# INSIDE AFRICA

13 October 2014

*Now is the time to invest in Africa*

EAGLESTONE
SECURITIES

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## In-depth:

## Africa's Pulse: Decades of Sustained Growth is Transforming Africa's Economies

- **The latest Africa's Pulse shows economic growth in Sub Saharan Africa rising from 4.6% in 2014 to 5.2% in 2015-16.**
- **Public investment in infrastructure, increased agricultural production and a buoyant services sector are driving much of the growth in the region.**
- **The Ebola outbreak could impact the economies of the affected countries and, if uncontained, holds the risk of wider economic contagion.**

Despite a weaker than expected global economy, with a number of major countries showing mixed performances, growth prospects for Africa remain positive and the region's GDP growth is projected to rise to 5.2% in 2015-16 and 5.3% in 2017. These latest figures are outlined in the World Bank's new Africa's Pulse, the twice-yearly analysis of economic trends and the latest data on the continent.

According to Africa's Pulse, growth in the region is supported by strong public investment in infrastructure, increased agricultural production, and a buoyant services sector. Overall, Sub-Saharan Africa is forecast to remain one of the fastest growing regions.

Across the region, there has been substantial investment in infrastructure, including in ports, electricity capacity, and transportation. Several countries have also seen a strong recovery in the agriculture sector in 2014 and expect it to continue in 2015. The expansion of the services sector led by transport, telecommunications, financial services and tourism is also spearheading overall economic growth in a number of countries.

Although the region continues to grow faster than many economies around the world, Sub-Saharan Africa still lags behind the rest of the world in making progress toward the Millennium Development Goals (MDGs). For example, while the target of halving the proportion of people whose income falls below $1.25 a day has been met globally, the region has reached only 35% of that goal. Africa's Pulse also notes that West Africa's Ebola outbreak will severely disrupt activity in key economic sectors in Guinea, Liberia, and Sierra Leone and slow growth in these countries in 2014. Economic spillovers could also affect neighboring countries.

In a special study of economic transformation and poverty reduction in Africa, the report finds that the region's economies are transforming but not in ways that were expected. The region is largely bypassing industrialization as a major driver of growth and jobs, and the extent of reallocation of labor to high-productivity, nontraditional activities has been limited. This pattern of growth and transformation has implications for poverty reduction. In Africa, growth in agriculture and services has been more poverty reducing than growth in industry. In the rest of the world, by contrast, industry and services have a larger impact on reducing poverty.

**Looking Ahead**

Investments and policies to promote growth in rural economies emerge as critical for accelerating poverty reduction in Africa. Movement from rural areas to Africa's growing cities is generating substantial domestic demand and has the potential to help spread the benefits of growth to more people.

But, designing policies that raise incomes for the poor is a key challenge and boosting agricultural productivity alone will not suffice. Investments in rural public goods (e.g. education, health, rural roads, electricity and ICT) and services (including in small towns) will be important to boost rural economies and facilitate transformational growth.

Finally, while manufacturing may not provide a solution, the report calls for Sub-Saharan Africa to expand its manufacturing base, especially by boosting the business climate, lowering transport cost, providing cheaper and more reliable power, and building a more educated labor force.

**The Report's Key Messages:**

•Global growth has been weak, with divergent trends in high-income countries, and below long-run growth levels in developing countries.

•Sub-Saharan Africa is growing at a moderate pace, reflecting in part a slowdown in some of the region's large economies. Public infrastructure investment, a rebound in agriculture, and a buoyant services sector are key drivers of growth in the region.

•Prospects for the region remain favorable, despite headwinds. External risks of higher global financial market volatility and lower growth in emerging market economies weigh on the downside. In several Sub-Saharan African countries, large budgetary imbalances are a source of vulnerability to exogenous shocks and underscore the need for rebuilding fiscal buffers in these countries.

•A key risk on the domestic side is a contagion of the Ebola outbreak. Without a scale-up of effective interventions, growth would slow markedly not only in the core countries (Guinea, Liberia, and Sierra Leone), but also in the sub-region as transportation, cross-border trade, and supply chains are severely disrupted.

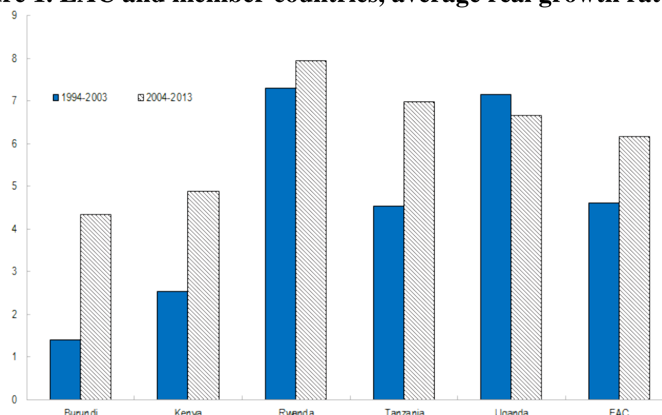
•Sub-Saharan Africa is lagging sharply in achieving the Millennium Development Goals (MDGs); for example, the region has achieved only a third of the poverty target of halving the proportion of people living under $1.25 a day, while globally this target has already been met. In addition, there is considerable variation across countries in how much progress is being made on the MDGs.

•The region's pattern of growth and economic transformation has implications for poverty reduction. In Sub-Saharan Africa, growth in agriculture and services has been more effective at reducing poverty than growth in industry.
•Structural transformation has a role to play in accelerating poverty reduction in Sub-Saharan Africa. Increasing agricultural productivity will be critical to fostering structural transformation. Boosting rural income diversification can facilitate this transformation, as well. Investments in rural public goods and services (for example, education, health, rural roads, electricity and ICT), including in small towns, will be conducive to lifting productivity in the rural economy.
•Although Sub-Saharan Africa's pattern of growth has largely bypassed manufacturing, growing the region's manufacturing base, especially by improving its fundamentals—lower transport cost, cheaper and more reliable power, and a more educated labor force—will benefit all sectors. *(World Bank)*

## What is the growth outlook in East Africa?

Sustained rapid growth in many African economies has generated a debate on the sources and likely persistence of a so-called "African growth miracle" (see McMillan, 2014). The East African Community (EAC) countries' have been an especially vibrant part of the continent.
Its economic growth performance during the past decade has been impressive. At 6.2%, the EAC's average growth rate (unweighted, see Figure 1) in 2004-2013 is in the top one-fifth of the distribution of ten--year growth-rate episodes experienced by all countries worldwide since 1960. Such performance is even more remarkable taking into account that the past decade encompasses the global economic and financial crisis that began in 2007.
Will this prove to be an isolated episode, with growth returning to lower levels in the years ahead, or is strong growth going to persist?

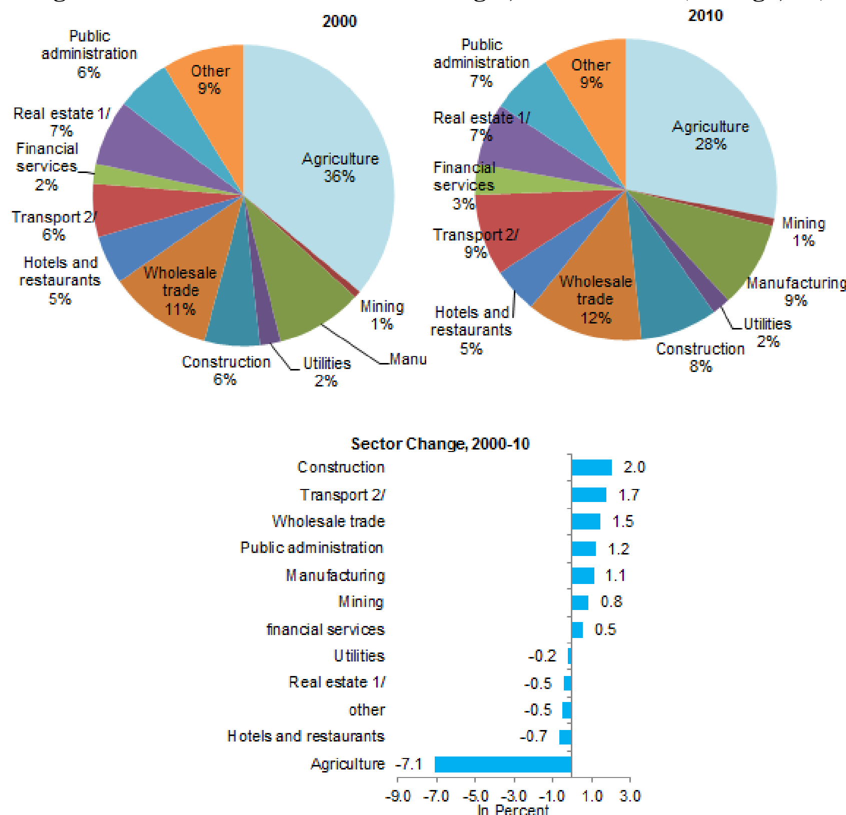
**Figure 1. EAC and member countries, average real growth rates (%)**




*Source: World Economic Outlook, International Monetary Fund. Notes: For Burundi the growth series starts in 1997 to exclude the period of rapid contraction in the first years of the civil war. For Rwanda, the series starts in 1998 to exclude the genocide-related contraction in 1994 and the subsequent sharp rebound in 1995-97.*

Informed guesses about medium-term economic growth are indispensable to policymaking, despite the economics profession's abysmal record at forecasting turning points in growth (Loungani and Juhn, 2012). For example, economic growth is perhaps the most important determinant of whether a country's fiscal policy is sustainable, and growth slowdowns have caused many public debt crises in the past (Easterly, 1991).
In a recent effort (Gigineishvili, Mauro, and Wang, 2014), we looked at more disaggregated information on the sources of recent growth in the EAC in order to help inform judgments about the sustainability of its growth in the future. In particular, we analysed changes in the composition of output and exports by economic sector, and various indicators of improvements in the quality of goods produced and exported by countries in the region. The extent to which developments in the EAC countries reflect a move toward more modern economic processes and outputs may be a valuable indicator of whether growth is likely to be longer lasting.
**Key findings are as follows:**
•Correlates of growth. To validate the information from official statistics on output growth, we considered developments in correlates of production, consumption, and economic development, such as consumption of electricity, the mortality rate, credit, and fiscal revenues (Easterly, 1999). These corroborate the overall picture of healthy economic growth.
•Structural transformation in output. The trend decline in agriculture's output share has been steeper than in the rest of Sub-Saharan Africa or in low-income countries worldwide since 1970. Using a newly-collected, detailed database for 2000-2011, we show that the decline in the share of agriculture was mirrored by broadly-distributed gains in a wide range of other sectors (see Figure 2). The biggest winners were construction, transport and communications, wholesale trade, and public administration. The shares of manufacturing, mining and utilities displayed smaller gains.

**Figure 2. EAC: Sector shares and changes, 2000 vs. 2010 (average; %)**

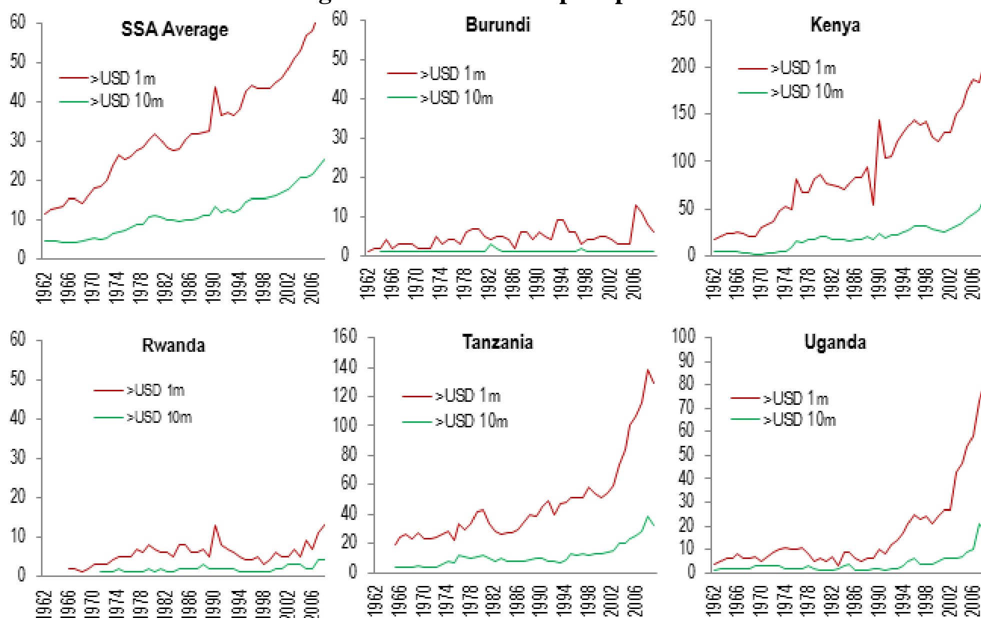



*Note: 1/ Real estate & business services. 2/ Transport and communications.*
*Sources: Data assembled with IMF desk economists' input; authors' calculations.*

•Rising international integration and diversification. Exports as a share of GDP in the EAC rose from 12% in 1990 to 19% in 2010. They became more geographically diversified (using a Theil index or the share of the top ten destination countries in total exports).

•Structural transformation in exports. The share of agriculture in exports fell from 4/5 of all exports in the 1970s-90s to 2/3 in 2010, with mirroring gains in manufacturing. Considering data since the early 1960s, exported products have become more diversified in all EAC countries at a more rapid pace than for the Sub-Saharan average, with a steeper trend since the early 1990s, using the Theil index or the share of the top ten products in total exports of goods. The sheer number of distinct export products has also increased substantially (Figure 3).

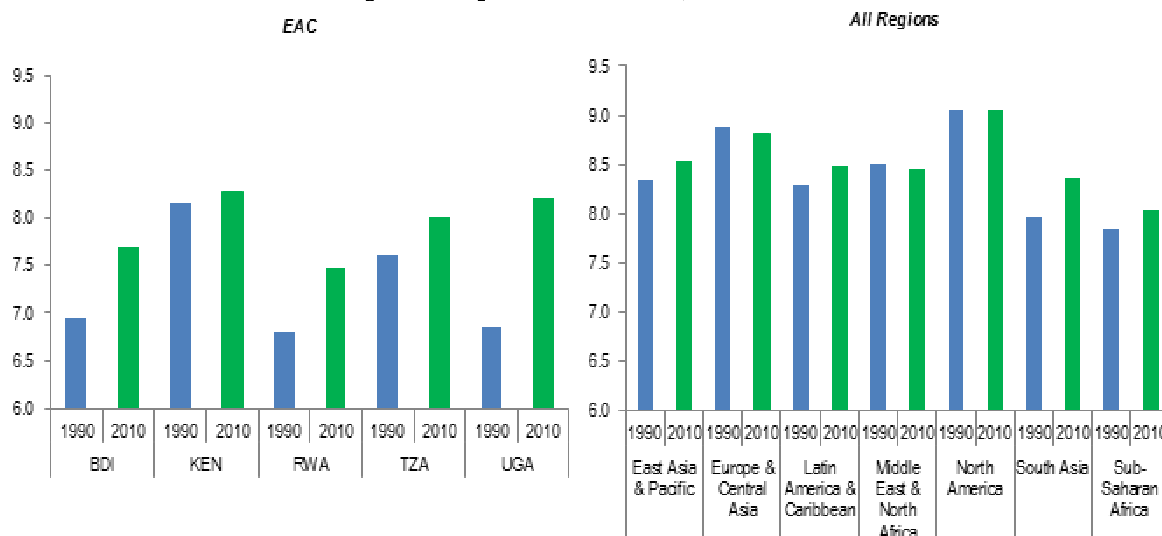
**Figure 3. Number of export products**




*Sources and notes: UN COMTRADE, authors' calculations. Number of distinct products for which export revenues exceed $1 million (or $10 million).*

•Increasing sophistication of exports. The EAC countries have generally moved toward exporting more "sophisticated" products, defined as those predominantly produced by advanced economies. A "sophistication" index (calculated from COMTRADE data at the 4-digit SITC level using a method similar to Hausmann and others, 2007), rose visibly in all EAC countries between 1990 and 2010 (Figure 4).

**Figure 4. Sophistication Index, 1990 vs. 2010**




*Sources: UN COMTRADE, Penn World Table, authors' calculations.*

•Improved quality of individual items being exported. Summary measures of the quality of exports (Henn and others, 2013) within each export category also indicate a trend toward improved quality for each of the EAC countries. Focusing on changes in the quality of the various export items, there is no clear rising trend, perhaps not too surprising given that most of the products are primary commodities or goods that involve limited processing. It is also worth mentioning that the quality is measured relative to trading partners, suggesting that the countries in the region are broadly keeping pace with, but are not moving faster than their competitors.

Putting all of this together

The picture that emerges is that recent diversification and structural transformation bode well for continued economic growth. Yet, the kind of growth observed seems to be one in which consumer and investment demands for more sophisticated goods and services are beginning to be met, as one would expect as per capita incomes rise in the region. There do not yet seem to be any clear winners on the production side that are likely to embed a clear and durable comparative advantage in international markets, particularly beyond the region.

Nor are there major quality improvements vis-à-vis competitor countries, where progress is also being made. These observations may instill a further note of caution against projecting continued rapid growth into the distant future (see also Ho and Mauro, 2014). Going forward, economic growth is likely to remain healthy but to slow down to a more moderate pace than during the past decade.

## Kenya Poised to Reap Rewards of Prudent Policies

- Growth spurs include foreign investor interest, information technology
- Economy vulnerable to risks affecting external and fiscal positions
- Oil and gas industry's regulatory, fiscal regime requires modernization

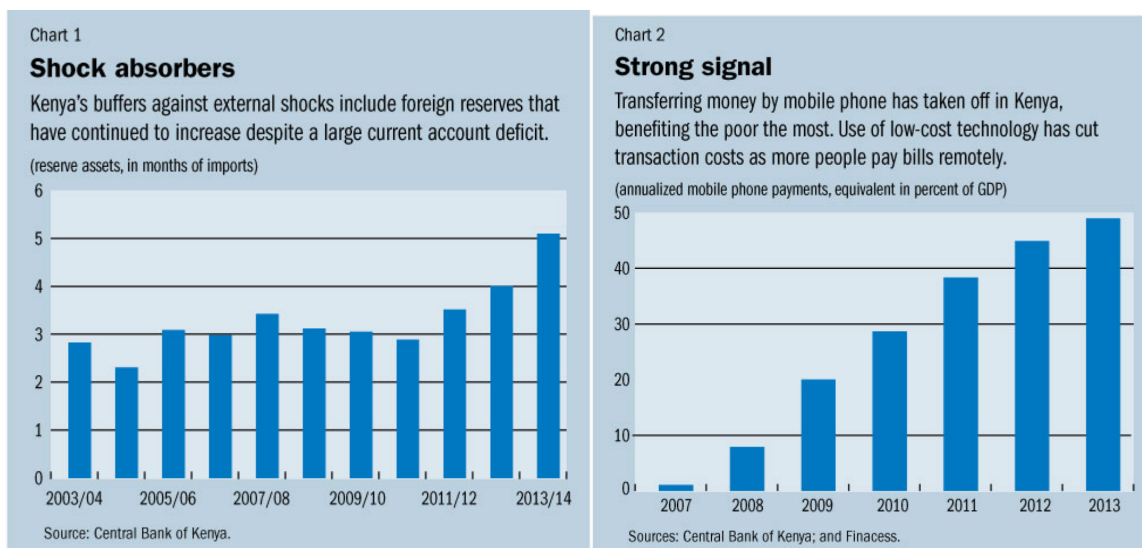
Rising domestic and foreign investment are set to boost economic activity in Kenya, as the central African country reaps rewards of extensive institutional reforms and prudent macroeconomic policy, the IMF staff said.

In a regular review of Kenya's economy, the IMF staff noted a surge in public investment in infrastructure, renewed interest of foreign investors, and lower transaction costs thanks to information technology.

The IMF staff report projected higher growth in the Kenyan economy for a third straight year, at 5.8% in 2014/15 after an estimated 5% in 2013/14. Inflation remains moderate, but rising food prices and rapid credit growth may fuel inflation expectations. Foreign reserves have increased steadily and are broadly adequate (see Chart 1).

Kenya is taking steps to adapt its policies to middle income country–type challenges, the report said, noting the country's market-friendly business environment. The country's successful debut Eurobond issuance suggests a promising outlook for Kenya to further integrate with global financial markets and to reach, in time, emerging market status.

The staff report noted, however, that manufacturing, transport, and communications were the main supports of growth in early 2014, while the agricultural sector was relatively subdued due mainly to poor rains. In addition, security concerns following terrorist attacks and threats hit the tourism industry.




**Oil discoveries**

Promising commercial prospects of oil discoveries could potentially provide significant foreign exchange and fiscal resources, the report said. Kenya's relatively high current account deficit, at 7.7% of GDP in 2013/14, reflects strong capital goods imports—in particular of equipment for oil exploration.

The Kenyan government has embarked on large-scale projects with sizable impact on domestic value added, the report said, citing construction of a railway between the capital, Nairobi, and the port city of Mombasa; geothermal power generation plants; irrigation projects; and new oil pipelines.

**Drivers of growth**

The report said there are five principal drivers of growth in Kenya that support positive projections of economic expansion.

• Improved business conditions arising from the removal of bottlenecks by increased infrastructure investment in energy and transportation;

• Expansion of the East African Community market thanks to decisive steps toward regional integration with neighboring Burundi, Rwanda, Tanzania, and Uganda;

• Reduced social strife as a result of devolution and central government transfers to 47 newly formed counties under the 2010 constitution;

• A more dynamic small and medium-sized enterprises sector arising from strong financial inclusion and small business access to credit;

• Higher agricultural productivity and reduced medium-term vulnerability of agricultural production to weather shocks, reflecting implementation of large irrigation projects.

A boost in investor confidence following the successful Eurobond issuance could further improve Kenya's outlook. Accelerated regional integration, improved security conditions, and possible new discoveries of oil, gas, and other minerals could have a large impact on investor sentiment.

Nevertheless, the report added, the Kenyan economy is vulnerable to risks affecting the external and fiscal positions. Near-term risks include the potential for security conditions to deteriorate further, for poor rains followed by other weather-related shocks, and additional difficulties in implementing devolution that could complicate public finance management.

**Banking by mobile phone**

A section of the IMF staff report focused on financial inclusion—the general population's access to banking and credit—and the contribution of banking by mobile phone. The low-cost technology of mobile banking has helped reduce overall transaction costs and has particularly benefited the poorest section of the population.

The M-Pesa network of money transfers by mobile phone has particularly boosted financial access, the report said. The number of micro accounts—holding deposits of less than $1,200—in formal financial institutions has increased more than tenfold in the past decade.

Lower transaction costs, higher financial access, and continuous innovation of the mobile payment platform have a positive impact on social welfare (see Chart 2). Farmers benefit from schemes to acquire capital equipment that allow repayment by mobile banking; solar panel installation can be financed by mobile phone; basic health care management can also be conducted by mobile phone.

**Natural resource management**

In a section on managing Kenya's natural resource wealth, the report cited commercial estimates that put the country's oil and gas reserves at levels similar to those of Equatorial Guinea and the Republic of Congo—respectively sub-Saharan Africa's fourth- and fifth-largest oil producers. If these reserves are confirmed, they could bring Kenya's external current account to surplus soon after exploitation starts.

Kenya's government plans to reform the legal and regulatory framework for natural resources to enable prudent management of oil and gas resources. The report observed that Kenya's petroleum regulatory and fiscal regime dates from 1986 and is in need of modernization.
Specifically, the production-sharing scheme for oil does not properly reflect costs, prices, and production volumes and should be revised; new production-sharing terms for gas need to be specified; and a full gas-specific regulatory framework is required. The report notes that work to enact most of these enhancements is under way, with the support of technical assistance from the IMF.*(IMF)*

## Angola: Country outlook

**Political stability:** The president, José Eduardo dos Santos, sits at the centre of a vast patronage network, skilfully appeasing conflicting interests both nationally and within his party while shoring up his own position. Although the constitution adopted in 2010 mandates that Mr dos Santos could remain in power until 2022 (having been president since 1979), there is persistent speculation that he may decide to stand down earlier. Mr dos Santos recently ruled out formal leadership changes until at least 2016, but his comments are significant because he has not previously initiated an explicit discussion about the succession, nor given a timeframe for a possible exit. There are concerns that a sudden departure from power could lead to instability, because Mr dos Santos's tactic of applying force and favour to prevent anyone from gaining enough influence (or reason) to challenge his authority has served to create a power vacuum. Against that, however, the length of the president's tenure has itself become a key issue for critics, who have staged demonstrations calling for his resignation. The government is likely to continue to crack down strongly on any such perceived threats to stability.
**Election watch:** UNITA, which holds 32 parliamentary seats, compared with the MPLA's 175, is trying to be a more active opposition force, but is struggling in the face of the ruling party's grip on power both inside parliament and beyond. There is little sign that it is managing to tap into growing levels of dissatisfaction in the country, but there are some indications that opposition groupings are at least seeking to move past
long-standing personality differences to mount a more coherent challenge to the ruling party. Emboldened by the improvement in their electoral performance since the 2008 polls, opposition parties will switch their attention to the long-delayed first municipal elections, which are expected to take place in 2015. If and when these do eventually take place, UNITA and the Convergência Ampla de Salvação de Angola are likely to do well in a number of urban municipalities, which will raise their profiles and open the way for greater national influence. Nonetheless, when the next legislative election takes place (the poll is scheduled for 2017), the MPLA is likely to take advantage of its solid funding base, strong business connections and domination of the media to win another majority and retain its hegemonic grip on all aspects of power.
**International relations:** Angola's key foreign policy aims will be to consolidate relations with key strategic partners--in particular China, Portugal and the US--and to diversify access to international finance. In September, for example, it was announced that Russia's second-largest bank, VTB Capital, will lend the government US$1.5bn to help to fund the national development plan, Plano Nacional de Desenvolvimento (PND). The loan is a further indication of the strength of relations with Russia, and underscores Angola's intention to keep open this relationship, despite growing pressure on the Russian president, Vladimir Putin, because of events in Ukraine. Close ties with Russia and China--and long-standing relationships with Cuba, North Korea and Venezuela--could have an impact on Angola's attempts to win Africa's non-permanent seat on the UN Security Council in October 2014 (for a two-year mandate starting on January 1st 2015). However, the country will continue to lobby hard, as part of efforts to raise its regional and global profile, and to promote the president as an elder statesman.
Relations with such international partners are likely to continue to take priority over links with neigh¬bouring states, meaning that progress towards Angolan membership of the free-trade area (FTA) being promoted by the Southern African Development Community (SADC) will remain slow.
**Policy trends:** The current administration will continue to implement an ambitious policy agenda to promote more stable and inclusive growth and formal job creation, as well as important social and infrastructure programmes--in some cases in co-operation with private-sector investors. As part of this process, it will seek to foster the development of medium-sized enterprises that can generate employment and transfer skills to Angolans. The government is also keen to boost local production, which has struggled to compete against cheap imports. Concerns about such imports have contributed to the country's slow progress in acceding to SADC's FTA and agreeing a new Economic Partnership Agreement with the EU, as well as the introduction in March of a new customs tariff regime that raises duty levels for many household goods, construction materials and foodstuffs.
However, there are concerns that domestic producers may not be able to meet rising demand because of supply-side constraints. A mismatch between supply and demand could ultimately serve to fuel consumer price inflation and push up the cost of public investment projects. Inflationary pressures do not appear to be building yet, but given that the cost of living in Angola is already high, the government will continue to manage the introduction of the new tariff carefully in order to minimise the chances of triggering a public backlash. Despite a number of attempts to diversify the economy, the hydrocarbons sector will remain crucial.

**Economic growth:** The latest budget--ambitiously--forecasts real GDP growth of 8.8% in 2014. However, with a forecast further decline in oil prices (of 1.1% this year) and slower than expected increases in oil output--production in the first half of 2014 averaged 1.57m barrels/day (b/d), although the July average reached 1.70m b/d--leading to weaker government consumption, we expect real GDP growth to be 4.3% this year. More rapid production growth will boost the rate to 5.5% in 2015. There is little likelihood of a substantial acceleration in 2016-18, when we expect growth to average 6.3% a year, given a forecast 3.7% annual average fall in global oil prices.

**Inflation:** The increase in liquidity from the fourth quarter of 2013 (due to the effect of new oil legislation) and the impact on food prices of the introduction of customs tariffs on various imported goods in March 2014 could exert some upward pressure on prices, but we expect the central bank's monetary policy committee, having cut its benchmark interest rate from 9.25% to 8.75% in July, to adopt a relatively cautious policy stance to avoid this. The rate of inflation in July 2014 was 6.98%, marking the first uptick in 14 months. The increase from June was only marginal, however, and while there is a risk that inflationary pressures could be fuelled by government spending (particularly in the first half of the forecast period) or higher non-oil commodity prices in 2016-18, we expect the annualised rate to remain in single digits in 2014-18, at an annual average of 7.6%.

**Exchange rates:** The BNA's ability to support the kwanza through market intervention will depend on the level of foreign-exchange reserves. Falling reserves forced the central bank to loosen the unofficial peg to the US dollar in October 2009, resulting in a sharp decline in the kwanza. Since then the currency has followed a much more stable pattern, and with reserves expected to average
7.7 months of import cover over the forecast period, the authorities will have considerably more firepower to defend the currency. Nonetheless, new regulations governing the importation of US dollars and pressure on Angola's oil revenue are leading to a widening gap between the official (Kz97.5:US$1) and
parallel-market (Kz110-120:US$1) exchange rates. We currently expect the currency to depreciate fairly modestly against the dollar, owing to both a decline in the current-account surplus (and a move into deficit from 2016) and the moderation of extraordinary monetary easing by the Federal Reserve (the US central bank), which will strengthen the dollar. We forecast that the kwanza will depreciate from an estimated average of Kz96.5:US$1 in 2013 to Kz101:US$1 in 2018. However, any sharp and sustained decline in oil prices or oil revenue (as a result of production problems) could lead to a sudden, deeper depreciation, as well as inflationary pressures.

**External sector:** The current-account position will deteriorate as the forecast period progresses, because of rapid growth in import demand (on the back of government-led capital investment) and a fall-off in export performance in the latter part of the forecast period as oil prices continue to decline. Relatively robust activity in the oil sector will also ensure the continuation of large deficits on the services and income accounts, averaging a respective 13% and 8.7% of GDP a year in 2014-18. The current transfers balance will remain broadly stable, at around 0.7% of GDP a year. Overall, we forecast that the current-account surplus as a percentage of GDP will contract from an estimated 5% in 2013 to 3.3% in 2015. The current account will move into deficit in 2016, reflecting both another decline in oil prices and a slowdown in production growth, and the shortfall is expected to reach 2.8% of GDP in 2018. *(Economist Intelligence Unit)*

## Fitch affirms Angola at ?BB-‘; Outlook stable

In 2014, Fitch expects growth to be held back by the second consecutive year of contraction in the oil sector. Oil output is expected to recover in 2H14, due to the new oil field (CLOV) coming on stream. Oil production averaged 1.65mn b/d in 1H14, against 1.74mn in 2013 and below the average production of 1.9mn b/d reached in 2008. Fitch expects GDP growth of 4.2% for 2014, down from 6.8% in 2013. This would also represent a sharp slowdown from the average 10% growth over the past decade that was supported by the country's commitment to macroeconomic reform and prudent policies.

Stagnant oil production and falling prices have decreased oil revenue as a percentage of GDP to 25% in 2014 from 39% in 2011, eroding Angola's fiscal surpluses. Fitch expects a deficit of 4.3% of GDP in 2014, against an average surplus of 6.4% between 2010 and 2013, which enabled the authorities to boost deposits and lower debt. Falling oil revenue has not been met by efforts to reign in expenditure.

The government of Angola has agreed to a number of new loans and credit lines during early 2014 totalling USD6.5bn, due to revenue underperformance. New facilities include credit lines with the US, Brazil and the World Bank as well as a USD1.5bn loan from VTB Bank. The expected deterioration in Angola's sovereign balance sheet does not undermine the current ratings due to still low debt (26.7% of GDP) and large deposits (16.1% of GDP) expected for 2014. Government debt is expected to rise to 30% of GDP by 2016.

A current account surplus has supported reserve accumulation, reducing vulnerability to an oil price shock. However, Fitch expects falling export proceeds from oil to shrink the current account surplus to 3.4% of GDP in 2014 from 5.5% of GDP in 2013. Angola reserves fell to USD28.67bn in July 2014 (or
5.3 months of current external payments, from USD34.4bn in May 2013. This also reflects the transfer of USD5bn to establish the sovereign wealth fund (SWF).

The SWF received the final USD1.35bn tranche of its USD5bn capital in June 2014. By law the SWF will receive the proceeds of 50,000 b/d of oil per year. The authorities have indicated to Fitch that the SWF will get no additional cash when the budget is in deficit; legislation is in the process of being amended.

The sovereign guarantee provided by the Ministry of Finance to BESA in December 2013, worth USD5.7bn (5% of GDP) was withdrawn in August 2014 and the bank was placed into administration, following a decision by the Banco Nacional de Angola. Angola's central bank is developing a recovery plan for BESA and is in the final stage of formulating a deposit guarantee fund.
Angola scores MPI3 - indicative of a high risk of systemic banking sector stress emerging - in Fitch's Macro Prudential Risk assessment due to real private credit growth in excess of 15% between 2010 and 2013. However, an expected slowdown in real private sector growth to 8% in 2014 as well as high capital adequacy ratios relative to rated peers suggests that the risk of these stresses materialising is modest.
Social indicators and human capital are weak compared with peers according to the UN Human Development Index (HDI). Angola was ranked 148 in the 2013 UN HDI, the bottom 20th percentile of countries Fitch rates and well below the 'BB' median of 46.7%. Addressing the weak business environment remains challenging. Angola's percentile ranking in the World Bank's Doing Business Survey has fallen to 5.4 in 2014 from an already low 6.1 in 2012 - well below the 'BB' median of 46.3.

**Rating Sensitivities**

The Stable Outlook reflects Fitch's assessment that upside and downside risks to the rating are currently well balanced.
The main factors that individually, or collectively, could trigger positive rating action include
- A steady rise in oil revenue, which supports a return to fiscal surpluses and an improved sovereign balance sheet
- A continued track record of improved economic management and faster implementation of regulatory reforms being reflected in improvements in the business environment and per capita income as well as improvements in governance
- Strengthening the non-oil revenue base

The main factors that individually, or collectively, could trigger negative rating action include
- Further delays in raising oil production in the short term, or a deterioration in medium-term oil production potential
- An adverse external shock - for example an oil price shock - that materially erodes external and fiscal buffers and fails to bring an effective policy response
- A sustained weakening in public finances due to rapid increases in current expenditure, leading to large deficits and a sustained increase in debt

**Key Assumptions**

Fitch assumes Brent oil prices will remain high, at USD105/bl in 2014 and USD100/bl by 2015.Fitch assumes a continuing stable political environment, with no significant challenge to the current ruling establishment.

## SOVEREIGN RATINGS

North and South America - Asia

| | FOREIGN CURRENCY LONG TERM | | | FOREIGN CURRENCY SHORT TERM | | |
|---|---|---|---|---|---|---|
| *13-10-2014* | MOODYS | S&P | FITCH | MOODYS | S&P | FITCH |
| ARGENTINA | Ca | Sdu | RD | NR | Sdu | RD |
| AUSTRALIA | Aaa | AAAu | AAA | NR | A-1+u | F1+ |
| BRAZIL | Baa2 | BBB- | BBB | NR | A-3 | F2 |
| CANADA | Aaa | AAA | AAA | NR | A-1+ | F1+ |
| CHINA | Aa3 | AA- | A+ | NR | A-1+ | F1+ |
| COLOMBIA | Baa2 | BBB | BBB | NR | A-2 | F2 |
| INDIA | Baa3 | BBB-u | BBB- | NR | A-3u | F3 |
| JAPAN | 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 | CCC+ | B | NR | C | B |
| USA | Aaa | AA+u | AAA | NR | A-1+u | F1+ |

*Sources: Bloomberg, Eaglestone Advisory*

Region - Africa/Middle East

| 13-10-2014 | FOREIGN CURRENCY LONG TERM | | | FOREIGN CURRENCY SHORT TERM | | |
|---|---|---|---|---|---|---|
| | MOODYS | S&P | FITCH | MOODYS | S&P | FITCH |
| Angola | Ba2 | BB- | BB- | NR | B | B |
| Bahrain | Baa2 | BBB | BBB | NR | A-2 | F3 |
| Benin | NR | NR | WD | NR | NR | WD |
| Botswana | A2 | A- | NR | NR | A-2 | NR |
| Burkina Faso | NR | B | NR | NR | B | NR |
| Cameroon | NR | B | B | NR | B | NR |
| Cape Verde | NR | B | B | NR | B | B |
| Egypt | Caa1 | B- | B- | NR | B | B |
| Emirate of Abu Dhabi | Aa2 | AA | AA | NR | A-1+ | F1+ |
| Gabon | NR | BB- | BB- | NR | B | B |
| Ghana | B2 | B | B | NR | B | B |
| Iran | NR | NR | NR | WR | NR | NR |
| Israel | A1 | A+ | A | NR | A-1 | F1 |
| Ivory Coast | B1 | NR | B | NP | NR | B |
| Jordan | B1 | BB- | NR | NR | B | NR |
| Kenya | B1 | B+ | B+ | NR | B | B |
| Kuwait | Aa2 | AA | AA | NR | A-1+ | F1+ |
| Lebanon | 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-3 | F3 |
| Tunisia | Ba3 | NR | BB- | NR | NR | B |
| Uganda | B1 | B | B | NR | B | B |
| United Arab Emirates | Aa2 | NR | NR | NR | NR | NR |

*Sources: Bloomberg, Eaglestone Advisory*

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

Eurozone

| 13-10-2014 | 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 | AA+ | AAA | NR | A-1+ | F1+ |
| France | Aa1 | AAu | AA+ | NR | A-1+u | F1+ |
| Germany | Aaa | AAAu | AAA | NR | A-1+u | F1+ |
| Greece | Caa1 | B | B | NP | B | B |
| Ireland | Baa1 | A- | A- | P-2 | A-2 | F1 |
| Italy | Baa2 | BBB u | BBB+ | P-2 | A-2 | F2 |
| Latvia | Baa1 | A- | A- | NR | A-2 | F1 |
| Luxembourg | Aaa | AAA | AAA | NR | A-1+ | F1+ |
| Malta | A3 | BBB+ | A | NR | A-2 | F1 |
| Neherlands | Aaa | AA+u | AAA | P-1 | A-1+u | F1+ |
| Portugal | Ba1 | BBu | BB+ | NR | Bu | B |
| Slovakia | A2 | A | A+ | NR | A-1 | F1 |
| Slovenia | Ba1 | A- | BBB+ | NR | A-2 | F2 |
| Spain | Baa2 | BBB | BBB + | P-2 | A-2 | F2 |
| United Kingdom | Aa1 | AAAu | AA+ | NR | A-1+u | F1+ |

*Sources: Bloomberg, Eaglestone Advisory*

## AFRICAN DEVELOPMENT BANK

### AfDB Board approves US $29.49 million for Burundi road project

Abidjan, Côte d'Ivoire, September 24, 2014 – The Board of Directors of the African Development Bank Group (AfDB) on Wednesday, September 24, 2014 approved a US $29.49-million grant to help finance the first phase of the Nyakararo-Mwaro-Gitega (RN18) Road Improvement and Asphalting Project in Burundi.

The project, which concerns 30-kilometre-long Nyakararo-Mwaro-Kibumbu road, aims to help open up access to the country and boost regional trade. This objective would be achieved by facilitating the movement of goods and persons along the road thereby increasing trade with the rest of the country and with the sub-region.

Under "Burundi Vision 2025", the Government designed and implemented an Infrastructure Action Plan (2010-2015) which gave rise to the Road Network Improvement Programme aimed at supporting the productive sectors of the economy. Therefore, the approved intervention is consistent with the national transport infrastructure improvement policy, especially for highly-populated regions with high economic potential.

The project is consistent with the second-generation Growth and Poverty Reduction Strategy Framework (GPRSF II), which focuses on transformation of the Burundian economy to generate sustained and job-creating growth; as well as the Bank's Country Strategy Paper for Burundi (2012-2016), whose two pillars are: (i) consolidation of governance; and (ii) the improvement of infrastructure, and the Bank's Ten-year Strategy for 2013-2022, are both in line with GPRSF II.

The main beneficiaries of the road project are farmers who experience difficulties in procuring inputs and in marketing their produce due to the poor state of the roads. It will also have a positive impact, especially on women and young people by improving their access to socio-economic infrastructure and creating new initiatives. Industrialists, loggers and transporters, whose operating and logistical costs will be significantly reduced thanks to the improvement and asphalting of the main road and rehabilitation of the rural roads, will also benefit from the project. In addition, the road will serve as a strategic economic link connecting Bujumbura to the central, northern and eastern regions of the country. It will also serve as an alternative road to the current central corridor linking Bujumbura to the Port of Dar es Salaam in Tanzania. The US $29.49-million African Development Fund (ADF) grant accounts for 95% of the project's total cost estimated at US $31.04 million.

### AfDB ranks 8th in Aid Transparency Index 2014

On Wednesday, October 8, Publish What You Fund launched its annual Aid Transparency Index* (ATI) in Washington, DC. The index shows the African Development Bank (AfDB) is one of the strongest performers on transparency, ranking in the top 10 of 68 donors. The AfDB has made significant progress to improve the transparency of its aid information since 2013. Gaining over 10 percentage points from last year, the AfDB's ATI score for 2014 is 74.52%, placing it securely in 8th position on the list, at the top of the list of Good performers.

AfDB was the first multilateral development bank to provide private sector and precise geographical data through International Aid Transparency Initiative (IATI) when it began publish its data in July 2013. In 2014, the AfDB's IATI publication was expanded to include 12 additional information fields and it updated its implementation schedule to include plans to publish to 94% of the assessed IATI fields by the end of 2015 in line with the Busan transparency commitments.

Rachel Rank, Director at Publish What You Fund, pointed to the AfDB's progress in transparency as an example during the launch of the 2014 ATI, saying that "progress can be made and can be made quickly". However, challenges at the AfDB still remain, including: providing forward-looking budgets, and links to project documents and results data for all activities. Moreover, AfDB will promote and make access and use of this information user-friendly to both external and internal stakeholders while strengthening its data quality. "Transparency is a key priority for us and we have been working hard to ensure that the principles of transparency are embedded in the way we do business," AfDB President Donald Kaberuka wrote in a blog published on Wednesday.

Greater transparency "is a means to achieving an end," Kaberuka continued, "namely more effective use of public resources and, ultimately, stronger accountability to the people we serve."

To this end, in May 2014, the AfDB launched a new online platform – MapAfrica – which allows users to view the locations of its investments across Africa. The platform includes information on project results and beneficiaries and continues to be updated with new data.

In 2013, the AfDB launched a new Disclosure and Access to Information (DAI) policy, putting greater transparency at the heart of the Bank's work. AfDB views IATI as a strategic initiative to further the implementation of its DAI policy. It is based on the principles of good governance; particularly transparency, accountability and the sharing of information on Bank operations. These principles underlie the Bank's Ten-Year Strategy (2013-2022) for inclusive economic growth across the continent.

* ATI index is based on information published to the International Aid Transparency Initiative (IATI) Standard.

### African Water Facility supports the development of Komadugu-Yobe Basin in Nigeria

The African Water Facility announces on October 10, 2014, that it had offered the Hadejia-Jama'are-Komadugu-Yobe Basin Trust Fund a €2 million grantfor the preparation of a strategic action plan to develop water resources in the Komadugu-Yobe basin in Northern Nigeria. Over 15 million people depend on the basin and stand to benefit from this project, particularly farmers, pastoralists and fishermen.

The economy of the basin is highly dependent on freshwater resources, particularly on the livelihoods generated from the wetland ecosystems, including agriculture, fishing, livestock production and related activities. Kano city and other major urban towns and rural settlements have also seen a significant increase in water demand for human consumption and other urban needs.

The project is designed to help meet these water needs and address the associated challenges through an integrated water resources management approach focused on the reoperation of the Tiga and Challawa Gorge dams. Particularly, it will help enhance urban water supply, agriculture water management, aquaculture, rangeland management, as well as ecosystem services through enhanced water resources allocation, utilisation and management.

"This new action plan is poised to address, in a more sustainable way, fundamental water resources management issues that are currently preventing millions of people from living better lives in Northern Nigeria," said Akissa Bahri, Coordinator of the African Water Facility. "We anticipate for the ecological services and the livelihoods that are dependent on the basin's river system to be fully regenerated, bringing a much-needed boost to the local and regional economy."

The strategic action plan will outline the short- to long-term actions and related investments needed to restore rational water management in the basin through re-optimisation and re-operation of the Tiga and Challawa Gorge dams, identified as primary solution to improve the use of the basin's water resources and to increase water flow in the lower part of the basin and to the Lake Chad.

The Hadejia-Jama'are-Komadugu-Yobe Basin Trust Fund will be executing the project in partnership with the Nigeria Integrated Water Resources Management Commission. The Fund is jointly funded by six states of Bauchi, Borno, Jigawa, Kano, Plateau and Yobe, in collaboration with the Nigerian Federal Government.

The new plan also presents an opportunity for greater collaboration between Nigeria and the Komadugu-Yobe Basin riparian countries, which should lead to increased mutual benefits.

## INVESTMENTS

### Dubai sovereign wealth fund sees investment in Dangote as its gateway into Africa

**The Investment Corporation of Dubai (ICD), the emirate's public investment arm, is using Nigerian cement tycoon Aliko Dangote as "a gateway to Africa".**

A few weeks ago the ICD agreed to acquire a minority stake in Dangote Cement for US$300m. Dangote Cement is one of Africa's largest cement producers with manufacturing interests in Nigeria, South Africa, Senegal, Zambia and Ethiopia, to name a few. The company was founded by Aliko Dangote, said to be Africa's richest man.Speaking at the Africa Global Business Forum in Dubai, CEO of the ICD Mohammed Al Shaibani, described Dangote Cement as a "profitable business" with good growth potential.He added that Dangote Cement represents a "fantastic way" for the ICD to "kick-start its investment into Africa".Al Shaibani said the ICD has "been looking at Africa for a long time", but conceded that the continent is not an easy environment to invest in.The ICD is especially eyeing Africa's agriculture and infrastructure sectors. Regarding agriculture, it is interested to invest both from a returns perspective, as well as to export food back to Dubai.Al Shaibani highlighted airline Emirates and marine terminal operator DP World as Dubai-based companies that have successfully grown their presence in Africa. Emirates currently operates numerous routes to Africa, and according to Al Shaibani, it is sometimes referred to "the national carrier of Africa". *(How we made it in Africa)*

### Dubai's Emirates to Manage TAAG Angola Airlines

Emirates Looks to Extend Reach in Central, South Africa. Dubai's Emirates Airline, the world's largest carrier by international traffic flown, has signed a deal with TAAG Angola Airlines to manage the carrier for 10 years and cooperate on "commercial opportunities" in Africa.

The Gulf carrier, which also has a partnership agreement with Australia's Qantas Airways, QAN.AU -2.11% will code-share on cargo and passenger services, participate in each carrier's frequent flier programs and coordinate ground handling, Emirates said in a statement.

Emirates has agreed to appoint four senior staff to work for TAAG, the statement added. Emirates won't contribute any equity and no other financial details were disclosed.

"Through this partnership Emirates aims to provide deeper reach and better connectivity for our passengers in Central and South Africa," Sheikh Ahmed bin Saeed Al Maktoum, chairman and chief executive of Emirates Airline, said in the statement. The agreement was signed with the government of Angola, in its capacity as the majority shareholder of TAAG.

Emirates will continue to grow its presence in Africa by opening new routes, increasing flight frequencies, and upgrading aircraft to meet the increasing demand, Sheikh Ahmed said. It flies more than 160 flights a week to Africa, serving 22 passenger destinations and including Luanda, the capital of Angola.
In 1998, Emirates bought a 43% stake in Sri Lankan Airlines and agreed to manage the airline for 10 years—a deal which it exited after the period. In 2013, Emirates began a partnership with Qantas to coordinate marketing and flight schedules. *(Wall Street Journal)*

**Portugal relaunches investment fund for Mozambican companies**

Portugal will contribute US$13 million to the Enterprise Fund for Portuguese Cooperation (FECOP), a mechanism to support investment in micro, small and medium-sized Mozambican companies, the Mozambican Minister of Industry and Trade said in Maputo.
Armando Inroga said that the fund would act as a "cushion" for projects facing difficulties in finding funding under "traditional conditions that banks require" and should benefit several sectors.
Announced in 2009 by the Portuguese Government, FECOP initially had a budget of US$9 million and was intended to support business investment projects in the Island of Mozambique, in Nampula (northern Mozambique), where Portugal implements social and economic cooperation programmes.
Earlier this year, on a visit to Mozambique, the Portuguese Prime Minister, Pedro Passos Coelho, announced the relaunch of this cooperation programme with Mozambique, by providing US$13 million to the fund, which will work in collaboration with the Mozambican Banking Association (AMB), representing Mozambican banks with Portuguese shareholders BIM – Banco Internacional de Moçambique (Millennium bim), Banco Comercial de Investimentos (BCI), Moza Banco and Banco Único.
In a recent interview with Mozambican daily newspaper O País, the Portuguese Secretary of State for Foreign Affairs and Cooperation, Luís Campos Ferreira,said that FECOP may provide investments of up to 17,000 euros to micro enterprises and of between 35,000 and 350,000 euros to small and medium enterprises, including working capital in both cases.
Portugal is one of Mozambique's main economic cooperation partners and was the second biggest provider of loans in 2013, after China, providing overall funding of US$87.5 million, which increased Mozambique's total debt to the Portuguese state to US$465.79 million. *(Macauhub)*

**Gulf investors increasingly looking to African infrastructure**

Gulf companies are increasing their exposure to African infrastructure projects and are reaching out to unfamiliar sub-Saharan African markets, according to a new report published by The Economist Intelligence Unit, and commissioned by the Dubai Chamber.
The Gulf push into African infrastructure shows that Gulf investors have focused predominantly on telecommunications and ports and are now investing more heavily in power. Their activities follow a decade of oil boom-driven infrastructure expansion in their home markets. During this period many state-owned companies were corporatised and part-privatised, and are now increasingly looking abroad for profits.
Gulf entities have provided at least US$30bn of funding, at current prices, to African infrastructure over the past decade, which amounts to between 7% and 10% of total inflows.
This includes approximately US$15bn in loans and grants from Gulf development agencies and their shares in regional multilateral bodies such as the Islamic Development Bank, and approximately US$15bn in direct investments.
"Gulf infrastructure funding has in the past focused heavily on North Africa and a small selection of sub-Saharan countries with which Gulf countries share historical and cultural ties. This is shifting as Gulf firms broaden their involvement to parts of southern and eastern Africa," said Adam Green, the editor of the report.
"Many are still deterred by political risks associated with large public infrastructure projects — and with good reason. Yet Gulf investors must take care to differentiate between the region's many countries, rather than view them as a homogeneous African market."
The report also finds that while investors are engaging in unfamiliar countries across the centre of the African continent, their exposure to the large infrastructure markets of Nigeria, Angola and Ethiopia remains modest.
Strengthening regulation of Islamic finance could catalyse infrastructure funding from the Gulf, says the report. While Africa's interest in Islamic finance is growing, in both Muslim and non-Muslim countries, there are long time lags to implementing enabling reforms, partly because of political and legal hurdles, and the costs of issuing new instruments.
A second challenge is ensuring that regulators have the skills and resources to execute Islamic finance reforms. If the architecture is put in place, the impact on Gulf Cooperation Council (GCC) based financiers and investors would be salutary, owing to their familiarity and comfort with Islamic financial systems and the broadening effects of Islamic finance reforms on the infrastructure investment landscape. *(How we Made it in Africa)*

**Four South African companies taking on the world**

Four South African companies feature in Boston Consulting Group's list of 100 "global challengers". To be selected, they need to be of a certain size, with credible aspirations to build truly global footprints. Global challengers are also

growing faster than their peers. How we made it in Africa takes a brief look at each one of these South African companies that have a real shot at becoming leaders in their industries.

**Aspen**

Aspen Holdings is Africa's largest pharmaceutical manufacturer. It supplies branded and generic pharmaceuticals in more than 150 countries across the world, as well as consumer and nutritional products in selected territories.

Aspen has 18 pharmaceutical manufacturing sites on six continents. Four are located in South Africa, three in Australia, and one in each of Germany, Tanzania, Kenya, Brazil and Mexico.

In 2003 Aspen launched the first antiretroviral (ARV) drug developed and manufactured in Africa. ARVs slow down the progression of HIV/Aids. Today Aspen is regarded as one of the leading global players in generic ARVs.

The company was started by current chief executive Stephen Saad in a suburban home in 1997, when he was 33. Saad told BizNews in an interview that he doubts if there is a South African company with a greater global footprint than Aspen.

**Sasol**

Founded in 1950, Sasol has become a global player in the energy and chemical industries. In fact some have even accused it of overlooking South Africa in favour of international projects.

Sasol's activities include converting coal into liquid fuels, crude oil refining, the supply of pipeline gas, and the manufacturing of chemicals. The company is listed on both the Johannesburg and New York stock exchanges.

While about 75% of Sasol's profits still come from South Africa, its home market is likely to contribute less to its bottom line in the coming years, according to analyst David Shapiro.

Last month the company unveiled Mozambique's first permanent large scale gas-to-power plant. The project is a partnership between the Mozambican state power utility, Electridade de Mozambique (51%) and Sasol (49%). In the US, Sasol is also mulling the construction of a gas-to-liquids plant in Louisiana, one of the biggest foreign investments ever in the state.

Interestingly, Sasol has a town in South Africa named after itself. Sasolburg was established in the early 1950s in order to provide housing and facilities for Sasol employees working on an oil-from-coal pilot plant. After the town's establishment, Sasolburg's vehicle licence plates were distinctively marked with the letters OIL. To this day, the company remains a major employer in Sasolburg.

**Bidvest**

Bidvest was co-founded by current chief executive Brian Joffe. He started his entrepreneurial career in 1978 when he bought a stake in a pet food manufacturing business. He later acquired full ownership of the business and sold it to a major industrial group.

Bidvest was launched in 1988 with the idea to raise capital to acquire, fix and develop underperforming services companies. Today the company has over 140,000 employees and its reach extends into every sector of the South African economy – households, commerce, government, industry and mining. Its main businesses include food, freight management, automotive retailing, industrial and commercial products. Bidvest has expanded internationally and about one-third of its trading profits are generated from foreign operations.

Joffe recently enhanced his reputation as a master dealmaker by acquiring a strategic stake in the pharmaceutical company Adcock Ingram, a business he plans to "reinvigorate".

**MTN**

Another global challenger that will be familiar to most Africans is mobile telecommunications group MTN. It operates in 21 countries across Africa and the Middle East and has recently crossed the 200m subscribers mark. It has a reputation for doing business in countries perceived to be tough business environments, such as Syria and Afghanistan.

One of MTN's biggest international success stories is Nigeria, where it is currently the market leader with over 55m subscribers. In 2001, when MTN bought one of the three mobile licences on offer in Nigeria, the country was just emerging from decades of military rule and failed attempts at democracy. "There were positives and negatives at the start in Nigeria, but we were persistent and persevered, mainly due to a lot of resolve by senior management, who were committed to a longer-term vision," said Andrew Bing, former chief financial officer of MTN Nigeria.

MTN is currently diversifying its business beyond voice revenue, which is under continuing competitive pressure. Data already accounts for close to 20% of the group's revenue. MTN recently bought a stake in Africa Internet Holding, which owns a number of ecommerce websites across the continent. It is also focusing on its MTN mobile money platform and broader financial services offerings. *(How we Made it in Africa)*

## BANKING

### *Banks*

#### Nigerian First Bank Eager To Fund Kaztec's $1.3bn Local Fabrication Contract

Nigeria's premier lender First Bank Plc has said it is willing to support the funding of a $1.3 billion fabrication contract awarded by Sinopec-owned Addax Petroleum to Kaztec Engineering, a subsidiary of the Chrome Group.

The contract will see Kaztec execute all of the fabrication processes for Ofrima/Udele oil wells development project in Addax Petroleum-owned oil mining lease (OML) 137 in offshore Nigeria for which it recently finalised agreements. Kaztec's fabrication, set to begin in October is a giant step towards the aim of Addax to attain a daily production well in excess of 100,000 barrels per day (bpd).
First Bank's interest in furthering boosting partnership with Kaztec was expressed as the bank's Managing Director Olabisi Onasanya led a top-staff visitation to the engineering firm's Fabrication Yard in Lagos, which is the first fully owned indigenous fabrication yard in Nigeria. There Onasanya expressed satisfaction with the projects handled by Kaztec especially the Antan Development project which was also contracted by Addax to the value of $136 million part of which is funded by First Bank.
First Bank's Group Executive Director on Institutional Banking, Bashirat Odunewu, stated that the bank was interested in continuing to support Kaztec, "based on what the team saw on ground".
She also praised the quality of Kaztec's technical work which she added was made more impressive by the fact that the company is 100% Nigerian. "They (Kaztec) made presentation to us, and we had a walk round the facility. I must say that all the things we saw were very encouraging that a Nigerian company can do such good technical work", she enthused. "They showed us what they were doing presently and even those that have been concluded; these are works that were normally given to foreign companies to do. Also, their client, Addax Petroleum, was satisfied with what they are doing." Incorporated in 2005, Kaztec Engineering Limited focuses on the Engineering, Procurement, Installation, Construction, and Management of Onshore and Offshore Pipelines and Facilities. *(Ventures Africa)*

## *Markets*

### Central bank of Angola separates responsibilities of licensing and inspection into two departments

The National Bank of Angola has separated its duties of licensing and regulation of financial institutions from its inspection activities, which will now be dealt with by two independent departments, the central bank said in a statement issued in Luanda. "The reorganisation of the supervisory function entailed creation of the Department of Regulation and Financial System Organisation, thus isolating the role of licensing financial institutions and regulation of the financial system from the role of inspection," said the statement.
This department will also address the supervision to prevent acts involving the use of the financial system for money laundering and funding terrorism.
With this measure, the former Prudential Supervision Department of the Angolan central bank will "focus exclusively on the duties of supervision and inspection."
The decision to change the working model was intended to "optimise the supervisory functions of the BNA as regulator and supervisor of the system," given the "current dynamism of financial activity" in Angola.
In the same document, the National Bank of Angola also said that following the restructuring of the regulatory and supervisory function of the Office of Financial Education, which will hold exclusive jurisdiction over matters relating to financial education, including managing the Currency Museum. *(Macauhub)*

### The IMF Launches Consultations with its External Advisory Group on Islamic Finance

The Interdepartmental Working Group on Islamic Finance (IDWGIF) of the International Monetary Fund (IMF) held its first meeting with its External Advisory Group (EAG) on October 9, 2014, in Washington, D.C. to discuss issues related to Islamic banking and the development of sukuk1 markets.
The discussions covered regulation and supervision, the scope for Islamic financial institutions to improve access to finance, including for small- and medium-sized enterprises, the implications of Basel III requirements for capital and liquidity on the industry, and the potential for enhancing Sharī`ah and corporate governance. Participants also discussed development of sukuk market and its potential for financing infrastructure investment and for providing instruments to facilitate liquidity management and central banking operations.
The EAG was established by the IMF to help identify policy challenges facing the Islamic finance industry and facilitate coordination with those international institutions involved in establishing standards for the industry. The EAG comprises Jaseem Ahmed, Secretary General of the Islamic Financial Services Board; Dr. Hamed Merah, Secretary General of the Accounting and Auditing Organization for Islamic Financial Institutions; Dr. Abdul Aziz Al Hinai, Vice-President of Finance in the Islamic Development Bank; Professor Azmi Omar, Director General of the Islamic Research and Training Institute; Ijlal Ahmed Alvi, Chief Executive Officer of the International Islamic Financial Market; Professor Datuk Rifaat Ahmed Abdel Karim, Chief Executive Officer of the International Islamic Liquidity Management Corporation; Abdelilah Belatik, Secretary General of the General Council for Islamic Banks and Financial Institutions; Dr. Ishrat Hussain, Professor and Former Governor of the State Bank of Pakistan; and Dr. Abdullah Ibrahim El-Kuwaiz, former Deputy Minister of Economy of Saudi Arabia and former Director General of the Arab Monetary Fund. *(Sukuk is the equivalent of bonds in Islamic finance.)(IMF)*

### Kenya Sells Bonds to Meet $4 Billion Transport, Power Needs

Kenya is selling infrastructure bonds for the first time in a year to cover spending needs that are among the highest in Africa for expanding transportation networks and electricity supplies.

The East African nation is offering 12-year bonds worth 15 billion shillings ($168 million) at a fixed rate of 11%, according to the Nairobi-based Central Bank of Kenya. The sale closes on Oct. 21. The proceeds will finance road, energy, water and irrigation programs, the central bank said.
The government needs money to build roads, a railway and port and lay down a pipeline to ensure oil reserves that are being developed in the remote north can be exported, even as it struggles to narrow its budget deficit. Kenya's investment needs of $4 billion a year to deliver on its infrastructure pledges is one of the largest on the continent, according to the Tunis-based African Development Bank.
Proposed projects such as the construction of a new railway from the port of Mombasa to the border of Uganda and a second international harbor in Lamu will accelerate growth in government investment by 30% in 2016-17 compared with 16% in the current fiscal year through June, according to the Nairobi-based Parliamentary Budget Office. The government targets narrowing its "consistently high" budget shortfall to 8% of gross domestic product this year from 10% in 2013-14, the office said in a report last month.
Before the current bond issue, the government sold five infrastructure bonds since 2009, according to the budget office. The last sale in October 2013 raised 16 billion shillings of 12-year securities at an average yield of 12.36% in an auction that attracted more bids than supply.

**Eurobond Sale**

The state has also sought financing for capital projects on the international markets by raising $2 billion in five-year and 10-year notes during its debut Eurobond sale in June. The portion maturing in 2024 carried a 6.87% interest rate.
The yields have dropped 78 basis points since they were issued to 6.09 % by 2:23 p.m. in Nairobi. The shilling, which weakened 3.1 % this year, pared its decline to trade 0.1 % higher at 89.05 per dollar. "I don't see much downward risk" for investors of the infrastructure bond, Aly-Khan Satchu, chief executive officer of Nairobi-based Rich Management Ltd., said in a phone interview. "Yields could trend toward 10 %." *(Bloomberg)*

### Somali Bank Becomes First Lender to Handle Foreign Transactions

International Bank of Somalia became the first lender in the Horn of Africa nation to handle foreign transactions, the latest sign that the country is stabilizing after decades of conflict, Chairman Hassan Ahmed Yusuf said.
The bank, run from a two-story building in the capital, Mogadishu, obtained a so-called Swift code that enables lenders to carry out international money transfers, Yusuf said at a ceremony to mark the official start of operations on Oct. 11. IBS is taking advantage of increased stability in the city after the success of African Union-backed Somali government forces against al-Qaeda-linked Al-Shabaab militants, he said. "The relative calm and tranquility in the country, especially the capital city, made us take a decisive step," Yusuf said. "We see great business opportunities are emerging."
Al-Shabaab has been in retreat in Somalia since its fighters were forced to withdraw from Mogadishu in August 2011 after a series of military defeats. African Union forces and the Somali national army have forced the insurgents to relinquish control of about 70 % of southern and central Somalia, according to the presidency. On Sept. 1, a U.S. missile strike killed the militant group's leader, Ahmed Abdi Godane.
The country still faces challenges preventing attacks. Yesterday, at least eight people were killed and another 15 were injured when a car laden with explosives blew up near a popular cafe in Mogadishu. No one has claimed responsibility for the blast.
'Dangerous City'
Somalia has been mired in civil war since 1991, when the dictator Mohamed Said Barre was removed from power. The government is using its recent military advances to try to attract investors to help rebuild its economy. Last week, Salaama Somali Bank became the first lender to introduce ATM machines in the city. "I feel proud of my government bringing stability to the capital, Mogadishu, and to see the good news happening before my eyes today like the launching of an international bank in Mogadishu, which was once dubbed the world's most dangerous city," President Hassan Sheikh Mohamoud said at the ceremony. Somali State Minister of Defense Mohamed Ali Haga said in an interview on Oct. 11 that the government expects to liberate remaining areas controlled by al-Shabaab by May. *(Bloomberg)*

## *Private Equity*

### AfDB approves €10 million equity investment in Moringa Private Equity Fund

On Wednesday, October 1, 2014 in Abidjan, the Board of Directors of the African Development Bank approved a €10-million equity investment in the African compartment of the Moringa Private Equity Fund.
Moringa will invest in scalable, replicable agroforestry projects in Sub-Saharan Africa and Latin America. The Fund will invest in projects that combine plantation forestry (producing biomass, fuel wood or timber) with agricultural elements (producing staple food crops for local markets and/or niche export crops) to capture most of the value chain. The Fund will also be associated with a grant-based Technical Assistance Facility.
Sponsored by La Compagnie Benjamin de Rothschild (CBR) and ONF International (ONFI), the international subsidiary of the French Office National des Forêts, the Fund will benefit from CBR back-office and investment platform, while ONFI contributes agroforestry technical expertise and regional presence in the Fund's targeted geographies.

The Moringa investment strategy is well aligned with the African Development Bank's Ten-Year Strategy (2013-2022), focusing on inclusive green growth as the pathway to sustainable development and creating broad-based prosperity, as well as the Bank's Climate Change Action Plan, which aims to make investments to reduce the continent's vulnerability to climate change. This strategic fit should allow the Bank to provide a significant boost to Moringa's operations via its high public profile, sector expertise and network across the African continent.

Agroforestry generates a strong and diversified platform for the development of forestry sector businesses, whilst also paying attention to the need for agricultural production. Smallholders benefit from an income diversification supported by an investor with a long time horizon. The Fund will drive better land management, higher and more sustainable income for local populations, and a positive environmental impact on carbon storage, soil/water management and biodiversity. By investing in sustainable agroforestry solutions, the Fund will assist Governments in meeting their adaptation and mitigation targets.

The African Development Bank will provide an equity investment of up to €10 million to an African-based vehicle, which has been established for investments located in Sub-Saharan Africa. The Bank's investment brings total commitments to Moringa to almost €70 million and, as the first investor from the African continent in the fund, provides further validation of the fund's African strategy and prospects as the fund enters the final fundraising phase. *(AFDB)*

**Portugal relaunches investment fund for Mozambican companies**

Portugal will contribute US$13 million to the Enterprise Fund for Portuguese Cooperation (FECOP), a mechanism to support investment in micro, small and medium-sized Mozambican companies, the Mozambican Minister of Industry and Trade said in Maputo.

Armando Inroga said that the fund would act as a "cushion" for projects facing difficulties in finding funding under "traditional conditions that banks require" and should benefit several sectors.

Announced in 2009 by the Portuguese Government, FECOP initially had a budget of US$9 million and was intended to support business investment projects in the Island of Mozambique, in Nampula (northern Mozambique), where Portugal implements social and economic cooperation programmes.Earlier this year, on a visit to Mozambique, the Portuguese Prime Minister, Pedro Passos Coelho, announced the relaunch of this cooperation programme with Mozambique, by providing US$13 million to the fund, which will work in collaboration with the Mozambican Banking Association (AMB), representing Mozambican banks with Portuguese shareholders BIM – Banco Internacional de Moçambique (Millennium bim), Banco Comercial de Investimentos (BCI), Moza Banco and Banco Único.In a recent interview with Mozambican daily newspaper O País, the Portuguese Secretary of State for Foreign Affairs and Cooperation, Luís Campos Ferreira,said that FECOP may provide investments of up to 17,000 euros to micro enterprises and of between 35,000 and 350,000 euros to small and medium enterprises, including working capital in both cases.

Portugal is one of Mozambique's main economic cooperation partners and was the second biggest provider of loans in 2013, after China, providing overall funding of US$87.5 million, which increased Mozambique's total debt to the Portuguese state to US$465.79 million. *(Macauhub)*

## ENERGY

**57% of sub-Saharan Africa is still without power**

Africa has also been grappling with regulatory concerns and a capital intensive requirement which is the nature of investments. Experts say these challenges are causing some drawbacks hindering Africa's power sector.

"At this moment 57% of sub-Saharan African people have not had access to electrification," Keiko Honda, executive vice president of Multilateral Investment Guarantee Agency (MIGA) told CNBC Africa.

"More importantly the 57% number has not increased much in past several years and this is a huge problem not only to Africa but the rest of the world." Honda added that there were so many interesting investment places in power especially in West Africa adding that several people would like to invest in that region's power sector. She added that there was however a need to mitigate the risks that come with investments in West Africa. According to the Africa Development Bank, costs of producing power in the continent are way expensive compared to the rest of the world but they could be brought down through regional integration and use of gas to leverage power deficit." West Africa has a lot of gas and could link gas supply to the power generation project and this could intensively reduce costs," added Honda. Honda said that her organisation has in the past supported gas to power project in countries Ivory Coast and this has helped reduce power costs. The United States president Barack Obama through his Power Africa initiative has also been working to reduce power deficits in the region. In his recent US-Africa leadership summit, Obama announced 12 billion US dollars investment towards the project. *(CNBC Africa)*

**Sinohydro Signs $1.5 Billion Zimbabwe Power Pact for Plant Units**

Sinohydro Group Ltd., China's biggest builder of hydroelectric dams, signed a $1.5 billion deal with Zimbabwe Power Co. to add two units to an electricity plant, improving availability in the southern African nation.

The Chinese company will construct units 7 and 8 at the Hwange coal-fired plant, adding 600 megawatts of capacity to the station's current 940 megawatts. The new facilities "will be a huge step in resolving the power deficit in the country," Zimbabwean Energy Minister Dzikamai Mavhaire told reporters in Harare, the capital.
The nation, which has the world's biggest known reserves of platinum and chrome after South Africa, is expanding power-generation capacity to curb blackouts that have paralyzed mines and industry. It produces an average of 1,200 megawatts of power compared with peak demand of 2,200 megawatts, resulting in daily rationing and electricity cuts.
The project will be completed within 42 months after construction starts next year, Mavhaire said. Zimbabwe Power will get $1.174 billion, or 80 % of the funds for the plant, through concessionary funding from China's EximBank Ltd., while the same lender will provide the balance at commercial rates, said Joshua Chifamba, the chief executive officer of Zesa Holdings (Pvt) Ltd., the state-owned company that controls Zimbabwe Power.
Zesa plans to move farmers and companies to prepaid electricity meters to ensure that there are sufficient funds to service the loans, he said. Sinohydro will delivery a "high-quality" project, Africa region vice president Wang Xinhuai said. *(Bloomberg)*

**Chinese Consortium To Build 1,000MW Coal Power Plant in Nigeria**

Chinese consortium HTG-Pacific Energy has signed a Memorandum of Understanding with the Nigerian Government for the exploitation and mining of the Ezinmo Coal Bricks in the country's coal-rich eastern state of Enugu. Nigerian authorities say the MoU will be followed by a Power Purchase Agreement (PPA) that would authorise the investors to build a 1000 megawatts coal power generating plant.
Nigeria, richly endowed with vast natural resources, is exploring diverse means of power generation to solve country's gross power supply deficits. The country last year privatised its state-owned hydropower and gas-fired power plants, to leverage on the business expertise of private investors to boost the productiveness of the plants. Nigeria has also opened its arms to investors interested in exploring other forms of energy generation, with recent deals for a 50 megawatt solar station struck.
The coal deal with HTG-Pacific is seen as a means of utilizing the abundant coal reserves which the Nigerian government says is capable of generating up to 30 % of the country's energy needs environmental-friendly clean technology.
Nigeria's Vice President Namadi Sambo, who represented the President at the signing of the MoU with the Chinese consortium said the plant would complement other public and private driven electricity projects as well as improve the power supply of the host state and the eastern region as a whole. *(Ventures Africa)*

**Copperbelt Sinks $18m Into Selected African Energy Sectors**

Lusaka Stock Exchange listed power distribution company, Copperbelt Energy Corporation (CEC) is to invest over $18 million in upgrading its network in a bid to boost Zambia and DR Congo energy sector.
"CEC owns the inter-connection between Zambia and DRC. We are building a duo circuit transmission line which will see the capacity of our inter-connector extended from 250 megawatts to 550 megawatts," said CEC managing director Owen Silavwe.
CEC operates and maintain a network comprising transmission, distribution and generation assets. The assets comprise an emergency power generation capacity of 80MW, transmission and distribution network of around 1,000 km of overhead power lines, 41 high voltage substations and electricity network carrying capacity in excess of 700MW. It also operate an inter-connector with the Democratic Republic of Congo (DRC), through which power is wheeled to Zambia, Zimbabwe and South Africa.
Zambia has been facing recurrent load shedding which has raised concern among the community. Demand for power in Zambia has been growing steadily over the past few years and currently stands at around 1,700MW. Further delayed investments in transmission and distribution systems have also led to depleting power transmission and distribution capacity. *(Ventures Africa)*

**Zimbabwe signs deal with China's Sinohydro to expand power plant**

Zimbabwe signed a $1.5-billion deal with China's Sinohydro Corp to expand a coal-fired power plant in the most ambitious move yet to tackle the country's crippling electricity shortages.
The deal, which still needs full financial cover, would see Sinohydro Corp add 600 MW of electricity at the ageing Hwange plant in western Zimbabwe as well as a transmission line.
The southern African country produces 1 100 MW of power against peak demand of 2 200 MW, which means industry and households have to endure regular power cuts.
"The additional electricity will narrow the demand-supply gap in a huge way," Dzikamai Mavhaire, the minister of energy and power development, said at the signing ceremony.
Under the agreement, the state-owned Zimbabwe Power Company (ZPC) will seek a $1.17-billion loan from China's Export and Import Bank in negotiations that are expected to take a year.
The remainder of the money would come from electricity revenues generated by ZPC and other financial institutions, ZPC officials said.

The project is due to take 42 months to complete.
Sinohydro last month started constructing two generation units at the Kariba hydro power station to add 300 MW.
The Hwange Thermal Power Station has a design capacity of 920 MW, but produces less than half that due to ageing equipment and years of inadequate funding to maintain the plant.
ZPC is owed more than $900-million by debtors and over the last three years has been introducing pre-paid meters, where customers pay in advance for their power.
Josh Chifamba, the chief executive of ZPC's holding company ZESA Holdings, said that to generate more revenues, the pre-paid meters would be introduced to industry and farmers, who are some of the biggest consumers of electricity.
The government of President Robert Mugabe, for long a pariah in the West, has increasingly turned to China for investment to help an economy desperate for new infrastructure like roads, power, and water. *(Engineering News)*

### IFC to Assess Feasibility of Sounda Hydro Power Project in Republic of the Congo

IFC, a member of the World Bank Group, signed a project services agreement with the Government of the Republic of the Congo to assess the feasibility of the Sounda power project. IFC will carry out studies that assess the potential for a hydropower project with strong environmental and social safeguards at the Sounda Gorge on the Kouilou river. The project is important for addressing the significant power shortages affecting the nation's public services, families, and businesses.
Only about a third of Congo's population has access to electricity. Overcoming this gap is one of the country's main development goals. The Sounda project has the potential to make a significant contribution to increasing power by providing a renewable source of low cost electricity.
IFC will consider a range of scenarios for establishing a hydro dam and power plant at Sounda Gorge. IFC will undertake detailed engineering, environmental, social, and market studies, and a legal analysis. This agreement with the government ensures that IFC's due diligence will be carried out in accordance with IFC's Performance Standards.
"The development of this new source of reliable, and renewable, energy is a priority for the Government of the Republic of the Congo. It will encourage new investment and contribute to filling energy needs that accelerate social and economic development," said Jean-Jacques Bouya, the Congolese Minister of Spatial Planning.
"IFC's agreement with the Republic of Congo is an important first step in assessing the viability of the Sounda hydropower project," said Jean Philippe Prosper, Vice President for IFC Global Client Services. "We have agreed with the government to assess the potential of the project to deliver significant long-term developmental outcomes, while minimizing environmental or social impacts."
IFC will carry out the studies over the next 18 months, providing critical information to help the government determine the most appropriate size for the project based on environmental and social considerations and the amount of electricity that can be absorbed by offtakers. IFC will consider options for developing the project, including through public procurement and public-private partnerships.
IFC is committed to playing a larger role in Congo. During a visit to Brazzaville earlier this year, Mr. Prosper explored other potential partnership opportunities between IFC and the Republic of Congo. He met with the President Denis Sassou Nguesso to discuss government priorities, and with business leaders to discuss investor interests. *(IFC and World Bank)*

### Southern Africa cuts power deficit, to add 27 000 MW by 2018

Southern Africa has cut its power deficit to 3 000 MW in the last year and will add another 27 000 MW by 2018 as countries ramp up electricity generation to meet growing demand, an official with a regional power pool said.
The region currently has a peak demand of 54 000 MW against generation capacity of 51 000 MW, narrowing the shortfall from 7 000 MW a year ago as new power comes on stream and more people use energy saving bulbs, said Musara Beta, an analyst at Southern Africa Power Pool.
"What we are planning to commission in the next four years to 2018 is around 27 000 MW. These are projects that are under construction," Beta told Reuters during a mining summit in Zimbabwe's capital.
Most of the new electricity would come from South Africa, Angola, Democratic Republic of Congo, Tanzania and Zambia, Beta said, adding that power generation would surpass demand by the end of 2016.
Zimbabwe is one of the countries in the region hardest hit by electricity shortages, forcing home owners and industries to endure long hours of power cuts, known locally as load shedding.
Work started last month to expand its Kariba hydro power plant by 300 MW, but several other projects which could generate up to 2 000 MW in new electricity remain on the back burner due to lack of funds. *(Engineering News)*

### Renewables to Drive Power Generation Growth in Africa, IEA Says

Renewable energy will satisfy much of Africa's expanding power needs by 2040 as the continent unlocks vast hydropower resources, the International Energy Agency said.
Energy demand south of the Sahara Desert will grow 80% as the economy quadruples in size during the period, the Paris-based institution said in a report released. Renewable energy and hydropower will supply almost half of the growth.

The findings are the most detailed study yet of Africa's energy demand and suggest the continent will take "a major step forward" in spreading electricity to rural areas and bringing people out of poverty, the IEA said.
"Many governments are now intensifying their efforts to tackle the numerous regulatory and political barriers that are holding back investment in domestic energy supply," the report said. "But inadequate energy infrastructure risks putting a brake on urgently needed improvements."
The IEA, which advises industrial nations on energy policy also sketches the scale of the challenge in bringing the African continent closer to the energy standards enjoyed in industrial nations.
Sub-Saharan Africa accounts for 13% of the world's population and 4% of energy demand. Only 290 million of the region's 915 million people have access to electricity. Two thirds of the cash put into energy is for developing resources to export.
Energy Boom
Since 2000, energy use in sub-Saharan Africa has risen by 45%. The IEA expects the capacity of power generation connected to traditional grids to quadruple by 2040 from about 90 gigawatts, about half of which is in South Africa. It expects more than a half billion people will remain without power in 2040.
Other renewable sources led by solar energy will also make a growing contribution to power supply. Only about 10 % of the potential hydropower resources are being exploited now, the IEA said.
Large hydro and fossil fuel power plants will improve coverage in urban areas while other clean energy sources lead electrification in rural areas. Mini-grids and off-grid systems will provide power to 70% of those gaining access in rural areas, of which two-thirds will be powered by solar, wind and small hydroelectric plants. Those technologies are becoming more attractive against diesel generators because of their falling costs, the IEA said. *(Bloomberg)*

**Energy sector is key to powering prosperity in sub-Saharan Africa**

Increasing access to modern forms of energy is crucial to unlocking faster economic and social development in sub-Saharan Africa, according to the International Energy Agency's (IEA) Africa Energy Outlook, a Special Report in the 2014 World Energy Outlook series. More than 620 million people in the region (two-thirds of the population) live without electricity, and nearly 730 million people rely on dangerous, inefficient forms of cooking. The use of solid biomass (mainly fuelwood and charcoal) outweighs that of all other fuels combined, and average electricity consumption per capita is not enough to power a single 50-watt light bulb continuously.
"A better functioning energy sector is vital to ensuring that the citizens of sub-Saharan Africa can fulfil their aspirations," said IEA Executive Director Maria van der Hoeven. "The energy sector is acting as a brake on development, but this can be overcome and the benefits of success are huge."
In the IEA's first comprehensive analysis of sub-Saharan Africa, it finds that the region's energy resources are more than sufficient to meet the needs of its population, but that they are largely under-developed. The region accounted for almost 30% of global oil and gas discoveries made over the last five years, and it is already home to several major energy producers, including Nigeria, South Africa and Angola. It is also endowed with huge renewable energy resources, including excellent and widespread solar and hydro potential, as well as wind and geothermal.
The report finds that investment in sub-Saharan energy supply has been growing, but that two-thirds of the total since 2000 has been aimed at developing resources for export. Grid-based power generation capacity continues to fall very far short of what is needed, and half of it is located in just one country (South Africa). Insufficient and unreliable supply has resulted in large-scale ownership of costly back-up generators. In the report's central scenario, the sub-Saharan economy quadruples in size by 2040, the population nearly doubles (to over 1.75 billion) and energy demand grows by around 80%. Power generation capacity also quadruples: renewables grow strongly to account for nearly 45% of total sub-Saharan capacity, varying in scale from large hydropower dams to smaller mini- and off-grid solutions, while there is a greater use of natural gas in gas-producing countries.
Natural gas production reaches 230 billion cubic metres (bcm) in 2040, led by Nigeria (which continues to be the largest producer), and increasing output from Mozambique, Tanzania and Angola. LNG exports onto the global market triple to around 95 bcm. Oil production exceeds 6 million barrels per day (mb/d) in 2020 before falling back to 5.3 mb/d in 2040. Nigeria and Angola continue to be the largest oil producers by far, but with a host of other producers supplying smaller volumes. Sub-Saharan demand for oil products doubles to 4 mb/d in 2040, squeezing the region's net contribution to the global oil balance. Coal supply grows by 50%, and continues to be focused on South Africa, but it is joined increasingly by Mozambique and others.
The capacity and efficiency of the sub-Saharan energy system increases, but so do the demands placed upon it, and many of the existing energy challenges are only partly overcome. In 2040, energy consumption per capita remains very low, and the widespread use of fuelwood and charcoal persists. The outlook for providing access to electricity is bittersweet: nearly one billion people gain access to electricity by 2040 but, because of rapid population growth, more than half a billion people remain without it. Sub-Saharan Africa also stands on the front line when it comes to the impacts of climate change, even though it continues to make only a small contribution to global energy-related carbon dioxide emissions. "Economic and social development in sub-Saharan Africa hinges critically on fixing the energy sector," said IEA Chief Economist Fatih Birol. "The payoff can be huge; with each additional dollar invested in the power sector boosting the overall economy by $15."

In an "African Century Case", the IEA report shows that three actions could boost the sub-Saharan economy by a further 30% in 2040, and deliver an extra decade's worth of growth in per-capita incomes by 2040. These actions are:

- An additional $450 billion in power sector investment, reducing power outages by half and achieving universal electricity access in urban areas.
- Deeper regional co-operation and integration, facilitating new large-scale generation and transmission projects and enabling a further expansion in cross-border trade.
- Better management of energy resources and revenues, adopting robust and transparent processes that allow for more effective use of oil and gas revenues.

As well as boosting economic growth, these actions bring electricity to an additional 230 million people by 2040. They result in more oil and gas projects going ahead and a higher share of the resulting government revenues being reinvested in key infrastructure. More regional electricity supply and transmission projects also advance, helping to keep down the average cost of supply. But the report warns that these actions must be accompanied by broad governance reforms if they are to put sub‐Saharan Africa on a more rapid path to a modern, integrated energy system for all. *(IEA)*

## MINING

### Transnet, BHP Billiton Sign $2.1bn Train Supply Deal

Transnet, South Africa's government-owned transport utility, had entered into a deal valued at $2.1 billion with global mining firm, BHP Billiton, it said.
In terms of the deal, Transnet will provide trains that will transport coal to the South African coast for export purposes.
According to Reuters, the contract is on a "take or pay" basis, meaning Transnet will provide the trains with BHP Billiton forced to pay whether they move product or not.
Transnet said BHP was the first major client to commit to a long-term take-or-pay contract with it. Transnet wanted to sign other similar contracts with 28 clients by the close of November this year.
"The deal will be adding close to 10 million tonnes in capacity on the line from the current 73 million tonnes over the next seven years," Reuters quoted Transnet as having said.
"The agreement with BHP is a massive boost for certainty around Transnet's capacity expansion programmed on the export coal line," Reuters reported.
Jon Evans, BHP's Coal (SA) President, told Reuters that the firm's demerger strategies disclosed in August this year would not derail the transaction.
At the time, BHP said it would spin off some of its assets valued at a projected $16 billion into a brand new mining firm with head offices in Perth and listed in Australia.
It said the new firm will have a secondary listing on the Johannesburg Stock Exchange (JSE), which is the biggest bourse in Africa. South Africa's coal gets to be exported through shipping it through its Richards Bay Coal Terminal (RBCT) to Asian and European markets. *(Ventures Africa)*

### Sibanye Sees South Africa Platinum Union Growing in Gold

The South African union that led a five-month strike at the world's biggest platinum producers this year is gaining ground in the gold-mining industry and may reach a majority by April, Sibanye Gold Ltd. (SGL) said.
The Association of Mineworkers and Construction Union represents about 30% of employees in the gold industry and is winning members from the National Union of Mineworkers, the majority in gold, Chief Executive Officer Neal Froneman told reporters yesterday.
"It's real and it's happening," Froneman said after a presentation at a mining conference in Johannesburg. "It's a migration away from NUM."
The AMCU led a five-month strike of about 70,000 workers in South Africa's platinum industry earlier this year, costing the world's three biggest producers of the metal about 24 billion rand ($2.1 billion) in revenue. The stoppage reduced annualized growth by 2.2 percentage points in the first quarter, according to the central bank. Bullion producers including AngloGold Ashanti Ltd. (ANG), Harmony Gold Mining Co. and Gold Fields Ltd., who in September 2013 settled a two-year wage agreement, begin pay talks in April. The AMCU represents 21% of bullion-industry staff, Charmane Russell, a spokeswoman for the companies at Russell & Associates, said by e-mail. AMCU President Joseph Mathunjwa and Treasurer Jimmy Gama didn't answer phone calls seeking comment.

**Collective Bargaining**

Becoming the majority union, defined as more than 50% of workers, is critical in gold because of collective bargaining laws that mean an agreement with the biggest labor group is binding for smaller unions. "I'm not too fazed" by the growth of AMCU, Froneman said. "We get on well with our AMCU branch in Driefontein. We get on well with some of our NUM branches. It's the same thing. I think AMCU is learning very quickly." Froneman said it's "hard to tell" if there will be a prolonged strike in gold next year. Sibanye has a number of engagement projects such as housebuilding and miners' personal debt reduction, he said. Harmony CEO Graham Briggs doesn't foresee a prolonged strike in gold next year, he said in an interview. "It won't happen in gold and it's because of leadership," he said. "We negotiated in

2013. We went through the whole negotiation and solved a salary problem. OK, it took a bit of time, but we only had a five-day strike." Harmony hasn't seen a significant change in its union membership in the last few months, he said. *(Bloomberg)*

### Australian Metal Producer Begins Exploration Of Graphite Deposits In Mozambique

Australia listed Resource Company Metals of Africa (MTA) has embarked on aerial prospecting of the graphite deposits in Mozambique's Cabo Delgado Province.

"Metals of Africa has successfully negotiated a six week due diligence extension to appraise the Balama Central Project in the world class.

Cabo Delgado Graphite Province in Mozambique. The Company will conduct an airborne EM (VTEM) survey over the license this month (October)," the company said in a statement.

Metals of Africa Limited is focused on metals exploration, with the objective of creating shareholder wealth via the discovery and development of mineral deposits. It is also exploring and advancing projects in Tanzania and Gabon.

In Tanzania, the company's core focus is on the Mkindu Project which represents an Iron oxide copper gold (IOCG) type target. The Mkindu Project boasts a significant aerial magnetic anomalism, indicative of a conceptual Olympic Dam IOCG style target. The anomalism is strongly supported by detailed geophysical survey and colonial era mapping which confirm breccia vents along with encouraging alteration, mineralogy and sulphides.

In Gabon, MTA is focusing on the 90 % owned Kroussou Project, which boasts a zinc –lead –silver –barite target thought to be a Mississippi Valley Type or Lennard Shelf Type target. So far, over 100 surface occurrences of zinc or lead mineralisation have been mapped, plus 1960's BRGM drilling intersected shallow zinc dominant Zn-Pb-Ag mineralised lenses in every drill hole. *(Ventures Africa)*

## OIL & GAS

### Shell, Statoil win Oil, Gas Blocks in Algeria

Oil Companies Interested Despite Killing of French Hostage in Algeria

Royal Dutch Shell PLC and Statoil AS said they had won blocks in an Algerian oil and gas bidding round—the first since a deadly terrorist attack at a gas plant last year. The interest by international oil companies for Algeria's oil sector comes despite the killing of a French hostage recently.

A consortium between Anglo-Dutch oil giant Shell, Algeria's state-owned Sonatrach and Spain's Repsol SA the operator, has won an oil and gas exploration license in Algeria, a Shell spokeswoman said in an emailed statement. A Repsol spokesman couldn't be reached. Separately, Norway's Statoil said on its website it had been awarded another block, also in partnership with Shell and Sonatrach.

However, only four of the 31 blocks on offer were awarded, according to an official at the agency overseeing the tender, the National Agency for the Valorisation of Hydrocarbon Resources.

The bidding round is the first since 2011 and comes after the country amended its law last year to reward exploration in difficult oil and gas reservoirs. Algeria has struggled to attract foreign investment to its oil sector in recent years, amid tough contractual terms and security fears.

At least 39 foreign hostages were killed last January when al-Qaeda-linked terrorists seized the In Amenas gas plant in Southeastern Algeria. Statoil announced earlier this month a decision to resume ordinary operations at the plant—where the company is a partner with BP PLC and Sonatrach.

But there are now fears the Islamic State, a radical group that has taken large swaths of territory in Syria and Iraq, may be expanding its presence to Algeria. Last week, a fringe Islamist militant group that recently declared its allegiance to the Islamic State claimed it had killed a French hostage in the North African nation, which was later confirmed by the French government. *(Wall Street Journal)*

### Shell Sells Nigerian Oil Block

**Dutch Company Agrees Deal With Taleveras-led Consortium, Two People Say**

Royal Dutch Shell has agreed to sell a productive Nigerian oil block to a consortium led by oil-trading firm Taleveras Group, say two people familiar with the matter.

Nigeria's Taleveras will pay Shell more than $2.5 billion for the block, known as Oil Mining License 29, and an associated pipeline.

Shell has been working to sell several of its onshore Nigerian holdings, which for years have been plagued by leaks stemming largely from oil theft.

OML 29 is the largest of the southern Niger Delta assets that Shell put up for auction last year. In addition to the oil block, the Taleveras deal includes the approximately 60-mile Nembe Creek pipeline, an aging pipe prone to leaks but which still serves as one of the country's main crude arteries. A Shell spokesman declined to comment specifically on OML 29. "We have signed sales and purchase agreements for some of the oil mining leases but not all that we are seeking to divest. In the event of a successful completion of the sales process we shall make a market announcement,"

he said. Taleveras said it was among the preferred bidders for block OML 29 but declined to comment when asked whether a deal had been finalized.
Selling the Nembe Creek Trunk Line—which moves oil through the Delta to the Atlantic coast—would be Shell's biggest move yet to exit onshore crude production in a region that has caused problems for decades. Over the past year, the Nembe Creek line has had multiple punctures and closures, and at least one fire.
However, it is also a potentially lucrative source of revenue, given that other companies pumping oil in the region pay to use it to get their crude to market. "This is a very good deal for Taleveras. OML 29 still pumps a lot of oil, and they can get the rents from the Nembe Creek pipeline," said one of the people.
The Shell-run entity that is selling the pipeline and oil blocks includes Shell, which has a 30% ownership stake, along with state-owned Nigeria National Petroleum Corp., which owns 55%, Total SA of France, which owns 10% and Eni SpA of Italy, with 5%.
Since 2010, Shell's Nigeria subsidiary has sold $1.8 billion in Nigeria assets and isn't alone among Western oil companies in reducing its onshore presence there. ConocoPhillips Co. sold its entire Nigerian upstream business to local player Oando PLC in June, and Chevron Corp. is in the process of selling some assets in the country as well. *(Wall Street Journal)*

**New Petrochemical Plant Will Save Egypt $500m**

A new state-owned ethylene factory in Egypt, located in Western Alexandria, is set to catapult the northern African nation into the group of petrochemicals exporting countries. And with Europe its number one market, it is exported to boost export revenues significantly as well as save the country as much as $500 million in yearly imports.
"70% of the production will be directed to the Egyptian market while the other 30% would be exported" Abdel Rahman Zeid, Chairman of Ethylene and Derivatives Company (ETHYDCO) in an Interview with Reuters. This announcement comes after Egypt's oil minister hinted that petrochemical projects in the country have been slowed by shortage in gas supplies.
The factory is operated by ETHYDCO, a joint venture by Egyptian Petrochemicals Holding Company (ECHEM), Gasco-Gas transport firm and Sidi Kerir Petrochemical, Egypt's Largest producer of petrochemical and four banks.
When completed, the $1.9 billion valued plant is expected to produce 45% of the local demand for ethylene and other petrochemicals needed to produce rubber, glass and plastics.
The factory is expected to produce about 400,000 tons of low and high density polyethylene, 460,000 tons of ethylene yearly, and for the first time in the country 20,000 tons of butadiene derivatives for manufacturing products such as golf balls and car tires and 36,000 tons of Polybutadiene. Egypt currently needs about 500,000 tons of ethylene yearly. *(Ventures Africa)*

**The international price of Brent Blend fell to US$90.76/barrel on October 8th**

The decline in the oil price-to its lowest level in more than 27 months, and 20% down on June highs of US$115.06/b- takes it well below Angola's budget breakeven level of US$98/b, and spells trouble for a country that relies on oil for nearly half of its income. OPEC, of which Angola is a member, is due to meet in November and could decide to cut production quotas to help readjust prices. However, although holding back supply may push oil prices back up, Angola is unlikely to want to cut its output, which is already well behind target because of a series of technical problems. It has previously asked for exemptions from production cuts owing to its post-war rehabilitation needs, and may do so again if an OPEC output cut is imposed.
In early October Angola's finance minister, Armando Manuel, acknowledged that Angola's stated oil-production target of 2m barrels/day (b/d) by 2015 was unrealistic, and pushed back the target until 2017. This contradicts previously bullish statements by the oil minister, José Maria Botelho de Vasconcelos, who had said that the goal remained within reach. Although no oil revenue data have been published on the Ministry of Finance website since July, state media in September reported Mr Vasconcelos as saying that the country was currently producing an average of 1.65m b/d.
This squeeze on Angola is a timely reminder that the country must do more to diversify its revenue away from hydrocarbons, which are highly vulnerable to global market fluctuations and price shocks. Although its non-oil growth has been impressive, it is not enough to counter the effects of falling oil revenue.
Angola's oil price forecast of US$98/b in the 2014 budget was conservative compared with that of most other OPEC members, even though it was a substantial increase on the US$81/b in the 2013 budget. However, Mr Manuel has already indicated that the price forecast will be lowered in 2015, to between US$88/b and US$92/b, to help protect against further shocks. *(Economist Intelligence Unit)*

**Oil-Price Slump Strains Budgets of Some OPEC Members: Oil-Producing Countries Face Steep Deficits If Price War Continues**

The continuing slump in global oil prices is punching holes in the budgets of oil-producing countries, including some OPEC members—like Iraq and Libya—that are struggling with severe political and security problems.
Many members of the Organization of the Petroleum Exporting Countries need oil prices to average way above the current Brent crude oil price of $89 per barrel to balance their books. They have ratcheted up annual spending since the Arab spring in 2011, and all rely heavily on oil-export receipts for income.

But most Gulf monarchies with relatively small populations—such as OPEC's biggest producer, Saudi Arabia—can cope with lower oil prices for some time, making it less urgent for them to cut oil output to boost prices. Saudi Arabia said it had increased crude output by 107,000 barrels per day in September to 9.7 million barrels daily. OPEC in total increased output to its highest level for over a year last month.

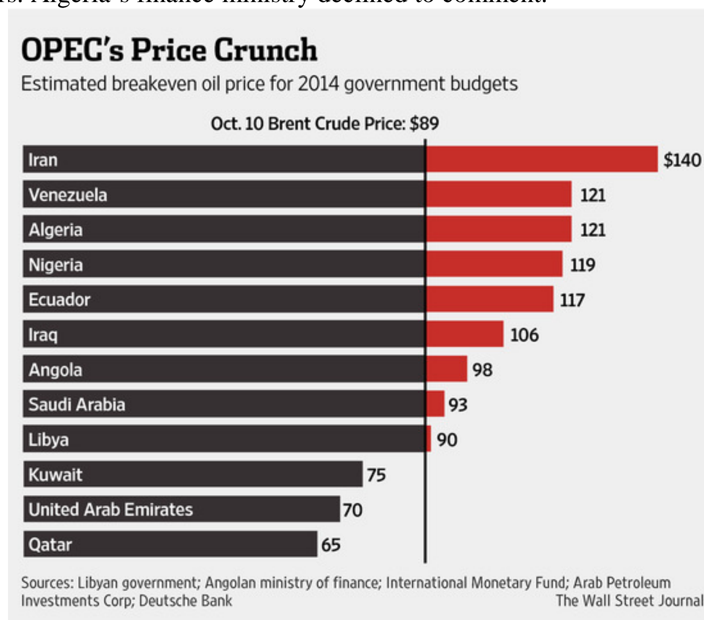
That means the current price war within OPEC is set to continue, putting further pressure on weaker nations. This week, Iran cut the price at which it sells oil to Asia to its lowest level since December 2008, even though it needs prices at $140 a barrel to achieve a balanced budget, according to analysts. The Islamic Republic is already subject to stifling international sanctions, which have led to a protracted economic contraction. "While Saudi Arabia, Kuwait and the United Arab Emirates could withstand a…drop in oil prices, many OPEC members will likely feel financial strain, making it hard to come to a consensus," Morgan Stanley analysts said in a recent note.

Concern is rising fast in Iraq, where pressure to spend more on security is intense amid the advance of radical Islamic State fighters. It needs oil prices at around $106 per barrel to avoid an annual budget deficit, the International Monetary Fund estimates, a break-even level already 12% higher than in 2011.

"Our budget 95% depends on oil, so if there's any decrease in the price, sure, it will negatively affect our budget," said Najeeba Najeeb, a lawmaker with the Kurdistan Democratic Party. An Iraqi government spokesman didn't respond to a request for comment.

Libya's government estimates its budget may have to assume a sharp fall in oil prices, meaning pressure to cut outlays is getting higher, according to a government official. But as it battles rebels often aligned with al-Qaeda and the Islamic State, spending on "security and military defense is paramount," said Salah al-Suhbi, a member of the Libyan parliament.

Algeria hiked its welfare spending after neighboring countries Libya and Tunisia toppled their leaders in 2011. But it now needs oil prices at $121 per barrel to avoid a budget deficit, the IMF estimates, and could slip into the red in 2014 for the first time in 15 years. Algeria's finance ministry declined to comment.




Struggling OPEC countries are suffering partly for failing to diversify their economies when oil prices were high, analysts say. They also haven't invested enough in their domestic oil industries to sustain them through leaner times.

Countries faced with mounting deficits will now "hardly be able to fund their share of [exploration and production] investment" said Ali Aissaoui, a consultant at Arab Petroleum Investments Corp., a bank owned by Arab oil producers.

Nor will tapping international debt markets be easy. Major ratings agencies don't even assign credit ratings to Iraq and Libya, while they rate the debt of fellow OPEC members Angola and Nigeria as speculative, making funding very expensive. The cost of servicing Nigerian debt has doubled in four years, according to its Debt Management Office.

Even Saudi Arabia's finances are getting tighter. It needs oil to average $93 per barrel to stay in the black, Deutsche Bank estimates. But with gross government debt at only 2.7% of GDP in 2013, according to the IMF, the kingdom can suffer budget pain much more easily than its OPEC peers. *(Wall Street Journal)*

**Cameroon eyes floating LNG plant**

According to media reports, Perenco, an Anglo-French oil and gas firm and the leading hydrocarbons producer in Cameroon, has been chosen by GDF Suez of France and the state-owned Société nationale des hydrocarbures (SNH) to establish a floating gas liquefaction facility in Cameroon.

The announcement, which was made at a Perenco event in Cameroon on September 30th, represents a major step forward for Cameroon LNG, a long-delayed project by GDF Suez and the SNH, as well as for the country's

hydrocarbons sector. Very little information has been disclosed, but according to press releases the liquefaction unit would be located near the soon to be completed port of Kribi in the South region, and could have a production capacity of 1.2m tonnes/year (t/y) of liquefied natural gas (LNG). According to Perenco, a floating LNG plant would enable Cameroon LNG to start producing LNG as soon as 2017.
GDF Suez and the SNH established a partnership to develop Cameroon LNG back in 2008, but the project has been hindered by geological and infrastructure constraints, as well as administrative hurdles. Until recently the firms planned to build an onshore 3.5m-t/y gas liquefaction plant, to be commissioned in 2018-an ambitious timeline in our view given typically slow project lead times in Cameroon and the hefty upfront investment needed. Although it is not entirely clear whether the planned floating LNG plant would replace or complement the onshore project, it paves the way for faster and cheaper development of liquefaction facilities. Golar LNG of Norway, a pioneer in the conversion of LNG transportation ships into liquefaction vessels, which is reportedly in advanced discussion with Cameroon LNG, could potentially deliver such a unit within three years.
Despite this news and the significant potential of Cameroon LNG-in addition to gas exports, the projects aim to supply the domestic market with liquefied petroleum gas and help to develop the use of gas-fuelled vehicles-some scepticism is warranted. A number of major investment projects are in the pipeline, mainly in the natural resources sector, and most of them, including Cameroon LNG, face significant delays owing to Cameroon's difficult operating conditions for businesses and investors. *(Economist Intelligence Unit)*

## INFRASTRUCTURE

### World Bank launches public-private infrastructure plan

The World Bank launched a new initiative that would bring together governments, development institutions and private investors to form public-private partnerships for infrastructure.
The initiative, known as the Global Infrastructure Facility, would structure projects to attract long-term investors such as pension funds and insurance companies in order to meet the **developing world's $1-trillion in infrastructure needs over the next six years.** "We have several-trillions of dollars in assets represented today looking for long-term, sustainable and stable investments," World Bank president Jim Yong Kim said. "**The real challenge is not a matter of money but a lack of bankable projects – a sufficient supply of commercially viable and sustainable infrastructure investments.**"
The idea has already attracted banking groups like Citibank and HSBC and the reinsurance firm Swiss Re, as well as the Australian and Japanese governments.
The facility itself, known as GIF, would not provide direct project funding but aims to bring in investors to advise governments on how to structure potential projects in order to attract private capital. It would also bring together a myriad of development institutions so they do not give conflicting advice to countries.
"There's a lot of money hidden under the mattress," Jordan Schwartz, head of the GIF, told reporters ahead of the launch, adding that pensions funds in Canada and Australia, and European insurance companies were particularly interested in investing in long-term stable projects. "In three to five years, (my goal is that) this has become the standard way we design a significant portfolio of projects," he said. *(Engineering News)*

### West Africa receives $19bn in infrastructure development

Eight West African nations – namely Benin, Burkina Faso, Mali, Guinea-Bissau, Niger, Ivory Coast, Senegal and Togo – are set to benefit from a $19 billion investment to tackle their infrastructure deficits. The investment is the result of a partnership between the West African Development Bank (BOAD), the West Africa Economic and Monetary Union (UEMOA), and Global Finance and Capital Ltd (GFCL). The regional bloc represents a population of 100 million.
The $19 billion investment includes the following three primary delegations:
•Abu Dhabi's Trojan General Contracting has won $16 billion to develop rail and road across Senegal, Mali and Burkina Faso;
•Essar Projects, the UAE subsidiary of India's Essar Group, will have $1.98 billion to use for airport, road, bridge and thermal power plant projects in Niger, Benin and Guinea-Bissua; and
•Oman-based Hasan Juma Backer Trading and Contracting has $700 million to develop a dry port in Ivory Coast.
Speaking at last month's West African Investment Forum in Dubai, Cheikhe Hadjibou Soumare, past president of Senegal and present-day president of the UEMOA commission, said the investment is "important for the future of our region and constitutes a paradigm shift for the union in the face of important infrastructure challenges". He added that "These integrative infrastructure projects will have a strong regional impact. The West Africa Investment Forum heralds a new era of economic openness and is an opportunity to promote the region's tremendous potential to institutional and private investors from around the world."
Huge investment from UAE: "Dubai is today the centre of business," said Beninese president Thomas Yani Boyi. "The UAE is a real reference of growth and progress." He praised the new deal with West Africa, saying "We have a lot of natural resources and wealth in our countries". He also described the projects as the beginning of "a Marshall Plan" for

West Africa. Backed by immense oil wealth, Emirati businesses have over recent years been determinedly investing abroad, with Africa a primary destination owing to its high growth potential.
Trojan General Contracting is one of the UAE's fast-growing construction firms, boasting operations in Afghanistan, Iraq, Jordan, Morocco, Russia, and the Seychelles, and now in West Africa too. It is known as the "Construction Arm of the Royal Group" and is owned by Tahnoon bin Zayed Al Nahyan, a member of the Abu Dhabi royal family. *(KPMG)*

## TELECOM

### Africa Telecom: The 'Favourite' Opportunities

Africa's telecom sector remains one of the most sought after investment opportunities. Unlike in many other regions globally, the African telecom sector still offers significant growth potential.
Mobile voice and data revenues in Africa are projected to continue a strong growth projection over the next few years, whereas voice revenues are already declining or forecasted to decline in the near term. Sales in Africa (in U.S. dollars) are forecast to grow approximately 9.6% in 2014 and an average of 6% annually from 2015 to 2018, compared to a meagre 3.3% in 2013. The emergence of data usage in Africa accounts for a significant portion of Africa's mobile growth, rising from approximately 14 % of mobile service revenues in 2012 to a forecasted 26% to 27% in 2018.
The realization of an African mobile broadband network continues to drive these numbers. Fixed broadband line penetration remains less than 6% in sub-Saharan Africa. Higher rates of household penetration are recorded in North Africa as well as South Africa and Mauritius. Mobile broadband subscriptions in Africa accordingly represent the changing dynamics of 'Africa' internet usage, projecting to 800-plus million subscriptions in 2018 compared to 105 million in 2013 and a forecast of 174 million in 2014.
But what does this all mean? African markets are still complex with many challenges. Low revenue subscribers account for significant portion of African mobile users. African turf wars have escalated between old and new operators and banks (of all groups) as mobile payment offerings and data offerings become prime battling grounds for revenues. Consumer-based applications and related offerings are still relatively new with their creativity but will continue to rapidly develop and also add another nuance to the profitability landscape.
All that being said, this article picks my three favourite markets for telecom over the next couple years, based on the numerous nuances and moving factors in their local context. *(Ventures Africa)*

### MTN Sets Up Data And Switch Centers In Ghana

As part of its moves to bolster its presence on the continent by explioting strategic African markets, Mobile Telecommunications Network (MTN) Ghana has established three switch and data centres aimed at improving the user experience of its customer base by improving voice and data services.
One of the new stores, located at the Osu Mall in Accra, is the first of its kind in Ghana and it is primed to deliver provide experiential data services, high-end handsets, laptops, phone accessories, modems and other electronic gadgets.
Chief Executive Officer (CEO) of MTN Ghana, Serame Taukobong, while launching the Data Store, said; "Leading the delivery of a bold new digital world includes giving people the opportunity to truly experience the benefits of digitization and this event here today is in line with that vision. MTN stands at the doorway of innovation in Ghana. This shop is the first in the industry and is another proof of MTN's market leadership in the delivery of a bold new digital world to our customers.
He added that the store was the first of about 20 data stores the company intends to open in the country by 2015.
Mr Taukobong revealed that MTN was continuously looking for ways to educate customers about the value they can derive from properly leveraging the internet. In his words, "The just-ended iFest month celebration is also one of the many activities we have used to educate customers about the internet and empower them to benefit from it."
Beyond setting up the data center, MTN has recently committed $90 million into the 14,000 km West African Cable System (WACS) and rolled out more than 11,000 3G sites across the country. *(Ventures Africa)*

### Huawei Sets Camp In Namibia's Telecom Sector

World's largest telecommunications equipment manufacturer Huawei has expanded its operation into Namibia, after partnering several companies including the country's state broadcaster, Namibian Broadcasting Corporation (NBC).
"In partnership with the local operators, Huawei is serving two million Namibians with voice communication, Internet access and digital television programmes using hundreds of radio base stations and thousands of kilometres fiber connectivity all over the country," said Yang Zhongbo, the Vice President for Huawei Eastern and Southern Africa.
Huawei is now the largest telecommunications equipment maker in the world, having overtaken Ericsson in 2012. The company was founded in 1987 by Ren Zhengfei, a former engineer in the People Liberation Army, and formed as a private company owned by its employees.
At the time of its establishment Huawei was focused on manufacturing phone switches but has since expanded its business to include building telecommunications networks; providing operational and consulting services and equipment to enterprises inside and outside of China; and manufacturing communications devices for the consumer market.

Huawei has over 140,000 employees, around 46 % of whom are engaged in research and development (R&D). It has 21 R&D institutes in countries including China, the USA, Canada, UK, Pakistan, France, Germany, Colombia, Sweden, Ireland, Russia and Turkey and in 2013 invested $5 billion in R&D. *(Ventures Africa)*

**Movitel Awarded Africa's Fastest Growing Company**

Movitel, a joint venture between of Viettel in Mozambiuqe gains its second honourable international prize in the year by winning Golden Globe of "Fastest Growing of the Year in Middle-East and Africa" at the International Business Award 2014.

Within only one year, Movitel has increased its coverage area from 60 to 80 % and doubled the number of covered people from 35 to 85%. Nearly 600,000 people in at least 5 rural districts in Mozambique have been covered and served telecom services for the first time in life. Movitel has had over 5 million users, taking the leading position in the mobile market.

By the end of 2012, only 6 months from launching, Movitel made total revenue of $69.7 million. The next year saw significant rise in revenue, $154.5 million, of which, $102.3 million was recorded in the second half of the year, which was an increase of 65.8% year-on-year.

Movitel has improved its successful business strategy as a caring and innovative network for every Mozambican. Especially, Movitel is becoming the favorite operator among the youth and urbanites.

The Stevie Awards is the second prize presented to Movitel in 2014 after the first one in July: "Best Mobile Innovation Award". In 2012, Movitel won the Rural Telecom Award of the AfricaCom Awards. In 2013, it was presented the Competitive Strategy Leadership award by The American Research and Consulting firm Frost and Sullivan.

Viettel has been granted telecommunications in 9 countries with total population of over 160 million, and investment value of $1.5 billion. 5 subsidiary companies in Cambodia, Laos, Haiti, Mozambique and Timor have provided services. 2 companies in Peru and Cameroon is going having official launching on October 2014. The other 2 in Burundi and Tanzania are under infrastructure deployment of their networks.

Total revenue from overseas business of Viettel reached $1 billion in 2013 with around 11.5 million subscribers, bringing in more than $180.5 million accumulated profits. *(Ventures Africa)*

## AGRIBUSINESS

**Agriculture: The key to Africa's development**

On the occasion of the African Development Bank's commemoration of the Africa Year of Agriculture and Food Security, on September 29, 2014 in Abidjan, Chiji Ojukwu, Director of the AfDB's Agriculture and Agro Industry Department, reflects on the importance of agriculture in Africa.

**What are the main food crops and cash crops that can help the continent address its food security and reduce poverty? What are the Bank's future concrete actions to sustain these on the ground?**

Chiji Ojukwu: The strategic priority crops designated by the AUC in Africa are maize, rice, cassava and wheat. These crops also constitute the basis of the Bank's US $60 million support to agricultural research at the International Institute of Tropical Agriculture (IITA), International Center for Agricultural Research in the Dry Areas (ICARDA), Africa Rice and International Food Policy Research Institute (IFPRI). However, as part of the Bank's new Agriculture Policy and Strategy [2015-2019], support for the development of agricultural value chains in these crops will also involve increased value addition along the supply chain. Future support for agricultural infrastructure will involve increased investments in irrigation, feeder roads and off-grid energy access in the rural areas. In addition, though not through support to research, the Bank also invests in livestock and fisheries infrastructure development, including aquaculture.

**How can trade in agriculture between African countries be improved?**

CO: In an increasingly globalized environment, Africa's participation in the global agricultural market remains limited, at only 2%. Regional trade has so far played only a marginal role. Africa's highest trade volume in 2012 for food exports was from East Africa at a just 16%, compared with West Asia's at 45.3%. Africa's current internal trade is low – making up only about 10% of its total trade. For the developing countries in Asia, intraregional trade as a share of total trade was roughly 17% in 2010; for the member countries of the European Union, the same figure was more than 60%.

Improving global agricultural trade will require changes to subsidy policies of rich countries, expanding market access and reversing supply constraints such as poor infrastructure, limited trade finance among others. The main factors that impinge on increasing intra-African trade levels include limited regional integration, weak economic diversification, persistent conflicts, infrastructure and cross border issues, and low level of value addition. Africa imports US $25 billion of food annually. Improved value addition and processing can improve internal supply and import substitution through domestic production and trade.

**In spite of efforts by the Bank and African governments, there are still shortfalls in agriculture productivity. How do we reduce the huge deficit in financing agriculture in Africa?**

CO: Africa's farm yields are low and the agriculture sector in Africa is the least productive in the world, with an average productivity rate of 36%. Africa's current food import is in excess of US $25 billion per year. The continent currently imports more than 23,000 metric tons of cereals annually and its food trade deficit is projected to grow to more than 98,000 metric tons by 2050. Only 34% of rural Africans are living within two kilometres of an all-season road, compared to East Asia and the Pacific countries where 90% of the rural populations have such access. According to the Africa Infrastructure Country Diagnostic (AICD), 39 million hectares of agricultural land in Africa is physically suitable for irrigation, yet the percentage of irrigated arable land is 7% (barely 3.7% in Sub-Saharan Africa). An annual increase in irrigation investment by African countries of 3.6% would triple the irrigated harvested area to 22 million hectares by 2050.

Between 1967-2013, the Bank has invested more than US $12 billion in the agriculture sector on the continent. With about 65% of Africa's population living in rural areas, Governments will need to invest more in rural infrastructure to ensure shared growth. Financing agriculture in the future will have to come from new and innovative ways. However, it must start with Governments honoring the Maputo Pledge to allocate at least 10% of national budgets to agriculture. Promoting anchor investments and out-grower schemes can bring the new technology and innovation required to close the food import gap. Radical land reforms can place millions of hectares under more equitable and secure tenancy arrangements and can attract substantial 'collaterized' investments into the sector. The Bank will work with the RMCs and our partners to substantially reduce the financing deficit.

**What will be the form of the Bank's new agriculture strategy starting in 2015?**

CO: The Bank's New Agriculture and Agribusiness Policy and Strategy [2015-2019] seeks to promote agriculture value chains and bring the sector to the top of the African transformation agenda by establishing a renewed framework for the Bank's role. It focuses on three mutually reinforcing areas: (i) expanding agriculture infrastructure; (ii) promoting agribusiness and innovation; and, (iii) building resilience and promoting the sustainable management of natural resources. In addition, the strategy now views agriculture as a profitable business for Africa and prioritizes the development of smallholder farmers as they play a vital role in boosting growth, reducing poverty and ensuring food and nutritional security. The proposed new policy will also focus on creating youth employment in agriculture and agribusiness as well as special initiatives to empower women. *(AFDB)*

## Dow AgroSciences investing heavily in Africa

Dow AgroSciences, the American manufacturer of products devoted to crop protection, is deepening its investment into Africa in order to claim a bigger stake in the continent's vast agricultural potential. It is doing this by entering new countries, and also by removing the middle man in countries where it already had operations, believing now that the best way to do business in Africa is to have a local presence.

Dow AgroSciences sells adjuvants, insecticides, herbicides, fumigants and fungicides to treat a range of crops from wheat to flowers and vegetables.

**The need to focus on African agriculture**

With Africa widely acknowledged as the next frontier in agricultural development, having as it does the largest portion of uncultivated arable land in the world, Dow AgroSciences is looking to the future of the industry by strengthening its African portfolio.

"We need to step up food production and one place in the world where there is great potential to do just that is Africa. This is where we can get real growth. We have to use existing farmland and intensify production. And to do so we need better technologies that are sustainable," says marketing specialist at Dow Johan Janse van Rensburg.

**Choice of developing markets with high growth potential**

Jean Francois Rolland, portfolio manager for Africa at Dow AgroSciences, says his firm is making "a very substantial increase of resources" in numerous countries that include Ethiopia, Morocco, Egypt, Tunisia, Ghana, Cote d'Ivoire, Kenya and Tanzania. These countries have been selected based on their merits as emerging markets with high growth potential. Speaking of the African market, Rolland says, "This is an important market for us because, as opposed to European markets which are mature, the African markets are still developing and there are opportunities for further growth. […] We look at Africa as a place where there are lots of crops for which the yields and quality can be improved. Farmers need sophisticated ways to tackle insect control. So we will invest more because we see agriculture as a driver in their economies."

**East African region to be managed locally**

"We see the Southern and East Africa regions as very interesting developing markets," says Rolland. Marketing specialist at Dow Johan Janse van Rensburg says that previously East Africa was managed remotely from France. The company has now changed policy and all English-speaking countries will have locally placed, English-speaking managers. Rolland says his company is committed to working together with local partners, because "Without that, you cannot understand the local markets, the needs, the limitations and the potential."

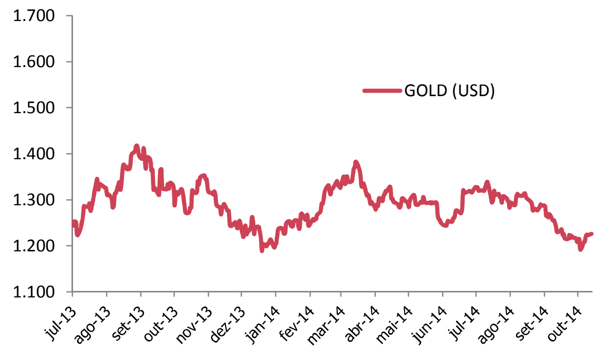
**West African markets under consideration**

Apart from Ghana, Dow AgroSciences is still adopting a cautious approach towards investment in the west of the continent. "The West Africa market is a little bit complex," says Rolland, "because of political instability in some

**MARKET INDICATORS**
13-10-2014

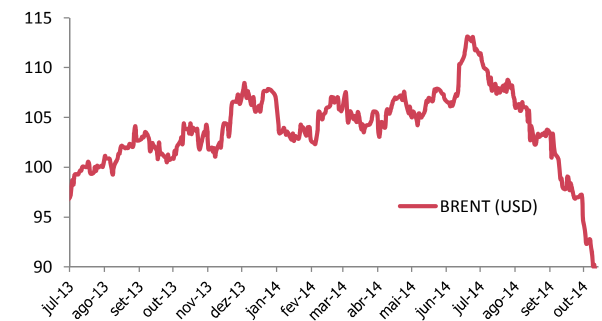
| STOCK EXCHANGES | | |
|---|---|---|
| Index Name (Country) | 13-10-2014 | YTD % Change |
| Botswana Gaborone Domestic Index (Botswana) | 9.526,58 | 26,85% |
| Bourse Régionale des Valeurs Mobilières (Ivory Coast) | 254,65 | 52,87% |
| Case 30 Index (Egypt) | 9.113,39 | 66,84% |
| FTSE NSE Kenya 15 Index (Kenya) | 210,76 | 67,60% |
| Morocco Casablanca Stock Exchange CFG 25 (Morocco) | 20.836,98 | 8,85% |
| Nigerian Stock Exchange All Share Index (Nigeria) | 40.449,48 | 44,06% |
| FTSE/JSE Africa All Shares Index (South Africa) | 47.408,82 | 20,79% |
| Tunindex (Tunisia) | 4.608,11 | 0,62% |

Source: Bloomberg and Eaglestone Securities



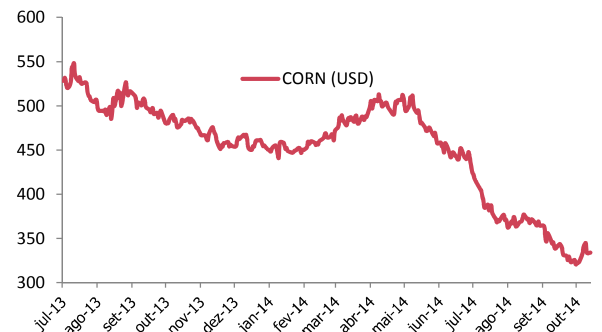

| METALS | Spot | YTD % Change |
|---|---|---|
| Gold | 1.226 | -26,83% |
| Silver | 17 | -42,62% |
| Platinum | 1.261 | -18,10% |
| Copper $/mt | 6.645 | -16,21% |

Source: Bloomberg and Eaglestone Securities



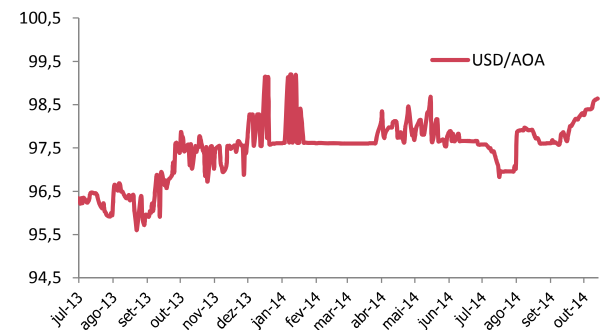

| ENERGY | Spot | YTD % Change |
|---|---|---|
| NYMEX WTI Crude (USD/barril) | 84,6 | -9,17% |
| ICE Brent (USD/barril) | 88,3 | -18,56% |
| ICE Gasoil (USD/cents per tonne) | 759,8 | -17,04% |

Source: Bloomberg and Eaglestone Securities



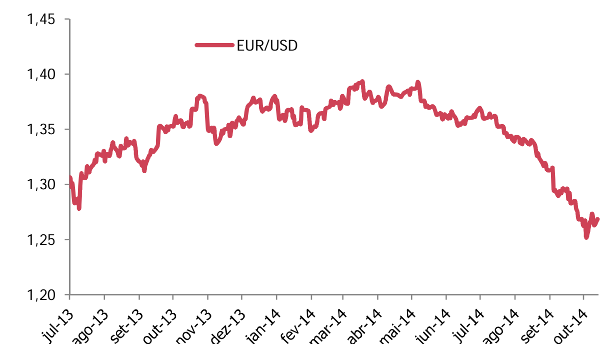

| AGRICULTURE | Spot | YTD % Change |
|---|---|---|
| Corn cents/bu. | 334,0 | -52,30% |
| Wheat cents/bu. | 497,0 | -36,91% |
| Coffee (KC) c/lb | 223,7 | 52,45% |
| Sugar#11 c/lb | 16,6 | -15,96% |
| Cocoa $/mt | 3180,0 | 41,08% |
| Cotton cents/lb | 64,4 | -15,08% |
| Soybeans c/bsh | 923,8 | -33,98% |

Source: Bloomberg and Eaglestone Securities




| CURRENCIES | Spot |
|---|---|
| **KWANZAS** | |
| USD | 98,640 |
| EUR | 125,121 |
| GBP | 158,767 |
| ZAR | 8,936 |
| BRL | 40,972 |
| **NEW MOZAMBIQUE METICAL** | |
| USD | 31,350 |
| EUR | 39,386 |
| GBP | 49,977 |
| ZAR | 2,813 |
| **SOUTH AFRICAN RAND SPOT** | |
| USD | 11,038 |
| EUR | 14,003 |
| GBP | 17,767 |
| BRL | 4,585 |
| **EUROZONE** | |
| USD | 1,27 |
| GBP | 0,79 |
| CHF | 1,21 |
| JPY | 136,21 |
| GBP / USD | 1,61 |

Source: Bloomberg and Eaglestone Securities



countries. For instance, Nigeria has a problematic political stability, but it is still a big country and lots of people who all need food. We have no direct presence there yet, but are considering it."

**Meeting the challenges of the African marketplace**

In the past Dow AgroSciences has struggled to make its products affordable to African consumers, and to package them appropriately. "Other challenges," says Rolland, "include foreign currency availability. Payment credit terms are also often a difficult subject. Sometimes farmers and distributors may have the need to buy your products but don't have the means to pay. So we also have the job of arranging the credit side to make sure that they have access to finances."

Dow AgroSciences's parent company already has a substantial presence on the African continent; Dow Chemical Company (or Dow for short) has been operating in Africa for decades. In 2013 Dow made global sales of US$1.7 billion. *(KPMG)*

## UPCOMING EVENTS

**Launch of World Energy Outlook 2014 Special Report on Africa**

Sub-Saharan Africa's energy sector can be improved to unlock a better life for its citizens. This report describes one of the most poorly understood parts of the global energy system, offers an authoritative study of its future prospects, broken down by fuel, sector and sub-region and shows how investment in the sub-Saharan energy sector can stimulate rapid economic and social development across the region.

The report:

- Explores how quickly modern energy might be brought to the huge population currently deprived of it.
- Highlights key actions in the energy sector that can unleash more rapid economic and social development in sub-Saharan Africa.
- Examines how existing and emerging oil and gas producers can maximise the value of their resources for economic development.
- Evaluates the role of renewables in the region's energy future, and how important mini- and off-grid solutions can be in providing access to electricity.
- Identifies the benefits that greater regional integration of the energy sector can bring, as well as mapping the future role of sub-Saharan Africa in the global energy system.

**Ministerial Conference "Italy-Africa, working together for a sustainable energy future", 14 October 2014, Rome**

*http://www.esteri.it/MAE/IT*

**Launch of the Africa Energy Outlook at BMZ, 17 October 2014, Berlin**

*http://www.bmz.de/en/index.html*

**Turkey Launch of the World Energy Outlook 2014 Africa Special Report, 20 October 2014, Sabanci Center, Istanbul**

*http://iicec.sabanciuniv.edu/*

**Rabat to Host 2nd Ministerial Forum on Science, Technology and Innovation in Africa**

The African Development Bank and its partners will organise the second Ministerial Forum on Science, Technology and Innovation (STI) in Africa. The forum will convene at the Hassan II Academy of Science and Technology **in Rabat, Morocco from 14-17 October 2014.**

Hosted by the Government of Morocco, and organised by the African Development Bank (AfDB) and the Government of Finland, this Forum will consist of a pre-forum (October 14), two technical conference days (October 15-16) and a Ministerial Forum (October 17). It aims at engaging African Ministers in charge of Higher Education, Science and Technology as well as Industry in a dialogue with the private sector, academia, diaspora, civil society and scientific communities globally on how to promote inclusive and green growth through scientific and technological innovation in Africa.

*http://www.afdb.org/en/news-and-events/article/rabat-to-host-2nd-ministerial-forum-on-science-technology-and-innovation-in-africa-13358/*

**Africa Agri Forum – October 13-14 – Abidjan**

Placed under the theme "Which green revolution for the African continent", the meeting will be the opportunity to private and public actors of the sector to evoke the questions related to the role of the African governments in the development and the promotion of agriculture.

*http://www.i-conferences.org/africa-agri-forum/*

**Private Equity in Emerging Markets | EM PE Week in London**

**14 October 2014 |** Intercontinental Park Lane, London. Organised by The Financial Times and EMPEA

This one-day conference engages industry thought leaders in discussions about the latest developments in the asset class and emerging economies, leveraging the expertise of the Financial Times's global markets coverage and EMPEA's

insight into long-term, growth capital investments. Join your industry peers and a host of expert speakers to gain practical insight into some of private equity's most dynamic markets
*http://empea.org/events-education/conferences/private-equity-in-emerging-markets-em-pe-week-in-london/*

**Private Equity in Africa | EM PE Week in London**
**15 October 2014 |** Intercontinental Park Lane, London. Organised by The Financial Times and EMPEA
This leadership summit considers the role that the private equity industry – which has been amongst the most active in responding to Africa's commercial opportunity – can play in harnessing Africa's growth for economic transformation.
*http://empea.org/events-education/conferences/private-equity-in-africa-em-pe-week-in-london/*

**UNECA Ninth African Development Forum 12th-16th October Marrakech, Morocco. Theme: Innovative Financing for Africa's transformation.** It wil offer a platform for prominent African stakeholders to share key information and participate in focused and in-depth discussions on issues relating to innovative financing mechanisms.
*Info: www.adf9.org*

**EMPEA Fundraising Masterclass | EM PE Week in London - 16 October 2014**
The EMPEA Fundraising Masterclass will return to London on 16 October 2014, bringing our expert faculty of senior DFI representatives and industry experts to arm fund managers with tools and best practices for raising funds for private equity investment in emerging economies.
*http://empea.org/events-education/conferences/empea-fundraising-masterclass-em-pe-week-in-london-1/*

**The Global African Investment Summit – 20th -21st October in London, runs in partnership with 5 African state houses.** It brings together public and private sectors to discuss specific transactions, access to finance, and over 30 bankable projects in sub-saharan Africa needing investment and technology transfer.

**Norwegian African Business Summit 2014 – Mapping The African Infrastructure Landscape – 30th Oct, Radisson Blu Scandinavia Hotel Oslo, Norway.** *www.norwegianafrican.no*

**African Economic Conference 2014: "Knowledge and Innovation for Africa's Transformation"**
The 9th edition of the African Economic Conference will take place in **Abidjan, Côte d'Ivoire, on November 1-3, 2014** on the theme "Knowledge and Innovation for Africa's Transformation".
The Conference, which is co-organized each year by the African Development Bank (AfDB), United Nations Economic Commission for Africa (ECA) and United Nations Development Programme (UNDP), will provide a unique opportunity for researchers, policy-makers and development practitioners from Africa and elsewhere, to explore Africa's existing knowledge generation approaches and frameworks, the efficacy of its knowledge and innovation institutions in developing needed skills, technology and innovation capacities. It will look at the policies required in the areas of knowledge generation and innovation to achieve Africa's transformation agenda. *http://www.afdb.org/en/news-and-events/article/african-economic-conference-2014-knowledge-and-innovation-for-africas-transformation-13380/*

**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.

**African Economic Conference 2014: "Knowledge and Innovation for Africa's Transformation", Addis-Ababa, Ethiopia**
The 9th edition of the African Economic Conference will take place in Addis-Ababa, Ethiopia, on November 1-3, 2014 on the theme "Knowledge and Innovation for Africa's Transformation".
The Conference, which is co-organized each year by the African Development Bank (AfDB), United Nations Economic Commission for Africa (ECA) and United Nations Development Programme (UNDP), will provide a unique opportunity for researchers, policy-makers and development practitioners from Africa and elsewhere, to explore Africa's existing knowledge generation approaches and frameworks, the efficacy of its knowledge and innovation institutions in developing needed skills, technology and innovation capacities. It will look at the policies required in the areas of knowledge generation and innovation to achieve Africa's transformation agenda.
*http://www.afdb.org/en/news-and-events/article/african-economic-conference-2014-knowledge-and-innovation-for-africas-transformation-13380/*

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Disclosures

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

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

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

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

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