008**, said the head of an Indian business mission to Angola in Luanda.
Sheila Sudhakaran sad that economic relations between Angola and India had grown significantly and noted that **Angola was now the second-largest African supplier of oil to India after Nigeria.**
Sudhakaran, who is also the secretary-general of the Federation of Indian Chambers of Commerce and Industry, said that there was a 6,000-strong Indian community in Angola, and that 1,500 of these people worked in the Angola LNG project, and 1,200 in the construction sector, particularly at the Sumbe Cement Factory, in Kwanza Sul province.
Sudhakaran also said that at the Angolan government's request India would increase its credit line to Angola and that the funding would be applied to rail reconstruction projects and to supply agricultural equipment, such as tractors.
As well as cooperation in the natural gas, energy and oil sectors, India want to focus on exports of vehicles, agricultural machinery and food, pharmaceutical products, cosmetics, spirits, paper and wood products. *(Macauhub)*

12 Automakers Ready To Invest In Nigeria

No fewer than 12 automobile manufacturers have expressed interest in establishing assembly plants in Nigeria, Africa's biggest economy, according to National Automobile Council's Director-General, Mr. Aminu Jalal.
This announcement came after Mr Pablo Segrelles, the Chief Economic and Commercial Counselor of the Embassy of Spain in Nigeria announced that about seven Spanish companies wants to invest in the country's automobile industry.
In October, 2013, the Federal Government of Nigeria launched the Automotive Industry Development Plan aimed at discouraging importation of used cars and encouraging the local manufacturing of new vehicles which will in turn attract local and foreign investments to the sector.
Speaking on the latest development, Jalal said groundwork has already commenced on the proposed assembly plants.
"By the end of the year, all the 12 auto manufacturing companies are expected to have established their vehicle assembly plants in the country," local news platform, Punch quoted Jalal as saying.
Some of the automobile companies expected to soon begin operations include Hyundai, Kia, Renault, JiangSu, Foton, Joylong and Higer automobiles.
Japanese automaker, Toyota is said to be conducting a feasibility studies and may soon follow in the step of others before the end of the year, Jalal said.
Old assembly plants including that of Leventis and Leyland Motors are also expected to be revived while three new auto assembly plants will commence operations by June. *(Ventures Africa)*

Angola is a priority for China in Africa

Angola is one of the priority countries for China in Africa, where it will continue to focus over the next few years, according to US research organisation Brookings.
In its recent report "Africa in China's Foreign Policy," published by Brookings, analyst Yun Sun noted increased investment in training African human resources and social responsibility programmes in Africa as signs of continuing interest in the continent.
"Over the next few years, China's involvement in Africa should increase," the analyst said, forecasting that the current system will be "updated by adopting faster solutions for some social problems."
According to the report, "China's economic activities are at an unprecedented level," which also brings challenges.
According to Yun Sun, the relationship needs to undergo more in-depth strategic reconsideration, as it is now a priority to have access to African natural resources and to its growing markets in order to stimulate Chinese economic growth.
As **Angola is China's largest oil supplier, alongside Sudan, the study focuses on the role of the Portuguese-speaking country as one of China's main partners in Africa.**

In 2010 the two countries set up a strategic partnership, with China offering credit lines to Angola that are repaid in oil, which led to two-way trade rising by over 2,000 % since the end of the civil war in 2002. This makes Angola the second-largest trading partner amongst the Portuguese-speaking nations.
According to official figures, **trade between the two countries totalled US$35.91 billion in 2013**, with China selling goods to Angola worth US$3.96 billion and buying goods worth US$31.94 billion.
Beijing's priorities, Yun Sun said, mean that the Chinese Trade Ministry is "naturally inclined" to consigning much of its foreign aid to countries that offer China more trade opportunities and benefits.
As China's economic interest is focused on African natural resources it is the countries that have a wealth of them that are the focus of its attention, such as Angola.
The level of aid provided to Angola and the system of support so effective that it has been extended to other countries under the name of the "Angola Model" – finance agreements at low interest rates for African countries, guaranteed by supplies of raw materials.
"These countries have great difficulty securing financing on international financial markets and China has made that funding relatively available," said Yun Sun.
Angola paid off its first oil-guaranteed loan in March 2004 and, according to the analyst, the credit lines have helped Chinese companies to secure oil exploration contracts.
In 2005, the acquisition of Block 3/80 by Sinopec was announced at the same time as a US$2 billion loan to Angola, and in 2010, the same Chinese state oil company acquired 50 % of Block 18, at the same time as the first tranche of a loan was provided by the China export-Import Bank.
Between 2004 and 2011, according to researcher Deborah Brautigam, China did unprecedented business with at least seven countries rich in natural resources, to a value of almost US$14 billion.
At the beginning of May China's Prime Minister Li Keqiang visited Angola as part of an African tour that also included visits to Ethiopia, Nigeria and Kenya.
Angola and China signed two agreements, one to do away with the need for diplomatic visas between the two countries and another in the financial sector, following a meeting between Li Keqiang and Angolan President José Eduardo dos Santos. *(Macauhub)*

Cost of founding companies in Angola set to fall

The costs of setting up companies in Angola are set to fall substantially following approval, by the country's parliament a law focusing on the issue.
The aim of the new law is to improve the competitiveness of Angolan companies and reduce the cost of establishing them.
The costs will fall from a minimum of around US$2,400 to a fixed amount of US$100, according to the legislation approved on Thursday, whilst under the current scheme the cost varied depending on starting capital.
Setting up a company with starting capital of US$3,000 previously cost US$4,224, a figure which will now fall to US$100.
"**The cost of setting up a private limited company will also fall from approximately US$5,400 to a fixed amount of US$400**," according to the document.
Angola's Secretary of State for the Economy, Laura Alcântara Monteiro, said in Parliament that the law was intended to "drive creation of new companies," and "safely" improve "the business climate."
This new law also sets out the basis for reducing the cost of all company administrative requirements. *(Macauhub)*

Nigerian, Turkish Entrepreneurs To Build Juice factory By 2015

Murat Sakartepe, the Secretary General of Turkish Business group, Esidef, said the group plan to develop a juice factory in partnership with Nigerian entrepreneurs in Africa's biggest economy by 2015, with discussion said to have reached advanced stages.
The establishment is in line with the investment Turkish entrepreneurs hopes to make in Nigeria before the second quarter of 2016, reports News Agency of Nigeria (NAN).
Sakartepe told the news agency in Izmir, Turkey that members of the group are leveraging on the investment potential offered by the Africa nation, with latest GDP figures proving an attractive incentive for investors.
"No good business can be done in Africa now without Nigeria," Sakartepe said.
Nigeria's GDP is expected to rise at 7.9 and 8.8 per cent for 2014 and 2015 respectively. This is predicted to spark a similar surge in Foreign investment inflow during this period.
Sakartepe said aside the proposed establishment of the juice factory; the group is hoping to make credible investment in the country's manufacturing and mining sectors.
He reinstates the group's interest in investing in Nigeria, adding that between last year and now, the group has undertook 230 business trips to Nigeria and other African countries for assessment.
According to him, the group has also offered internship opportunities to 18 Nigerian students in Turkish universities to build a healthy business relationship with Nigeria.

The Federation of the Aegean and Mediterranean Industrialists and Businesspeople (ESİDEF) is a business federation of 42 business associations in Turkey with about 12,500 members. *(Ventures Africa)*

New car market in Africa remains 'very small'

Africa's middle class may be fast emerging, however, lower GDP per capita incomes, the small middle class and the used car imports dominating most of sub-Saharan Africa will continue to hinder new car sales on the continent.

"The big picture really is that the new car market is very small in Africa and unfortunately will continue to remain small for many years with unit sales growth seeing, at best, 10% per year and not much faster. This is particularly true for those countries where they are not experiencing a resource boom. The key is increasing the GDP per capita – and that is a slow process," says Nicholas De Canha, CEO of Imperial Fleet Management.

"The thing that drives an economy is the middle class and although the middle class in a number of African countries is growing, this will take time. Realistically, GDP per capita needs to grow until it's about US$5,000-$6,000 per person before we'll see robust automotive markets across the continent, which essentially means that you have enough money in the economy for people in the country to have money to buy cars."

Data released by the International Organisation of Motor Vehicle Manufacturers recorded new passenger car sales on the continent (excluding used vehicles) at only 1.2m units in 2013 – of the 62.6m globally. According to Tim Jaques, GM of AMH Africa: "The total of 1.2m vehicles for 2013 would constitute largely North African markets and South African, making the remaining automotive market on the continent even smaller than one would expect."

De Canha explains that the African automotive market could be split and viewed in three sections: South Africa, North Africa (Morocco, Egypt, Algeria, Tunisia and Libya) and 'middle Africa' (everything in between). To further put this into perspective, if there are 100 new car sales in Africa, then about 60 of those sales would stem from South Africa, 35 from North Africa and between five and 10 sales would be generated from different countries within middle Africa.

"With that in mind, middle Africa has a massive import-of-used-car market – where used car imports are banned in South and North Africa. In fact, I would even suggest that the used car market in middle Africa is about 10 times the size of the new car market in the region, where 90%-95% of these used car imports are made up of passenger vehicles. That is part of the reason that there are so few new passenger vehicle sales in middle Africa (typically less than 20% of total market). In South Africa, and other more developed automotive markets, however, passenger vehicles make up around 65% of new sales and LDVs (light duty vehicles) 35%," says Jaques.

A keen market example is Nigeria. The country's population is three times the size of South Africa's and if the economies are equal in size, as is now commonly reported, then Nigeria's GDP per capita income would be one-third of the $7,000-$8,000 in South Africa. Add that to the markedly higher Gini coefficient, and this means that the small middle class in Nigeria then wouldn't be able to afford a new Toyota Etios in South Africa, but they would be able to afford a $2,000 used small car from Europe or elsewhere.

"Even with the emerging middle class in Nigeria, vehicle sales for the country are around 20% of South Africa's sales and this will continue to grow at a rate of about 10% year-on-year. Government policy must focus on ensuring their economy continues to grow so that more people will have more wealth. However, before the middle class will start buying new cars, the government would need to do something about the used car imports coming into the country," indicates De Canha.

A good quality used car will enter the market at less than 50% of the cost price of a new car due to the depreciation in their original markets. There are also low duties on used cars and high duties on new cars. Jaques adds: "Though these vehicles aren't sold with a warranty or service plan, people will take their chances because it is so much cheaper – and consumers will buy with a short-term view that is more concerned with an immediate requirement and less concerned as to how they will service the vehicle."

This kind of model only works when people have little expendable income. As people become wealthier they expect warranties and other value added services. For instance, should Nigeria – like many other countries in middle Africa – change its tax duty structures for both used and new car imports to create a more conducive and competitive open market, then the new car market with grow rapidly and could even triple its current size within five years as is the experience in Angola.

"With these increases in new vehicle sales also comes more investment into the country through sophisticated market structures including the likes of proper dealerships and workshops, possibly even component manufacturing and assembly plants etc. Government intervention is certainly needed to either ban used car imports or at least adjust the tax duties to create a more even playing field between used and new car imports – and doing so with the realisation that a more robust automotive market also boasts greater potential industrialisation benefits for the economy," *(How we made it in Africa)*

Africa's Internet Usage To Continue Exponential Growth

Social media boom, abundance of content-rich apps, rich video content and access to cheaper Smartphones has fuelled internet usage in Africa, doubling the use of data from an average of 37,500TB (terabyte) a month in the year 2013 to 76,000TB of data a month this year.

According to the June 2014 Sub-Saharan Africa Mobility Report by Ericsson, the ongoing digital revolution will continue in the coming year (2015) as data usage will increase to as much as 147 000TB per month because consumers, networks and media networks are now embracing the use of 3G and 4G technology.
"We have seen the trend emerging over a few years, but in the past 12 months the digital traffic has increased over 100% forcing us to revise our existing predictions," Fredrik Jejdling, regional head of Ericsson Sub-Saharan Africa said.
According to the new predictions, data revolution is expected to grow at 65% to 2019 and beyond to 764 000TB by the end of 2019. Ericsson says mobile data in Sub-Sahara Africa will grow twenty times the anticipated global expansion in the next five years (2013 and 2019).
The report also states that 75% of mobile subscriptions will be Internet inclusive (3G or 4G) while voice call traffic is expected to grow in the next five years in the region.
Consumers in Kenya, Nigeria and South Africa – Africa's three major growing economies – are already using video TV and media services from their Smartphones more, the Communication and IT service provider noted in the report.
Jejdling added that as cheaper smartphones continue to flood the African market, Africans from all social strata will be able to access the internet through their mobile phones.
This will also help small businesses, health and agriculture as the report noted that "M-commerce can offer endless opportunities for entrepreneurs…and farmers are fans of mobile wallets."
Financial transaction is also expected to increase online as a result of the increasing use of mobile data.
The report further predicts that mobile subscription will stand at 930 million in sub-Saharan Africa by the end of 2019 while Smartphone and broadband subscriptions will be about 55 million and 710 million respectively.
"Mobile users in the region have shown a preference for using their device for a variety of activities that are normally performed on laptops or desktops," the report said, backing up its predictions of increase in mobile subscriptions.
The report stressed the need for the need for "Affordable access to mobile broadband is not a luxury, but a necessity in regions such as sub-Saharan Africa."*(Ventures Africa)*

BANKING

Banks

Angolan Development Bank signs cooperation agreement with Brazil's BNDES

Angolan development bank Banco de Desenvolvimento de Angola (BDA) in Luanda signed a cooperation agreement with Brazilian development bank Banco Nacional de Desenvolvimento Económico e Social do Brasil (BNDES) focused on exchanging information.
The document, signed by BDA chairman Manuel da Costa, and Paulo Roberto, head of the BNDES representative office, also establishes cooperation in training and staff exchanges, according to Angolan news agency Angop.
Banco Nacional de Desenvolvimento Económico e Social (BNDES) is a Brazilian state company and its role is to provide long-term financing for investments in all of the country's economic sectors.
BNDES is particularly focused on agriculture, industry, infrastructure, and trade and service offering preferential conditions to micro, small and medium-sized companies. *(Macauhub)*

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

Standard Bank Group, one of Africa's largest banks, has won accolades from The Banker at the magazine's annual Deals of the Year Awards 2014, with four notable deals across several regional categories.
"Winning these accolades across numerous categories is testament to Standard Bank's African capabilities and on the ground local expertise in the markets in which we operate," said David Munro, Chief Executive of Standard Bank Corporate and Investment Banking.
According to him, the bank's operations spanning across 19 African countries has enabled it to gain strategic insights into the markets within which it operates in the region. This, David said has placed the bank in a unique position to offer world class service to its customers. The awards which recognise excellence for deals struck across Africa take into account the various categories for deal submissions.
Standard Bank Group was recognized for arranging the $2.6 billion package from Aspen Pharmacare, which involved structuring a deal requiring the bank to underwrite, arrange and syndicate debt for Aspen Pharmacare Group's subsidiaries.
Other great deals struck by the bank were Islamic Finance Deal for Osun State, Nigeria, a transaction that signaled the first time a Sukuk bond was issued in West Africa.
Stanbic IBTC Bank Nigeria Limited, the Group's subsidiary in the West African country brokered the deal, which saw institutional investors increase demand to $72 million from $61.87 million.
The Bank also won the Best Restructure of Term Facilities for Polo Park Mall in Enugu State, Nigeria and the Best Real Estate Deal for Orange Farm, Eyethu Mall, Guateng, South Africa.
The recognition by The Banker Magazine, the world's premier banking and finance resource is an indication of Standard Bank's commitment to provision of world class services to its customers and also show a resolve to remain

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

Barclays to keep two Tanzanian banks

JOHANNESBURG-headquartered Barclays Africa Group has said it will continue controlling two competing independent banks in Tanzania for the foreseeable future, raising questions about the efficiency and cost of running two banks in one country.

The arrangement in Tanzania also raises questions about Barclays' "One Bank in Africa strategy".

Barclays Africa Group, which is headed by Maria Ramos, owns a majority stake in National Bank of Commerce in Tanzania, and Barclays Bank Tanzania.

The Tanzanian government and the International Finance Corporation are also shareholders in National Bank of Commerce.

Before Absa Group acquired the Africa operations from Barclays in an R18bn deal in 2012, it owned 55% of National Bank of Commerce in Tanzania. The merger led to Absa Group taking on Barclays Bank Tanzania, leaving it invested in two competing banks in Tanzania.

According to the Barclays Africa Group's 2013 annual report, National Bank of Commerce has 463,000 customers, 272 automated teller machines (ATMs) and 52 branches in Tanzania. Barclays Bank Tanzania has 87,000 customers, 42 ATMs and 24 branches.

The last set of data on Tanzania published by Barclays Africa Group showed Barclays Bank Tanzania had a cost-income ratio of 110.1% in the first half of 2012 and reported a loss. The return on equity was -19.5%.

The 2012 financial statements of National Bank of Commerce show the bank had net income after tax of 2.2-million Tanzanian shillings. One South African rand is equal to about 158 Tanzanian shillings.

The return on ordinary shareholders' funds was 1.65%.

"The only reason why you would keep them separate is if they segment the customers they serve," Sanlam Investment Management Global fund manager Kokkie Kooyman said on Friday. "But it does not make sense to run separate banks for a long period. You are inefficient in terms of capital, staff, liquidity and you must be inefficient in terms of your branches. You might want to scale some of your branches."

The National Bank of Commerce offers retail, corporate and treasury services. Barclays Bank Tanzania offers retail and corporate banking services including cash management and trade finance services.

Asked about the Tanzania arrangement, a Barclays Africa spokesman said: "Barclays Bank Tanzania Limited (BBT) and National Bank of Commerce (NBC) operate separately and compete in accordance with local legal and regulatory requirements.

"This arrangement, operating BBT and NBC as independent entities with separate boards and management teams, will continue for the foreseeable future." *(BDLive)*

Markets

National Bank of Angola raises absorption facility rate

The National Bank of Angola decided to increase its permanent absorption facility rate by 0.25 %age points to 1.75 %, the bank said in a statement issued in Luanda.

According to the statement on the main decisions of the bank's Monetary Policy Committee the base interest rate, or BNA Rate and the permanent liquidity facility remained unchanged at 9.25 % and 10 %, respectively.

The decisions, the bank said, are intended to maintain price stability in the Angolan economy. In April Angola's rate of inflation fell by 0.09 percentage points year on year to 7.22 %. According to the statement Luibor in April stood at 3.10 % for the overnight rate, 7.43 % for the three month rate and 9.53 % for 12 months, whilst the average exchange rate remained steady at 97.88 kwanzas to the dollar. *(Macauhub)*

Funds

Hedge Fund Takes on African Bank Investors

African Bank Investments Ltd. (ABL), **South Africa**'s worst-performing stock in May, is pitting the country's largest hedge fund against some of the nation's biggest investors.

36ONE Asset Management, which oversees the equivalent of $1.1 billion, has shorted shares in South Africa's largest unsecured loans-provider in a bet declines have further to run, according to Jean Pierre Verster, who helps oversee the Johannesburg-based company's 4 billion-rand ($384 million) hedge fund. The Public Investment Corp., Coronation Fund Managers, Stanlib Asset Management and Momentum Asset Management are among **shareholders** boosting stakes this year as African Bank seeks to restore profit from a record fiscal first-half loss.

African Bank lost 25 % of its market value this year as bad loans more than doubled in the first half, prompting it to cancel its dividend. The lender sold shares to investors in December to bolster its capital as South African unemployment of 25 % and a shrinking economy left consumers struggling to pay debt. The stock is down 27 % this month, the most among the 166-member **FTSE/JSE Africa All Share Index. (JALSH)**

"Management is part of the problem," Verster said in an interview on May 22 in Johannesburg. "It is difficult for any team which had built up a business and put a strategy in place to change course. You can't lend to people who can't afford it anymore."

'Good Chance'

African Bank Chief Executive Officer Leon Kirkinis, 54, plans to sell Ellerine, a furniture retailer the company bought in 2008, has lowered the maximum term for loans to 60 months from 84 months and slowed lending growth in a bid to stem losses. One in every two consumers with credit are behind in loan payments, according to the South Africa's credit regulator.

"The speculation on management, I think it's frivolous," Sam Houlie, a money manager at Momentum Asset Management, which manages the equivalent of $18 billion, said by phone on May 27 from **Cape Town**. "Ultimately you now need to assess the ability of management to effect the turnaround. They have a good chance."

Houlie is adding African Bank to his portfolio, he said. The lender is the largest holding in his Momentum Value Fund at 12.6 % as of April 30 from 11 % at the end of January, according to a fund fact sheet.

Coronation Fund Managers, which manages the equivalent of $52 billion, increased its holdings to 22 % at the end of March, according to data compiled by Bloomberg, from 20 % in January. The Cape Town-based money manager declined to comment in an e-mailed response to questions.

Changes Risky

The Public Investment Corp., South Africa's largest **money manager** with 1.4 trillion rand in assets, holds 12.5 % of African Bank after adding shares through the end of March. The PIC doesn't publicly discuss its investments, Nomzamo Petje, a spokeswoman, said in an e-mailed reply to questions .

Stanlib is no longer "actively adding" to its holdings to ensure portfolios remain balanced, Herman van Velze, a Johannesburg-based money manager at the company, which has $51 billion in assets, said by phone yesterday. Stanlib boosted its share in African Bank to 7.8 %, according to data compiled by Bloomberg for the end of March.

"The current management knows more what is going wrong and what they're doing," he said. "To change them now will be riskier to us."

African Bank is working on plans to boost capital, Chief Financial Officer Nithia Nalliah said by phone on May 27 from Johannesburg. "If we had to do a rights offer we will not hesitate to do one, but it's not something that we're looking at as a priority," he said.

'Cockroach' Loans

The December rights offer, which followed a 45 % surge in bad loan charges in the six months through March 2013, received 64 % more bids than the amount offered, African Bank said at the time. The stock fell as much as 1.1 % to 9 rand and was trading at 9.02 rand as of 2:06 p.m. in Johannesburg. The all-share index declined 0.3 %.

"They've had two cockroaches in their loan **book**," 36ONE's Verster said. "If there is a third cockroach in the loan book, it would be interesting to see whether shareholders will support a second rights offer within a year."

The lender will need to start **competing** against banks such as Standard Bank Group Ltd. and FirstRand Ltd. for less-risky customers, which will reduce the **interests rates** Abil can charge and cut profit, he said.

"We're getting an idea that the company is turning around," Stanlib's Van Velze said. "The fact that people want credit is not going to go away. It is how you price that. We have more confidence in the fact that they can price better and hence turn around." *(Bloomberg)*

Nigeria to Channel More Pension Funds to Corporate Bonds

Nigeria plans to amend investment rules to channel more of the country's $26 billion of pension funds into corporate bonds, Nigeria Pension Commission Director-General Chinelo Anohu-Amazu said.

Pension administrators, including **Stanbic IBTC Pension Managers Ltd. (STANBIC)** and **ARM Pension Managers Ltd. (ARMAGGW)**, are currently investing only 2% of funds in corporate debt, well below a 35% limit, according to data released by the commission also known as Pencom. This compares with 65% invested in federal and state government bonds and 13% in equities.

New rules are being considered to encourage more investments in corporate bonds, thereby making long-term capital available to fund infrastructure projects, Anohu-Amazu said in a June 5 interview in the capital, Abuja. "We have a huge amount which can go into the development of infrastructure, but what we have now is an under-utilization."

Africa's largest economy needs at least $14 billion annually to bridge its infrastructure gap, according to Finance Minister Ngozi Okonjo-Iweala. The country of about 170 million people loses at least 2% of potential gross domestic product growth annually due the shortfall, mainly in power and transportation, according to the minister. Its economy is estimated to expand 6.75% this year.

A major slice of pension assets are now in **government bonds**, the "safest place," according to Anohu-Amazu. With an average growth rate of 30% over the last four years, pension funds are seeking new investment options in equities and other outlets that are safe and offer higher returns.

Infrastructure Funds

Nigeria increased the limit for pension funds' investment in equities to 50% from 25% of assets in November 2012 to help boost trading in stocks. As an additional investment outlet, infrastructure funds could take as much as 15% of pension assets, Pencom said at the time.

"Whether it is power, real estate, roads, railway, all sorts of infrastructure, we are interested in the format in which the pension funds go into these projects," Anohu-Amazu said. "Our overriding objective is to ensure that the retired workers receive their payments when due."
Nigeria will host the World Pension Summit's "Africa Special" edition from July 7 to July 8, seeking to explore opportunities for improving its pension administration and investment, Anohu Amazu said. *(Bloomberg)*

Helios invests N8bn to acquire stake in ARM Pension

Investment Partners LLP, a private-equity firm that focuses on Africa, has invested about $50 million (N8 billion) in the acquisition of a minority stake in a Nigeria firm, ARM Pension Managers PFA Limited. Mr. Tope Lawani, co-founder of Helios Investment, who disclosed this in an interview, said the acquisition is targeted at aimed at tapping into the opportunities in Nigeria pension market. "We believe, conservatively, that aggregate defined contribution pension assets in Nigeria will exceed $150 billion within the next 10 years, representing a sevenfold increase," Tope Lawani, the former TPG Capital executive who co-founded Helios in 2004 said. Bank of America Merrill Lynch analysts, including Wesley Fogel, had stated that Nigeria's mandatory defined-contribution pension plan should double registrations to 13 million by 2020. "This is a new industry which has grown from nothing in 2004 when the pension legislation was approved," Mr. Fogel told The Wall Street Journal. Helios's previous investments include Nigerian payment processing company Interswitch and Kenya's Flamingo Holdings, which grows cut flowers and fresh vegetables. Nigeria's pension market has grown by 30% a year since 2006, when a pension law requiring mandatory contributions was implemented, according to Helios. ARM manages about $2.1 billion. *(Reuters)*

Tech

Equity Bank To Start Mobile Telecoms Service

Kenya's lender, Equity Bank, said it is poised to start a mobile telecoms service in the next two months.
The bank has embarked on this move because it is targeting a portion of the market share of Kenya's fastest-growing cell phone-based financial services market, Reuters reported.
James Mwangi, the CEO of Equity Bank, told Reuters that the lender had joined hands with the Kenya-based unit of Bharti Airtel to spread its new service in the country, which many believe is the leader of the fastest-growing east African economic region.
Kenya has been in the forefront of the global mobile money. Safaricom's Mpesa programme has given banks an easy way to assist millions of people without access to proper banking and insurance services.
M-Pesa's service revenue surged 21, 6% to $302.51 million compared to the previous year, Reuters reported.
Kenya' telecoms regulator awarded Equity Bank a Mobile Virtual Network Operator (MVNO) earlier this year, effectively allowing it operate a service using a telecom operator's network. *(Ventures Africa)*

When Technology And Innovation Meet, Inclusive Growth Follows

How to ensure the African rising story is one for everyone to benefit from...
By Fernando de Sousa, GM Africa Initiatives at Microsoft

African innovation is nothing new. A quick search on the internet will reveal an entire history book of African inventions spanning centuries; from harnessing fire in South Africa 1.4 million years ago, to the invention of the underground water pipe in Ethiopia in 1460 BC, to the modern Kreepy Krauly (an automatic pool cleaner) and the CAT scan.
Popular myth tells us that Africa was a dark and underdeveloped continent until the arrival of European innovation. The truth is, Africans are just as creative, if not more, than anybody else. But as pioneering as their inventions are, the benefits of many are only felt within the immediate community. They don't receive much attention from the ***global*** community. However, Information and Communications Technology (ICT) means there is now an entirely new platform that can take these inventions to the world. And now, suddenly, African innovation is being noticed.
Technology enables African ideas to be marketed and developed, making them accessible to a far larger audience. This amplification stimulates further investment into the continent, especially its ICT sector, which, in turn, provides much-needed funding and support to develop new ideas and see them through to maturity. MPesa is a great example of a local solution to a local problem. The fact that it's based on a mobile platform has allowed the idea to catch on all over the world, revolutionising the payments and banking industry.
Africa's problems are a fertile breeding ground for innovation. Those who see problems as opportunities can become successful entrepreneurs, by harnessing technology to invent solutions that improve access to education, healthcare and social services. For example, hospitals in Nigeria are often under-equipped and prone to power outages. To overcome this, Dr Seyi Oyesola developed ***Hospital in a Box***, a mobile clinic that operates off solar energy. In Cameroon, local engineer Arthur Zang designed a medical tablet PC, which allows cardiovascular exams to be performed remotely so that patients don't have to travel long distances.
By taking these grassroots innovations to more communities, technology becomes a great equaliser and enabler. Not only by helping more people though social innovations like ***Hospital in a Box*** and providing access to empowering

tools like the internet, but as businesses grow around these innovations, they will need to hire more people to manage new territories and develop local skills. This leads to knowledge, job creation and ultimately more inclusive growth.
This was the theme of this year's **World Economic Forum on Africa**, which took place in Abuja, Nigeria, from 7 to 9 May 2014. Inclusive growth means that the majority of the population, not just the large companies and investors, can benefit from Africa's rapid economic expansion. But this goes beyond income redistribution. For inclusive growth to be sustainable, governments need to move towards creating enabling environments for local innovation to flourish and ultimately feed the knowledge economy. They need to support entrepreneurs, inventors and small businesses that help create jobs and foster skills. Although a large percentage of Africa's growth will still be driven by its natural resources, more growth will, and should, be driven by innovation and knowledge to ensure inclusivity.
It starts with education. ICT in education will feed into a fraternity of tech-savvy, skilled, and entrepreneurial youth. Establishing the opportunities for them to take their ideas to market is the next step. The iHub in Kenya, for example, has produced many of the country's technological inventions and spin-off businesses.
Access is also a key component in building an inclusive economy. The public and private sector have a large role to play in providing every citizen with affordable access to information and harnessing technology to deliver services in Africa. However, although ICT is one of the greatest equalisers, the digital divide means access to technology is still uneven.
And this shouldn't be the case. The **UN Broadband Commission for Digital Development** noted at their recent 2014 annual meeting in Dublin, that access to broadband can lift emerging countries out of poverty and is an accelerator for inclusive and sustainable growth, by opening new paths to create and share knowledge and widen learning opportunities. The Commission also urged governments to remove current barriers to investment in ICT, for example lowering spectrum licensing fees. Globally, as much as 95 % of telecommunications infrastructure is private sector-funded, and public-sector initiatives are urgently needed to close the gap.
The mobile phone plays a fundamental part in enhancing access. Although sub-Saharan Africa's GDP growth rate is set to overtake the United States this year, two-thirds of its people still do not own a mobile phone. Smartphone penetration is only 4 % in the region and 18 % in South Africa, according to a 2013 GSMA study that measured the number of active Sim cards in use. Mobile already contributes more than 6 % of GDP in sub-Saharan Africa, higher than any other comparable region globally. Just imagine the possibilities if mobile penetration rates increased to the developed markets' average of 80 %.
At Microsoft, we believe in the potential for knowledge and innovation to stimulate economic development, provide higher wages, create employment opportunities and ultimately foster inclusive growth. This is why we launched our 4Afrika Initiative in February 2013, to empower every African who has a great idea for a business or application to turn that idea into a reality, which in turn can help their community, their country, or even the continent at large. In the wake of WEF, I hope that the public and private sector will take this message to heart and work together towards the right kind of growth. Growth that enables all people to prosper in the potential of Africa. *(Ventures Africa)*

ENERGY

Cahora Bassa Hydroelectric Dam, in Mozambique, pays off loan ahead of Schedule

A US$700 million loan taken on by the Cahora Bass Hydroelectric Dam (HCB) to pay Portugal is being paid off ahead of schedule and is expected to be entirely amortized a year early, said the company's chairman, Paulo Muxanga.
Until 2007 the Portuguese State owned 82 % of HCB and the Mozambican State owned 18 % but, under the terms of an agreement signed by both countries, Mozambique took on 85 % of the country and Portugal 15 %, which was later reduced to 7.5 %.
To finance this sale the Mozambican government took on a US$700 million loan from a banking syndicate made up of French bank CA Lyon and Portuguese bank BPI, which would be paid off using profits from the company's business.
Cited by the Mozambican press, Muxanga said that the repayment period was 10 years, but the contract allowed for early repayment and that based on this HCB had already paid US$139 million ahead of schedule.
"We expect the debt to be totally paid off in 2016, a year ahead of the contracted period, as we have already paid 59.6 % of it," said the chairman of HCB.
HCB has three big customers – South Africa's Eskom, ZESA (Zimbabwe Electricity Supply Authority) and Mozambican state power company Electricidade de Moçambique (EdM) – and Muxanga gave assurances that ZESA was currently a "good customer" after paying its debts to HCB. *(Macauhub)*

Two 75 MW PV projects come on stream in SA

US-headquartered power project developer Solar Reserve has announced the completion of two South Africa-based 75 MW solar photovoltaic (PV) projects, saying on Wednesday that the plants were fully operational and successfully supplying the South African electric grid with renewable energy.
The Lesedi and Letsatsi projects, located in the Northern Cape and Free State respectively, boast 150 MW of installed capacity and are capable of powering more than 130 000 South African homes with clean energy.

The projects had each executed 20-year power purchase agreements with South African power utility Eskom.
Among the largest project finance transactions ever completed in South Africa, the projects were selected by the Department of Energy (DoE) in the first round of bids under the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP).
Financing was provided by a consortium including Solar Reserve, the Infrastructural, Developmental and Environmental Assets Managed Fund, investment firm the Kensani Group, green energy supplier GCL-Poly Energy Holdings and energy group Intikon Energy.
Rand Merchant Bank, the investment-banking arm of FirstRand Bank, acted as mandated lead arranger and bookrunner for the projects' debt funding requirements.
As mandated under the REIPPPP, the projects set aside a percentage of total project revenues for enterprise and socioeconomic development, which would be invested for the benefit of the local communities, Solar Reserve CEO **Kevin Smith** explained.
"The social and economic benefits that these projects are imparting in South Africa today demonstrate the positive results of close cooperation between the US and South African governments along with private companies in each nation," he commented. "We look forward to continuing this positive momentum through collaboration on further projects, including concentrated solar thermal power." *(Engineering News)*

Preliminary studies for Botswana power plant completed

Botswana-based Shumba Coal has concluded design and selection studies, as well as the preliminary financial modelling, for its proposed 300 MW Sechaba energy project (SEP), which the company planned to establish at its flagship Sechaba coal project.
These studies followed the completion of a power transmission scoping study earlier this year.
The Botswana Stock Exchange-listed Shumba had engaged global infrastructure engineering company Parsons Brinckerhoff (Power) to undertake conceptual studies for the proposed coal-fired power plant, including site, boiler technology and plant configuration assessments, a limestone consumption assessment and a conceptual design and description of the power plant based on the preferred boiler technology and configuration.
Based on these studies, the power plant was envisaged to comprise two 150 MW circulating fluidised-bed coal-fired power plants.
"This configuration was primarily chosen owing to the suitability of the unit size to the Botswana grid and the redundancy offered by the configuration," Shumba said in a statement.
The power plant was also expected to feature a subcritical nonreheat steam turbine with dry air-cooled condenser technology.
Further, particulate matter control would be achieved through the use of electrostatic precipitators.
Shumba noted that the Sechaba coal resource was of a good quality and well suited to power generation, with the coal's low sulphur content expected to reduce nonfuel power plant operating expenditures by 30% to 40%, compared with other alternatives.
The SEP would be capable of supplying power to the domestic and regional markets using existing power transmission infrastructure. *(Mining Weekly.com)*

Zimbabwe Power-Plant Disruption Cuts Supply Across Country

Zimbabwe's state-owned power utility said it lost generating capacity at the southern African nation's main plants today, cutting supply to the central business district in Harare, the capital.
Distribution has been disrupted "across the country," Fullard Gwasira, a spokesman for Zesa Holdings (Pvt) Ltd., said by phone. The company is trying to restore units at the Kariba hydropower and Hwange thermal-power facilities. "It isn't clear how long it'll take to rectify the faults, but we're working as fast as we possibly can," he said.
Parts of the capital haven't had electricity for two days. The country, which has the world's biggest known reserves of platinum and chrome after **South Africa**, produces an average of 1,300 megawatts of power compared with peak demand of 2,200 megawatts, resulting in daily rationing and blackouts that have paralyzed mines and industry, according to the Confederation of Zimbabwe Industries.
Zimbabwe's Chamber of Mines, whose members include Impala Platinum Holdings Ltd.'s Zimplats unit, and the Mimosa mine that Impala jointly owns with Aquarius Platinum Ltd., didn't answer calls.
Ben Bvumaranda, who owns a luxury furniture-making business in Harare's eastern Msasa industrial area, said he had sent workers home. "I'll call them back when power is restored, but I have had no electricity since last night and calls to Zesa's fault desk are constantly engaged, so we have no idea how long this will be," he said by phone. "All we know is it is costing money." *(Bloomberg)*

Eskom aims to buy 500 MW more from IPPs ahead of Medupi, Kusile ramp-ups

State-owned electricity utility Eskom will issue a tender soon for the procurement of an additional 500 MW of capacity from private generators, as part of a larger intervention to ensure supply security ahead of the introduction of new capacity from the Medupi, Kusile and Ingula projects.

Interim CEO **Collin Matjila** reported that 598 MW had already been contracted with outside suppliers, including the Kelvin power station (150 MW), the Aggreko temporary power plant in Mozambique, as well as a number of short-term purchases from independent power producers (IPPs) and municipalities.

All the contracts would remain in force until the end of April 2015, by which time the much-delayed Medupi Unit 6 should have been ramped up to full capacity.

Progress in dealing with defective boiler welds, together with the recent factory-acceptance-test approvals for the boiler protection system software, had given Eskom confidence that the first 800 MW unit would be synchronised to the grid in December 2014. The unit, which was the first of six, would then be ramped up to full production during the course of the first quarter of 2015.

However, Matjila cautioned that the electricity system would remain under pressure until a number of Medupi and Kusile units had been commissioned, with Kusile Unit 1 still scheduled for grid synchronisation during the course of the 2015/16 financial year. Therefore, Eskom would be pursuing other supply- and demand-side interventions in a bid to bolster its reserve margin.

Group executive for sustainability Dr **Steve Lennon** said Eskom would seek to tap additional supply from the private sector, including from companies that had immediate cogeneration capacity, as well as those able to aggregate stand-by-generator capacity that had been introduced by a number of companies since the rotational load-shedding crisis of 2008.

He said an enquiry would be released soon and that it hoped to conclude contracts with suppliers before the end of the year. The tender will seek short-term capacity to the end of April 2015, but would also include the flexibility for two- or three-year contract periods.

PRUDENT EXPENSE?

That said, the utility remained under major financial stress and would, thus, also need to consider the best way of funding the new capacity, while also ensuring the purchases were affordable. For this reason, volume and price caps could be included in the contracts.

However, when compared with the cost of operating the open-cycle gas turbines (OCGT), Lennon was convinced that the National Energy Regulator of South Africa would view the additional IPP costs as having been “prudently incurred” – Eskom would then be entitled to use the Regulatory Clearing Account mechanism to recoup the expenses.

There was also a big focus currently on reducing partial losses, which Eskom believed could add 1 000 MW of additional supply-side capacity as the country enters the high-demand winter period when demand was expected to peak at 36 000 MW sometime in July.

The utility had also set a 1 500 MW demand-side target, comprising 230 MW of demand market participation from large industrial consumers, 700 MW from integrate demand management programmes and a further 200 MW from other initiatives.

It had also sustained its 2 000 MW interruptible contract with BHP Billiton’s Hillside and Mozal aluminium smelter, but had been able to improve flexibility in the manner in which these could be deployed.

Developments in the strike-afflicted platinum belt were also being closely monitored, with Eskom currently supplying about half of the 800 MW traditionally drawn by the mines in the North West province.

Group executive for transmission **Mongezi Ntsokolo** said it would be critical to maintain close communication with the platinum miners to ensure that capacity is available if and when the platinum mines began reopening. In the meantime, it would use the space created by the sector’s lower demand to continue with critical maintenance.

Matjila stressed that the attention given to maintenance over the past two years was beginning to bear some fruit, with Eskom planning to taper its winter maintenance programme from 2 000 MW in 2013 to around 1 600 MW between June and the end of August.

Higher availability was also expected to enable it to rely less on the expensive OCGT plants than had been the case in winter last year, with R1-billion having been spend on diesel in the first two months of the current financial year as compared with the R1.4-billion spend in April and May of 2013.

Nevertheless Matjila warned that, in the context of a tight system, any significant event could result in load shedding, which remained a “last resort” measure that would only be used should there be a risk of a total blackout.

South Africa had its most recent load-shedding event on March 6, 2014, which arose as a result of a breakdown in the supply of coal to the Kendal power station, in Mpumalanga. *(Mining Weekly)*

MINING

Namaqualand Mines acquisition to become effective end-Oct

The acquisition of De Beers Consolidated Mines’ (DBCM’s) Namaqualand Mines by JSE-listed Trans Hex’s 40%-owned subsidiary Emerald Panther Investments (EPI), was expected to become effective on October 31, Trans Hex CEO **Llewellyn Delport** said on Wednesday.

Following the presentation of the company’s financial results for the year ended March 31, Delport told *Mining Weekly Online* that Trans Hex was currently working with DBCM to conclude an amendment to the sale agreement detailing the housing of the State’s 20% interest in Namaqualand Mines in a special purpose vehicle (SPV).

It was envisaged that once the transaction had been concluded, the SPV would hold the State's 20% interest in the mines and would also be a 20% shareholder in EPI.
Trans Hex would also have a management and marketing agreement with EPI and receive fees totalling 5.5% of sales, thus increasing its effective interest in Namaqualand Mines to 52%, Delport added.
He further explained that the transaction's previously approved R189-million funding from the Industrial Development Corporation (IDC) would have to be reapplied for to provide for changes in the sale agreement between DBCM and EPI.
He noted that the company would relodge its application with the IDC over the next few weeks and was optimistic that it would again be approved.
Pending the IDC's reapproval, the diamond miner's own direct financial commitment to the transaction would amount to about R55-million.
Delport also pointed out that EPI had secured a Department of Mineral Resources-approved guarantee facility to the value of R166-million from an insurance company for the rehabilitation liability associated with Namaqualand Mines.
"Trans Hex expects to receive cash flows of R653-million over the life of the project," Delport noted, adding that Namaqualand Mines had a resource of between 1.6-million carats and 1.9-million carats that could be economically mined over a mine life of about 14 years.
Once the transaction became effective, Trans Hex would focus its attention, over the next 12 to 18 months, on developing the project.
Trans Hex executive director for finance Ian Hestermann added that the company expected to have the first diamond sales from the project about one year after the transaction's effective date.

SOUTH AFRICAN OPERATIONS

During the year ended March 2014, Trans Hex's South African operations swung to a pretax loss of R8.9-million, from a profit of R88.2-million in 2013.
The operation's output decreased to 52 081 ct, from 67 115 ct in 2013, owing to a 14.9% decrease in volume treated as a result of the termination of joint venture contractors, a 12.4% decline in grade and a 21-day strike over pay increases by members of the National Union of Mineworkers (NUM).
Delport said the company acknowledged that its South African operations were not sustainable in their current form and, therefore, would either have to close or be transformed.
He explained that the company had tested, at the Nxodap operating facility, located in the Reuning project area, on the Orange River, what Trans Hex saw as the future of its Baken mine.
This new facility model was smaller, much more fit-for-purpose with a smaller overhead, making it more productive, Deport explained.
"The plan is now to move the bigger Baken operation to similar fit-for-purpose operations going forward," he said.
He also pointed out that the company was now moving the Nxodap plant to the Jakkalsberg area, about 10 km from Nxodap, adding that Trans Hex was also applying this operating model at its Bloeddrif operation, with indications that it would be successful.
The diamond miner expected its total South African production for the 2015 financial year to reach 55 000 ct.
Delport added that the company did not foresee similar labour challenges at its South African operations over the coming year as the company had already concluded negotiations with the NUM for the period.
Owing to the underperformance of the group's South African operations, Trans Hex posted earnings per share (EPS) and headline earnings per share (HEPS) of 20.7c and 9.8c respectively during the 12 months to March, a fall on the reported EPS of 79.9c and HEPS of 69.9c in the prior year.
The group's profit declined from R85.4-million in the 2013 financial year to R22.7-million during the year under review, with a loss after tax from continuing operations of R5.1-million – a decline from a profit of R65-million the year before.
Trans Hex sold 15.7% fewer carats at 55 083 ct during the year ended March 31, securing revenue of R695-million – a 7.4% decline on the R751-million from the 65 339 ct sold during the year ended March 2013.

In Angola, production at its Somiluana operation increased from 41 313 ct in 2013, to 72 041 ct as the volumes treated increased 20.9% and the grade rose 44.2%.

Somiluana generated net profit of $10.5-million during the 12 months to March, up from a loss of $3-million last year, with sales reaching $32.4-million, compared with sales of $14.9-million the year before.
Delport noted that Somiluana was expected to continue performing well over the next financial year. *(Mining Weekly)*

Mozambique: More Graphite Found On Triton Concession

The price of shares in the Australian company Triton Minerals increased by over 60% as the company released details of its latest geological observations on its Balama North Project, in the northern Mozambican province of Cabo Delgado.
The company revealed that it has once again found "very significant graphitic mineralisation over a considerable thickness at the Nicanda Hill prospect on the Balama North Project".

According to Triton's managing director, Brad Doyle, the latest finding "has again confirmed the world class potential of the Balama North Project. To intercept an astounding 316 metres cumulative width of graphite mineralisation in a single drill hole and this mineralisation remains open at depth is a very exciting result".
Triton states that "these latest drill results continue to confirm the Company's belief that the Balama North Project can potentially host a market leading and world class graphite deposit. It is anticipated that this drilling will provide the necessary data to estimate a Mineral Resource for this prospect by early 2015".
The series of positive results from drilling at the site suggest that Triton has a world class deposit of graphite.
The concession sits next to the Balama Graphite and Vanadium Project run by Syrah Resources. According to Syrah, Balama contains far more graphite that the known reserves in the rest of the world.
Syrah is at a more advanced stage of exploiting the resources than Triton. It has already entered into an agreement to supply the China Aluminum International Engineering Corporation (Chalieco) with between 80,000 and 100,000 tonnes of graphite per year. Another deal, with British company Asmet, will see it sell between 100,000 and 150,000 tonnes per year at a price of one thousand US dollars per tonne. Furthermore, it is in discussion with a third major company and is due to announce the details later this month.
Syrah expects to be one of the world's lowest cost producers and plans to recoup the mine's hundred million dollar development costs in its first year of production, which could be in 2016.
If Triton does have the graphite deposits that the initial findings suggest, Mozambique will become the world's major source for the mineral, given its low production costs and access to markets through the port of Pemba.
Graphite is a form of carbon that is highly valued due to its properties as a conductor of electricity. It is used in batteries and fuel cells and is the basis for the "miracle material" graphene, which is the strongest material ever measured, with vast potential for use in the electronics industries. *(AllAfrica)*

Foreign Investors Pick Interest in A'Ibom Sea Port

Glencore Plc (GLEN), the biggest publicly traded commodities supplier, is cutting about a fifth of the full-time positions at its Rosh Pinah zinc and lead mine in Namibia. "The management of Rosh Pinah Zinc Corp. has announced changes that aim to address significant economic pressures," the company said in an e-mailed statement yesterday. "The changes affecting approximately 124 full-time employees are part of an ongoing review of operations." The company didn't provide more information. Rosh Pinah, an underground mine 800 kilometers (497 miles) south of Namibia's capital, Windhoek, had 600 permanent employees and about 138 contractors and temporary workers by the end of 2013, according to the Namibian Chamber of Mines' annual report. Output of the concentrated form of zinc, used in everything from steel auto parts to rubber and sunscreen, rose 20 percent to 113,818 metric tons last year from 12 months earlier, while lead production climbed 18 percent to 20,551 tons. Zinc for delivery in three months has climbed 1.4 percent on the London Metals Exchange this year, while lead has declined 4.3 percent in the period. Glencore's zinc production dropped 18 percent to 306,000 tons in the first quarter ended March 31, while lead output was little changed at 79,000 tons, the company said on May 6. Rosh Pinah said it has approached the chamber to help secure new employment for the affected workers. *(Bloomberg)*

OIL & GAS

New gas pipeline to open way for 10 MW MTN power plant

Natural gas reticulator Egoli Gas has formally initiated a network expansion on the west of Johannesburg, which will enable cellular group MTN to increase its power generation capacity from 2 MW currently to over 10 MW during 2015 and lay the basis for further gas-network expansions into areas such as Randburg and Sandton.
The company was previously owned by the City of Johannesburg, but was privatised in 2000 and is currently wholly owned by the black-owned energy group Reatile, which is the lead investor in the project with MTN acting as an anchor customer and co-investor.
The 8 km pipeline will link Sasol's pressure reducing station in Robertsville, west of Johannesburg, with MTN's 14th Avenue Campus, in Fairlands, which already hosts a trigeneration power plant used to produce electricity, cool the company's data centre and provide office heating.
The 630-mm-diameter high-density polyethylene pipe will initially deliver 1.5-million gigajoules a year of natural gas imported from Mozambique by Sasol, but there is headroom to increase yearly volumes to 2.5-million gigajoules.
Egoli Gas is currently supplying around 3.5-million gigajoules of gas year to 8 000 domestic, industrial and commercial consumers in Johannesburg through an aged 1 200 km network. However, it has a contract with Sasol to ramp up its yearly supply to 7-million gigajoules over the coming few years.
Orange in colour, the pipe itself is being supplied by Sangiopipe, of Cato Ridge, in KwaZulu-Natal, and will be installed by Velocity Construction between May and November.
The pipeline will connect to the Sasol facility at Saag road and will be buried 1.7 m below the surface of existing roads in the area before a logistically challenging crossing of the N1 motorway to the MTN Campus.
Reatile's **Simphiwe Mehlomakulu** says the project represents Egoli Gas' first main-line extension in 30 years and is a precursor to a larger R300-million, three-year investment plan for Egoli Gas.

The company has aspirations to introduce gas into the energy mixes of both Randburg and Sandton, where it would like to replicate the anchor-customer model being pursued with MTN. It already has large offtake agreements with Absa and Standard Bank, which also operate power plants at some of their Johannesburg facilities.
MD **Shepherd Shonhiwa** says it is particularly keen to partner with the Gauteng province in its plan to convert its hospital boilers from coal to natural gas, with Charlotte Maxeke Hospital already firing its boilers with gas.
Gauteng Infrastructure Development Department deputy director-general **Martin Mkhabela** reports that the province hopes to convert 21 of the 77 boilers currently in use at provincial hospital during the current financial year. Where natural gas is not immediately available, the boilers will be temporarily fuelled using diesel. It is also aiming to install a R125-million pilot trigeneration plant at the Chris Hani Baragwanath Hospital, which, if successful, will open the way for similar investments at other Gauteng hospitals.
However, MTN's power-generation ambitions are providing the initial expansion impetus with the company keen to improve self sufficiency, while reducing its exposure to future electricity tariff hikes.
Senior manager for technical infrastructure **Willem Weber** reports that the MTN board will soon consider a R320-million 'quadgeneration' investment plan. The idea behind the investment would not only be to bolster electricity generation, as well as heating and cooling capacity on the campus, but also enable the company to capture the carbon for conversion into commercially tradable carbon dioxide (CO_2).
By producing CO_2 for sale to industrial gas companies, MTN hopes to make commercial virtue out of what would otherwise be a carbon-tax threat.
"The idea is not only to avoid carbon tax, but also to create a new revenue stream," Weber enthuses, adding that MTN is also hoping to convince City Power to enter into a power purchase agreement so that MTN can supply excess capacity into the city's grid.
In total, MTN is looking to introduce 14 MW of gas-fired power generation capacity across its facilities in Gauteng, with the lion's share being planned for its 14th Avenue head office. *(Engineering News)*

Guinea Bissau to review natural resources exploration contracts

The President-elect of Guinea Bissau, José Mário Vaz, has announced a review of all contracts for exploration of natural resources in the country, as soon as he takes office in June.
At a meeting of the headquarters of the PAIGC political party the president, who was speaking in creole, said that the heavy sands, oil, phosphates, fishing contracts and "all the others" we be re-assessed.
As well as natural resources exploration that ends up benefitting individuals rather than the country as a whole, the President mentioned logging for exports, which have been a cause for concern in Guinea Bissau over the last few months, according to Portuguese news agency Lusa.
Nélson Dias, the delegate of the International Union for Conservation of Nature (IUCN) in Guinea Bissau, warned in March in an interview with Lusa that an increasing number of "chain-saws in the forests and the number of containers" from the interior of the country, "that line up at the port of Bissau or cross the border."
In the latest report on the country the United Nations requested assistance from the international community to prevent destruction of Guinea Bissau's forests and natural reserves as it had reached "unprecedented levels" over the last "two years." *(Macauhub)*

Zimplats to invest $100m in refinery

ZIMPLATS — the Zimbabwean platinum mining subsidiary of Impala Platinum (Implats) — is to invest $100m in refurbishing the base metals refinery at its Selous operations.
This is part of its effort to meet demands for greater beneficiation of mineral output by the Zimbabwe government.
Zimplats CEO Alex Mhembere — also the president of the Zimbabwe Chamber of Mines — spoke to Business Day on Friday after the chamber's annual general meeting and conference held at Victoria Falls last week.
Mr Mhembere said the work would start in July and take two years to complete, after which Zimplats would be able to produce copper and nickel in Zimbabwe.
At present, Zimplats — Zimbabwe's largest platinum miner — produces a "smelter matte", which is sent to Implats' refineries in Springs, South Africa, for the production of base metals and precious metals. These include various platinum group metals — mainly platinum, palladium and rhodium — as well as gold.
The Zimbabwean government has demanded that the country's platinum producers be able to refine their production locally by the end of this year.
Asked whether this refurbishment of the mothballed base metals refinery would meet government requirements on beneficiation, Mr Mhembere replied: "We have not yet had a response from government. We are demonstrating that we are committed to the requirement for greater beneficiation in Zimbabwe.
"Reality is it will take two years to get the refinery operational again," he said.
In his speech, Mr Mhembere stressed the need for the Zimbabwean mining sector to continue working closely with the Zimbabwean government.

"The cardinal challenge that must be dealt with by the mining sector going forward is to reach agreement on what constitutes the best possible enabling environment to ensure that the industry is able, not only to maintain its contribution to economic growth and wealth creation, but to expand it.
"An industry that is not competitive in the global market place — no matter how committed — will not have the essential capacity to achieve transformation benchmarks, " he said. Mr Mhembere said business confidence and certainty were critical for investment.
He said it was important for the government to improve policy consistencies and clarity in the regulatory arena in order to attract the critical foreign and domestic capital needed to develop the mining industry.
Mr Mhembere pointed out the industry needed to engage and agree with the government on reviewing the taxation regime and striking a balance by ensuring a competitive future for the industry, while at the same time making sure it pays its fair share of resource rents.
"We must do this quickly, as uncertainty is our greatest enemy in the minds of our most important long-term supporters — the investors."
Mr Mhembere said he agreed with assessments by analysts that Zimbabwe's platinum sector could benefit greatly from the strife currently ravaging the South African platinum industry.
Zimbabwe's platinum mines are all profitable and mechanised, low-cost producers. The workforce is skilled and motivated. *(BDLive)*

Oil accounts for around 40% of Angola's economy

The weight of oil within the Angolan economy has fallen and now accounts for around 40% of the country's gross domestic product (GDP), Angola's Oil Minister, Botelho de Vasconcelos said.
Speaking to daily newspaper Jornal de Angola, the minister said that in the recent past oil had accounted for between 56 and 58 % of the economy and added that this was an important indicator "as it shows that the specific weight of oil is starting to reduce."
According to Botelho de Vasconcelos, the government's aim is to reduce this level over the next few years – despite announcing a rise in oil production – by diversifying the Angolan economy.
Angola is currently the second-largest oil producer in sub-Saharan Africa and the country's government plans to achieve daily oil production of 1 million barrels in 2015, which is significantly higher than current levels.
Crude oil accounts for 97% of exports and 80% of tax revenues, but the oil industry employs just 1% of the population.
Angola's Secretary of State for Industry, Kiala Gabriel, said that manufacturing industry in the last four years had accounted for an average 6.25% of GDP.
Noting that this figure needed to rise to 25%, the Secretary of State said that he expected annual growth of 10% in the 2013-2017 period. *(Macauhub)*

Angola's Oil Minister outlines targets for the sector

Construction of the Lobito oil refinery and reaching the target of 2 million barrels of oil per day are the two objectives set out by the Angolan government for the oil sector by 2017, according to the country's Oil Minister.
The targets are included in the government's programme for the sector for the 2013/2017 period and were re-stated by Oil Minister Botelho de Vasconcelos at the 10th Oil Ministry Extended Consultation Council, which ended Friday in Lobito.
Production of 2 million barrels of oil per day in 2015, compared to around 1.7 million expected this year, remains the big priority, despite some international analysts warning of the difficulty of Angola meeting that target.
Construction of the Lobito refinery, on the country's central coast, is scheduled to be finished by 2018, on an area of 3,805 hectares. The refinery is designed to process around 200,000 barrels of oil per day and create 10,000 direct and indirect jobs.
Increased "Angolanization" of the country's oil sector is also a priority outlined by the government. In this respect, Botelho de Vasconcelos, cited by state newspaper Jornal de Angola, noted the increasing renown of Angolan companies in the various oil sector segments as well as the fact that more Angolan nationals were being selected for senior positions in the Angolan oil industry.
According to information from the Oil Minister, there are 118 foreign companies operating in the Angolan oil market with operator and service provider contracts and 422 national companies registered as service providers and goods suppliers. *(Macauhub)*

Ghana joins two others to establish Africa gas company

The Ghana Government has signed a memorandum of understanding with Ivory Coast and Equatorial Guinea under which they will begin discussions to create a regional gas company. The Energy Minister, Emmanuel Armah Kofi Buah joined Adama Toungara, Minister of Petroleum and Energy of Ivory Coast, and Gabriel Mbega Obiang Lima, Minister of Mines, Industry and Energy of Equatorial Guinea, on May 16 in Abidjan, the Ivorian capital, to review the benefits that would result from this initiative. Those benefits would include new sources of revenue, job creation and greater access to this energy source for power plants, industries and households. The governments of

Ghana, Equatorial Guinea, and Ivory Coast have agreed to share the cost of a feasibility study on the project in the coming months. The result of this study will guide their next steps. During the meeting, Adama Toungara said, “I'm happy with the progress that has been accomplished so far to promote this project. I hope that all parties work closely to accelerate the completion of the Memorandum of Understanding for the next month, under which my Government will continue to work with our partners to fulfill our obligation as set forth in this Memorandum of Understanding.” *(Ghana Web)*

INFRASTRUCTURE

GE to sell Angola USD 1bn of rail, energy equipment

General Electric (GE) will supply railway and energy equipment to Angola in a $1 billion deal financed by the U.S.-run Export-Import Bank (Ex-Im), officials and state-run media said. The state-owned Jornal de Angola newspaper said the agreement would involve $650 million of energy equipment and the remainder on railway machinery. A spokesman for President Jose Eduardo Dos Santos confirmed the deal, which was struck with Ex-Im chairman Fred Hochberg this week. Angola, Africa's second-biggest oil producer, has posted rapid economic growth since the end of a 27-year civil war in 2002. Dos Santos' government is spending billions to rebuild transport, electricity and communications networks devastated by the conflict. Hochberg told Reuters this week that Ex-Im wanted to increase activity in Angola, which until now had been mainly $600 million of financing for state airline TAAG to purchase aircraft from Boeing. "Frequently we go to a country and companies like Boeing or GE will be the first ones to go in and then others follow," he said. "We are open to looking at all sectors now, oil and gas, infrastructure, transport, mining and small businesses." Angola is trying to diversify its economy, which depends on crude production for over 95 %of its export revenues. Secretary of State John Kerry said during a visit to Luanda last month that the United States want to widen economic ties beyond the oil sector, where U.S. firms such as Chevron and Exxon Mobil are already important players. Kerry said he had discussed with Dos Santos the possibilities of increasing cooperation in agriculture, technology, energy and infrastructure. *(Reuters)*

Zambia Railways Seeks $350 Million From Bond to Boost Copper

Zambia Railways Ltd. will seek at least $350 million from the government to boost copper shipped by train 20-fold in the southern African nation, host to mines run by Glencore Plc and Vale SA.

The rail company will ask the government for more than a third of the $1 billion Zambia raised in a Eurobond sale in April when it meets with officials in the first week of June, Chief Executive Officer Muyenga Atanga said in an interview in Johannesburg.

Most of the money will be used to increase the copper ore, concentrate and cathode hauled to 240,000 metric tons a month from 10,000 tons currently, by adding to capacity between mines, smelters and refineries, and extending lines to ports, he said.

Shipping metal by rail is cheaper than by road as **Africa**’s second-biggest copper producer seeks to almost double output of the finished metal to 1.5 million tons by 2016, according to Mines Minister Christopher Yaluma. Production rose 0.6 % to 790,007 tons last year, according to the Finance Ministry.

Vedanta Resources Plc (VED)’s Konkola Copper Mines unit has begun moving its copper onto rail, while **Barrick Gold Corp. (ABX)** and **African Rainbow Minerals Ltd. (ARI)** also operate in the land-locked nation.

Bond Proceeds

Proceeds from the $1 billion Eurobond maturing in 2024 will go toward the railways, roads and energy infrastructure, Fredson Yamba, secretary to the treasury, said on May 8. Finance Ministry spokesman Chileshe Kandeta didn’t answer two calls to his mobile or respond to an e-mail seeking comment. Yields on the dollar debt due in April 2024 fell 10 basis points, or 0.1 percentage point, to 5.71%, the lowest since May 15.

State-owned Zambia Railways this month began a trial route to Mozambique’s Nacala port through **Malawi**, the Zambia **Daily Mail** said May 9. The corridor is “very important” as it’s the shortest from the copper belt to a port, Atanga said yesterday.

With no line connecting Zambia to Malawi, freight has to be transported by road and loaded onto trains at Chipata at the Malawi border. Connecting the town to the Zambia line would cost $300 million, Atanga said, citing a study. Another line to Mpulungu port on Lake Tanganyika would cost $200 million and Zambia Railways is also investigating the option of connecting its network to Walvis Bay in **Namibia** to the west, he said.

Zambia Railways used the $120 million it received from the country’s debut $750 million dollar-bond sale in 2012 to raise cargo traffic by half, Atanga said. The company will transport 1 million tons of freight this year, he said. That’s in line with last year’s volume, according to a **Finance Ministry** report. *(Bloomberg)*

Swaziland, South Africa rail link feasibility under way

South Africa and Swaziland’s rail parastatals on Wednesday promised to deliver a feasibility study assessing the best way forward for a joining rail link to migrate freight from road to rail between the two countries by the end of the year.

In efforts to ease congestion on South Africa’s coal line and ease the congestion caused by freight transportation into Swaziland, South Africa’s Transnet Freight Rail (TFR) and Swaziland Railway teamed up in 2011 to table a concept study for

a 146 km rail service from Lothair, in South Africa, to Sidvokodvo, in Swaziland, said TFR's **Wilson Mogoba** at the Sara Rail Conference in Midrand.
Following an intergovernmental memorandum of understanding, an inter-rail agreement between the companies in 2012 and the completion of a prefeasibility study in March 2013, the parties were now examining the operational philosophy and technical aspects, along with the socioeconomic and environmental impacts, of the proposed project, as well as determining the costs of roll-out and sources of funding.
The project was being led by a joint steering committee headed by TFR CEO Siyabonga Gama and Swaziland Railway CEO **Stephenson Ngubane**.
While Mogaba could not be drawn to reveal the cost of the project or its proposed timeline, particularly as the State-owned companies needed to obtain approval from their respective governments following the feasibility study, previous reports indicated a price tag of between R16-billion and R17-billion with completion of the first "tranche" of 16-million tons a year capacity expected in 2017/18.
Mogaba, who told *Engineering* ***News Online*** that the costs of development would be divided between the two countries, noted that the rail line would be upgraded in two further tranches, bringing capacity up to 31-million tons a year and finally 42-million tons a year over the next few years.
Work was currently under way to determine capacity demand and identify freight and commodities that could be shifted from road during the roll-out of the initial capacity.
The project, a component of Transnet's Market Demand Strategy, also aimed to ease constraints on South Africa's coal line and open up capacity for increased coal exports.
Mogoba said Swaziland needed to shift a significant proportion of its freight onto rail, particularly with 85% of its imports from South Africa transported by road. This would also move to ease congestion caused by road freight transportation at the two countries' borders.
The proposed project was also part of Transnet's ambition of placing the bulk of South Africa's exports on rail and reducing the cost of doing business, while establishing links for an integrated African rail network.
The project planned to extend over 280 ha of land in South Africa and 450 ha of land in Swaziland, with the rail link moving across 23 rivers and boasting 47 bridges and 48 culverts in the mountainous region. *(Engineering News)*

Trans-African Highway remains a road to nowhere

Driving from Cape Town to Cairo has long held a romantic allure for many adventurers. What about travelling from Dakar on Senegal's Atlantic Ocean coast to Djibouti on the Gulf of Aden, or from Mombasa, Kenya to Lagos, Nigeria?
The United Nations Economic Commission for Africa (UNECA) conceived this dream more than 40 years ago and named it the Trans-African Highway (TAH). UNECA first proposed this roads network in 1971, when most of the continent's countries were emerging from colonial rule. They were looking for ways to boost regional trade and integrate their economies. But nearly half a century later those aims remain unfulfilled and progress on this roads system is agonisingly slow.
The plan was always ambitious. UNECA envisioned nine roads linking cities as far apart as Tripoli on the Mediterranean, Windhoek in Namibia and Cape Town in South Africa. Together those networks would measure almost 60,000km, more than enough to span the earth's circumference.
"It was designed in such a way that it constituted the backbone of the continent and all the countries would be linked by these highways," explains Marie Therese Guiebo, economic affairs officer in UNECA's regional integration, infrastructure and trade division. "You would take one from Algiers to Cape Town, one from Dakar to Djibouti. They wanted to make it the basis of regional integration in Africa."
Building the road network has been worryingly slow: 21% of the TAH is still unconstructed, according to UNECA's most recent assessment in 2011. In landlocked, underdeveloped central Africa only 3,891km of a planned 11,246km of roads have been paved, meaning that after more than four decades 65% remains unconstructed in that region.
The story is similar, though less extreme, in most other parts of Africa. Only one of the nine original roads, a 4,400km stretch across the Sahel, connecting Dakar, Senegal to Ndjamena, Chad, is completed. All eight of the other routes are missing significant links. Standards for construction are not harmonised, meaning that road quality varies widely. In some cases completed roads are degrading because they are not maintained.
The African Development Bank cites difficult terrain and climatic conditions as partially responsible for the crumbling Tripoli-Windhoek highway. It also blames inadequate funding for maintenance or upgrades. Civil conflicts in countries such as Angola and the Democratic Republic of Congo (DRC) have damaged roads that now require reconstruction.
The New Partnership for Africa's Development (NEPAD), an African Union economic development programme, is responsible for finishing the TAH network. Its broader Programme for Infrastructure Development in Africa (PIDA) has absorbed the project. As a result, NEPAD does not offer newer figures for the highway's implementation. The rollout of planned roads has progressed at a snail's pace.
The huge dearth of African infrastructure poses a major challenge to the continent's development. As populations grow and investment increases, the pressure exerted on that infrastructure is increasing. African road networks carry hundreds of billions of dollars of goods every year, but tend to link cities to ports rather than connecting the continent's many

hinterlands. Road density varies widely: fewer than 40% of rural Africans live within two kilometres of an all-season road, the lowest level of rural accessibility in the developing world, according to the World Bank.

That puts a huge drag on trade between African countries, which is only about 12% of the continent's total, compared with over 40% between North American nations, according to 2012 UNECA estimates. Worryingly – though unsurprisingly, given the infrastructural constraints – that figure is not increasing.

High cost to investors

The state of the continent's roads costs international investors, too. Transport prices are anywhere between 50% to 175% higher in Africa than global averages, consuming more than 20% of foreign export earnings, according to KPMG, a professional services firm.

Citadel Capital, a Cairo-based private-equity group, knows this first hand. Every time it transports a single container from the chronically congested Kenyan port of Mombasa to its agricultural project in South Sudan, it costs the company a dizzying US$25,000. In general, while it takes 19 days to ship a container from Singapore to Kenya, it takes 20 more days to truck it along the single-lane roads between Mombasa and Nairobi, the World Bank says.

"All told, the lack of adequate infrastructure is estimated to cut productivity across the continent by as much as 40%," says Klaus Findt, chief operating officer of KPMG Global Infrastructure-Africa.

A 2006 World Bank report blames "isolation from regional and international markets" for contributing "significantly to poverty in many sub-Saharan African countries". Upgrading the continental network would yield an extra $250bn in overland trade within 15 years, with substantial benefits for the rural poor, according to the report.

Road deaths

But bad road conditions not only impede economic growth. They kill. An estimated 24.1 persons per 100,000 die in sub-Saharan Africa in traffic accidents every year, according to a 2013 World Bank report, partially because motorways are sub-standard. Traffic deaths here are predicted to rise by 80% by 2020. The region has the world's highest number of accident injuries despite having the fewest vehicles.

"We can expect the situation to deteriorate with economic growth meaning that the number of cars and trucks is going to increase very fast," says Jean-Noel Guillossou, manager of the World Bank's Africa Transport Policy Programme. "If measures are not taken you are going to have more accidents."

Why is it taking so long?

So why is building the highway taking so long? A regional integration project of this scale requires harmonisation to precede it. Lack of coordination between neighbouring countries means some governments have prioritised developing TAH roads and others have not. "You can propose that roads are completed by a certain time, but you can't force a country to complete because it is according to their own needs," explains UNECA's Guiebo.

Many landlocked countries consider creating roads to ports more urgent than building a link to other inland cities. "For Rwanda it is better to have a good road to Dar es Salaam [Tanzania] port or to Mombasa than to have a road linking them to Burundi or the DRC," Guiebo says.

Other governments such as those in West and North Africa have shown similar reluctance to prioritise the TAH. "Places where there are big gaps are ones like Mali and Libya, Niger to Libya," she adds. "It is a desert and the countries are not ready to put a lot of money to complete this part of the TAH when they have no good road to go to the ports. That is their priority – all we can do is advise them to put the TAH on their priority plan."

The absence of an institution mandated specifically to oversee the network's development is another part of the problem, making construction piecemeal and slowing it down. "We created an agency to implement these highways but it collapsed in the 1980s," recalls John Tambi, NEPAD's infrastructure specialist.

No monitoring agency

Although it falls under NEPAD, the TAH lacks individual agencies to implement and monitor each highway in the network.

One such unit governs the Algiers-Dakar road, which UNECA says is complete except for a 200km stretch of desert track in Niger. (This is the same road section on which almost 100 migrants died of thirst last year after their vehicles broke down as they tried to emigrate to Europe.) This trans-Sahara highway is the only branch of the network to have had a continuously operating bureau since 1964. Put in place by the Algerian government, it is an example for others to follow, Guiebo says: "It is pushing for very important improvements. But if there is no special institution it is hard to follow up the process."

The trans-Saharan highway is an example of how one country can "champion" road development for its region, NEPAD's Tambi says. "These challenges are regional and not owned by one state so you need a champion to put this forward, because politically some may not appreciate the significance of these networks," he explains.

UNECA and the African Union Commission have drafted an intergovernmental agreement covering road safety, harmonisation of construction standards and other related issues, which was scheduled to be submitted to transport ministers in April this year. "If the agreement is accepted that means this will be the guideline for improving or rebuilding the remaining part of the highway, because for now it is not harmonised," Guiebo says.

Regional trade will only improve with an upgraded and expanded continental road network. Still, no one can dictate to poor countries how to spend budget dollars; and competing agendas are likely to hamper any rapid change on the TAH.

Africa has waited 43 years for this road system. The delay has cost the continent dearly, but it will be a while longer before citizens get the roads they so pressingly need.
Eleanor Whitehead is a reporter at the Financial Times, focusing on business, policy and development. She has travelled extensively and has a particular interest in sub-Saharan African consumer markets. Her work is also published in Business Day, Forbes and The Independent.
This article was first published by *Good Governance Africa*.

More than 4,500 kilometres of roads due to rebuilt this year in Angola

Over 4,500 kilometres of roads are due to be rebuilt this year in Angola, the country's Minister for Construction, Waldemar Pires Alexandre said in Huambo province, cited by Angolan news agency Angop.
Jus after inaugurating the Mungo/Calucinga section of national road 360 – a section of 71 kilometres – the minister said that so far over 11,000 kilometres had been rebuilt across the country.
However, he warned that there were roads that had been rebuilt recently but that were already damaged due to a number of factors, namely a lack of maintenance work.
"The road reconstruction projects project a lifetime of between six and ten years," said Pires Alexandre, noting that his ministry was preparing a plan to prevent early deterioration of the roads.
The Mungo/Calucinga road is 11 metres wide and includes two bridges. Its construction was preceded by preliminary work including land mine removal. *(Macauhub)*

AGRIBUSINESS

Nigeria's Cocoa Output Seen Rising Less Than Expected

Nigeria, the world's fourth-largest cocoa grower, probably will produce less than originally expected this year as rainfall harms yields in the southeastern part of the country, the nation's industry group said.
Production will increase by a "small" amount, and won't match the 10 % gain forecast in January, Lagos-based Robo Adhuze, a spokesman for the **Cocoa Association of Nigeria**, said by phone yesterday. Output was an estimated 250,000 metric tons last year, he said. **Ivory Coast** is the biggest grower, followed by Ghana and **Indonesia**, according to the London-based International Cocoa Organization.
The ICCO forecast a cocoa deficit of 115,000 tons in February. Excessive rain is cutting crop prospects in Nigeria, Abang Neji, a farmer and association board member, said today in an interview from Ondo, in the western part of the country.
"The rains are becoming heavier in southeast, with the risk of spreading blackpod," Neji said, referring to a fungus which thrives in wet, humid conditions and rots cocoa pods. Output for the current crop is expected to be lower than initially forecast, he said.
Cocoa for July delivery rose as much as 0.5 % to 1,922 pounds ($3,214) on NYSE Liffe in **London**, the highest since September 2011. It's advanced 11 % this year.
The government plans to begin distribution of fungicides next week to help farmers deal with the blackpod threat, Neji said. Nigeria's recent measures of distributing fertilizers and early-maturing, high-yielding, disease-resistant beans led the country's cocoa association earlier this year to expect a bigger crop.

Ondo Harvest

In the southwest Ondo state, which accounts for as much as 40 % of Nigeria's cocoa, "there are stable rains and sunshine," and farmers are expected to harvest more than last year, Adhuze said.
"Output will be better this year than last in Ondo, but below the expectation for the whole country," Adhuze said.
"Support from the government, good weather in the southwest and improved earnings by farmers are helping," Adhuze said. The farm-gate prices for **cocoa beans** increased 12 % to 470,000 naira ($2,892) per ton from 420,000 naira in January, which enables more farmers to buy agrochemicals to protect their crops, Adhuze said.
Nigeria's main crop begins in October and ends in January, while the smaller mid-crop season usually begins in March and ends in June. The start and end dates of the seasons may vary each year depending on the weather. *(Bloomberg)*

Agriculture in Angola uses 5 million hectares of 35 million available

Angola has 35 million hectares of land available to agriculture, of which just 5 million is currently being sued, the Angolan Secretary of State for Agriculture, José Amaro Tati said in Luanda Monday.
Speaking to Angolan news agency Angop on the sidelines of a conference on finance for agro-industrial infrastructure, the Secretary of State said that in order to increase the amount of land use it was essential to attract investment and to build and refurbish infrastructure for the sector.
Tati said that Angola had enough water from all its rivers to irrigate 7.5 million hectares of arable land.
At the conference agronomist Josefa Sacko, the former secretary-general of the Inter-African Coffee Organisation said that for Angolan coffee production to recover investment of around US$350 million was needed.
The investment, she said, would boost average production to 45,000 tons in 2017, which should allow for exports of 24,900 tons.

Statistics from the International Coffee Organisation show that Angola produced 50,000 bags of coffee in 2013 and 33,000 in 2012.
Before its independence from Portugal, in 1975, Angola was one of the world's main coffee growers and produced around 4 million bags or 240, 00 tons per year. *(Macauhub)*

Islamic bank to help Mozambique in the cotton industry

The Islamic Development Bank (IDB) plans to help Mozambique to process the cotton it produces rather than exporting it raw for processing abroad, Ali M. Khan, the ADB's representative said recently.
Figures published at a Conference for Cotton and Textile Investors, held last week in Maputo, showed that Mozambique produces 100 thousand tons of cotton per year, which is exported as seed cotton to a number of countries.
Ali M. Khan said that the IDB also believed that cotton was an important product for Mozambique's economy, particularly because it occupies a significant part of the population.
It is estimated that cotton provides an income to around 250,000 families and business to 14 companies. Along its value chain it has created more than 15,000 jobs and is therefore one of Mozambique's most important export products.
"In fact, holding this conference is an indication that Mozambique is focused on developing the cotton sector," said Khan, according to daily newspaper Notícias.
The conference, as well as government officials, brought together representatives of cotton production companies and national and international investors interested in the sector. *(Macauhub)*

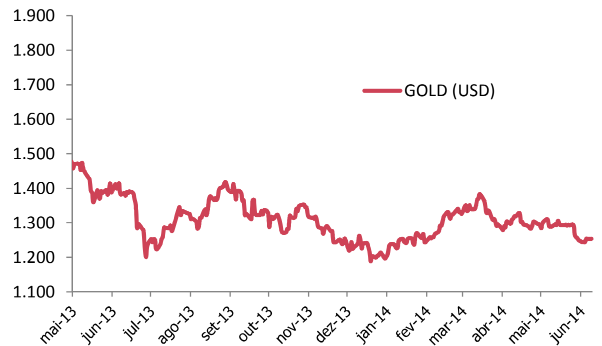
Angola plans to produce 100,000 tons of cotton per year

The programme to re-launch cotton production in Angola, involving 1,500 family-based farmers, is intended to produce a harvest of 100,000 tons per year, the national director for Agriculture and Livestock said Tuesday in Luanda.
Adelino Rodrigues, who was speaking about participation of the private sector in large agricultural projects, told Angolan news agency Angop that the programme to re-launch cotton production in an area of 70,000 hectares as part of the 2013-2017 National Development Plan.
"The Angolan government decided to renew the textile industry to ensure independence in terms of importing fabric and other manufactured products," Rodrigues said.
The national director for Agriculture and Livestock said that the provinces of Kwanza Sul and Malanje were already producing significant quantities of cotton, whilst other provinces were organising themselves to do so.
Angola has three textile factories, one in the Cazenga municipality (Textang II) and the others are in Benguela (África Têxtil 1º de Maio) and in Kwanza Norte province (Satec).
The Textang II factory, which is undergoing refurbishment, will initially spin, weave, dye and print cotton and at a later date will produce clothing. *(Macauhub)*

MARKET INDICATORS
09-06-2014

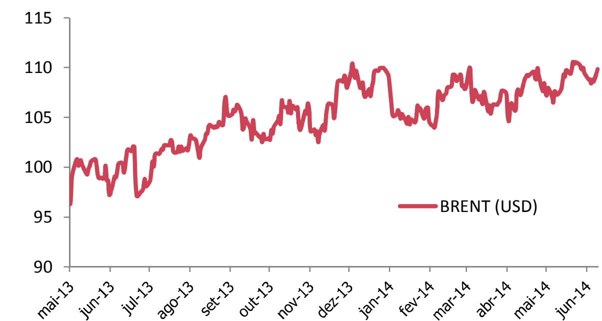
STOCK EXCHANGES		
Index Name (Country)	09-06-2014	YTD % Change
Botswana Gaborone Domestic Index (Botswana)	9.111,93	21,33%
Bourse Régionale des Valeurs Mobilières (Ivory Coast)	232,13	39,35%
Case 30 Index (Egypt)	8.593,80	57,33%
FTSE NSE Kenya 15 Index (Kenya)	191,98	52,67%
Morocco Casablanca Stock Exchange CFG 25 (Morocco)	19.437,75	1,54%
Nigerian Stock Exchange All Share Index (Nigeria)	41.609,41	48,19%
FTSE/JSE Africa All Shares Index (South Africa)	50.135,01	27,73%
Tunindex (Tunisia)	4.534,35	-0,99%

Source: Bloomberg and Eaglestone Securities



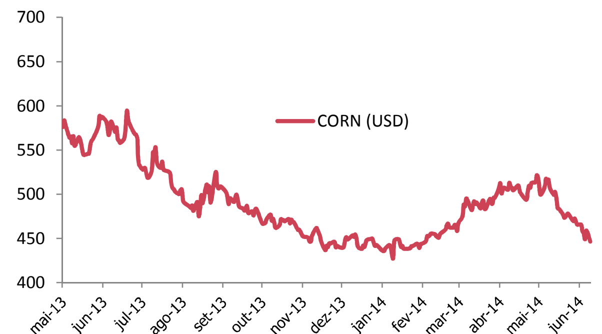
METALS	Spot	YTD % Change
Gold	1.254	-25,16%
Silver	19	-37,03%
Platinum	1.445	-6,19%
Copper $/mt	6.688	-15,67%

Source: Bloomberg and Eaglestone Securities



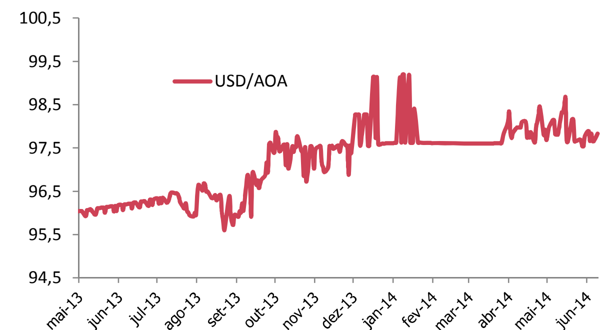
ENERGY	Spot	YTD % Change
NYMEX WTI Crude (USD/barril)	103,9	11,54%
ICE Brent (USD/barril)	109,9	1,27%
ICE Gasoil (USD/cents per tonne)	894,0	-2,38%

Source: Bloomberg and Eaglestone Securities



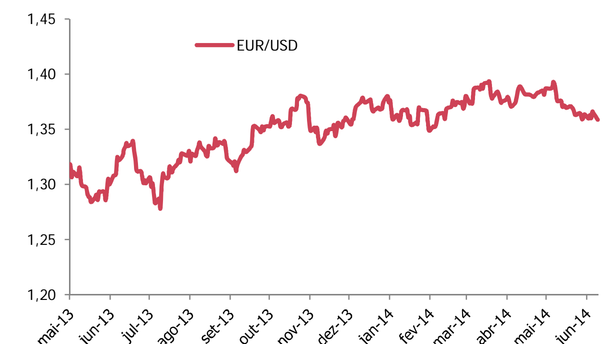
AGRICULTURE	Spot	YTD % Change
Corn cents/bu.	446,5	-36,24%
Wheat cents/bu.	609,5	-22,63%
Coffee (KC) c/lb	168,8	15,03%
Sugar#11 c/lb	17,0	-13,88%
Cocoa $/mt	3076,0	36,47%
Cotton cents/lb	84,1	10,89%
Soybeans c/bsh	1217,5	-12,99%

Source: Bloomberg and Eaglestone Securities



CURRENCIES	Spot
KWANZAS	
USD	97,830
EUR	132,857
GBP	164,148
ZAR	9,202
BRL	43,759
NEW MOZAMBIQUE METICAL	
USD	31,600
EUR	42,935
GBP	53,047
ZAR	2,974
SOUTH AFRICAN RAND SPOT	
USD	10,626
EUR	14,438
GBP	17,838
BRL	4,755
EUROZONE	
USD	1,36
GBP	0,81
CHF	1,22
JPY	139,32
GBP / USD	1,68

Source: Bloomberg and Eaglestone Securities



UPCOMING EVENTS

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

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

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

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

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

Angola International Mining Fair 5ª Edition- 2 to 5 October, Luanda Angola, Organized by the Mining Minister
feiras@fil-angola.co.ao

Angola International Sea, Aquaculture and Fishing Fair - 27 to 30 November at Luanda International Fair (FIL)
Organised in partnership with FIL, companies from more than 16 countries, including the United States, Germany, Brazil and Norway, with "confirmed experience in the fishing and aquaculture sectors," have confirmed their presence.
Over four days the fair will exhibit fishing equipment and materials such as motors, probes and safety devices, as well as sea resources with a view to ensuring access to biological resources and to introduce new techniques and technologies that can be adapted to the fishing process. Angola's coastline is 1,650 kilometres long and until 1972 the country was one of the world's main producers of fish meal. The sector's current activity is based on industrial, semi-industrial and artisanal fishing.

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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-Leidsegracht 10 1016 CK - T: +31 20 521 89 90

Disclosures

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

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

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

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

EAGLESTONE SECURITIES

Business Intelligence

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