INSIDE AFRICA

Now is the time to invest in Africa

14 October 2013

EAGLESTONE
SECURITIES

Contents

IN-DEPTH:

- IMF World Economic Outlook: *Growth in sub-Saharan Africa* 2
- SOVEREIGN RATINGS 2
- African Development Bank 5

INVESTMENTS 6

BANKING
- BANKS 7
- DEALS 10
- MARKETS 11
- TECH 11

ENERGY 12

MINING 15

OIL & GAS 16

INFRASTRUCTURE 18

AGRIBUSINESS 20

MANUFACTURING 21

TRADE 22

MARKETS INDICATORS 23

UPCOMING EVENTS 25

BRIEFS

UK the top investor
Britain was the top investor in Africa with 437 deals worth $30.5bn since 2003, followed by France (141 deals worth $30.47bn) and China (49 deals worth $20.8bn).
The total value of deals in Africa by foreign investors has tripled to $183bn in the past decade, with deal volumes up 109% at 2,417.

- Metals and mining saw the most activity, with 752 deals worth $33.9bn,
- oil and gas 299 deals worth $29.6bn and
- wireless 33 deals worth $25.4bn

$7,526m World Bank's total new commitments to Africa in 2012.

WORLD BANK LENDING in 2012

Economic Management	4%
Environment & natural resources management	11%
Financial &private sector development	13%
Human development	14%
Public sector governance	11%
Rule of law	1%
Rural development	5%
Social development, gender & inclusion	4%
Social protection & risk mangement	10%
Trade & integration	5%
Urban development	12%

WORLD BANK LENDING by Region in 2012

Middle East & North Africa	4%
South Asia	18%
Africa	21%
East Asia & Pacific	19%
Europe & Central Asia	19%
Latin America & Caribbean	19%

In-depth:

IMF World Economic Outlook: *Growth in sub-Saharan Africa*

Growth in sub-Saharan Africa remained robust in 2012–13 and is expected to accelerate somewhat in 2014 reflecting strong domestic demand in most of the region. Nevertheless, spillovers from sluggish external demand, reversal of capital flows, and declines in commodity prices are contributing to somewhat weaker growth prospects in many countries relative to the April 2013 WEO. Policies should aim to rebuild room for policy maneuvering where it has been eroded, and more broadly to mobilize revenue to address social and investment needs. To achieve sustainable and inclusive growth in the medium term, governments should deepen structural reforms and give priority to infrastructure investment and social spending.

Activity in sub-Saharan Africa remained strong in the beginning of 2013, although marginally down from 2012, supported in most countries by domestic demand. Growth was particularly strong in low-income and fragile states, with the notable exceptions of Mali and Guinea-Bissau, which were affected by internal civil conflicts. Angola benefited from a recovery in oil production. In Nigeria, still high oil prices underpinned strong growth, notwithstanding temporary downdrafts from security problems in the north and oil theft. In Ethiopia, declining coffee prices and supply bottlenecks slowed growth slightly from a very high level. However, South Africa's growth slowed further, in large part due to tense industrial relations, anemic private investment, and weaker consumption growth, the latter affected by slowing disposable income growth and weakening consumer confidence. With a few exceptions, inflation remained broadly stable in the region.

SOVEREIGN RATING

Eurozone

	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
30-09-2013	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	CCC+	B-	NP	C	B
Estonia	A1	AA-	A+	NR	A-1+	F1
Finland	Aaa	AAA	AAA	NR	A-1+	F1+
France	Aa1	AA+u	AA+	NR	A-1+u	F1+
Germany	Aaa	AAAu	AAA	NR	A-1+u	F1+
Greece	C	B-	B-	NP	B	B
Ireland	Ba1	BBB+	BBB+	NP	A-2	F2
Italy	Baa2	BBB u	BBB+	NP	A-2	F2
Luxembourg	Aaa	AAA	AAA	NR	A-1+	F1+
Malta	A3	BBB+	A	NR	A-2	F1
Neherlands	Aaa	AAAu	AAA	P-1	A-1+u	F1+
Portugal	Ba3	BB-	BB+	NR	B	B
Slovakia	A2	A	A+	NR	A-1	F1
Slovenia	Ba1	A-	BBB+	NR	A-2	F2
Spain	Baa3	BBB-	BBB	P-3	A-3	F2

Sources: Bloomberg, Eaglestone Advisory

30-09-2013	North and South America - Asia					
	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
USA	Aaa	AA+u	AAA	NR	A-1+u	F1+
CANADA	Aaa	AAA	AAA	NR	A-1+	F1+
BRAZIL	Baa2	BBB	BBB	NR	A-2	F2
ARGENTINA	B3	CCC+u	CC	NR	Cu	C
URUGUAY	Baa3	BBB-	BBB-	NR	A-3	F3
COLOMBIA	Baa3	BBB	BBB-	NR	A-2	F3
INDIA	Baa3	BBB-u	BBB-	NR	A-3u	F3
CHINA	Aa3	AA-	A+	NR	A-1+	F1+
JAPAN	Aa3	AA-u	A+	NR	A-1+u	F1+
AUSTRALIA	Aaa	AAAu	AAA	NR	A-1+u	F1+

Sources: Bloomberg, Eaglestone Advisory

30-09-2013	Region - Africa/Middle East					
	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Angola	Ba3	BB-	BB-	NR	B	B
Bahrain	Baa2	BBB	BBB	NR	A-2	F3
Benin	NR	B	WD	NR	B	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	CCC+	B-	NR	C	B
Emirate of Abu Dhabi	Aa2	AA	AA	NR	A-1+	F1+
Gabon	NR	BB-	BB-	NR	B	B
Ghana	B1	B	B+	NR	B	B
Iran	NR	NR	NR	WR	NR	NR
Israel	A1	A+	A	NR	A-1	F1
Jordan	B1	BB-	NR	NR	B	NR
Kenya	B1	B+	B+	NR	B	B
Kuwait	Aa2	AA	AA	NR	A-1+	F1+
Lebanon	B1	B	B	NR	B	B
Lesotho	NR	NR	BB-	NR	NR	B
Libya	NR	NR	WD	NR	NR	WD
Mali	NR	NR	WD	NR	NR	NR
Mauritius	Baa1	NR	NR	NR	NR	NR
Morocco	Ba1	BBB-	BBB-	NR	A-3	F3
Mozambique	B1	B+	B+	NR	B	B
Namibia	Baa3	NR	BBB-	NR	NR	F3
Nigeria	Ba3	BB-	BB-	NR	B	B
Oman	A1	A	NR	NR	A-1	NR
Qatar	Aa2	AA	NR	NR	A-1+	NR
Republic of Zambia	B1	B+	B+	NR	B	B
Rwanda	NR	B	B	NR	B	B
Saudi Arabia	Aa3	AA-	AA-	NR	A-1+	F1+
Senegal	B1	B+	NR	NR	B	NR
Seychelles	NR	NR	B	NR	NR	B
South Africa	Baa1	BBB	BBB	P-2	A-2	F3
Tunisia	Ba2	B	BB+	NR	B	B
Uganda	NR	B+	B	NR	B	B
United Arab Emirates	Aa2	NR	NR	NR	NR	NR

Sources: Bloomberg, Eaglestone Advisory

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

Moody's says Angola and Mozambique plan to issue debt on international markets

Angola and Mozambique are expected to issue sovereign debt on the international financial markets this year or in the near future, rating agency Moody's said in a special report on African debt issues. "We have identified six countries in sub-Saharan Africa that we believe will begin issuing sovereign debt on international markets in the next few years,"

Moody's said, listing Angola, Mozambique, Cameroon, Kenya, Tanzania and Uganda and noting that each country would be looking to net at least US$500 million. By issuing bonds these countries will be listed on the JP Morgan EMBIG index, which, moody's said, "will not only help to increase their visibility amongst a wider range of investors, but also set a benchmark yield for local companies and banks that want to issue international bonds." With average economic growth of 5 to 6 percent in the next few years, according to estimates by Moody's analysts, these African countries are, however, not expected to use bond issues as their main source of finance. Angola, for example, has taken out a number of loans from Chinese banks at a lower rate of interest than that offered to other countries outside of Africa's emerging markets.

Will Mozambique be the next China?

A new report has identified the fifteen economies poised to outgrow China over the next 10 years, with Mozambique topping the leader board.

According to analysts at economic research firm Business Monitor International (BMI), investors who are willing to invest outside of the usual emerging market economies will be better placed to to enjoy strong returns. David Snowdon, head of econometrics at BMI, said: "While many people look no further than China and the BRICs, there are a whole host of emerging markets growing much faster."

The BRIC economies are Brazil, Russia, India and China.

BMI forecasts Mozambique to be the fastest growing economy in the world over the next 10 years, with predicted GDP growth of 158.8% over a ten year forecast period to 2022. This is almost double the 80.6% expansion forecasted for China. The report said the Mozambique government's commitment to reduce poverty and the country's vast natural resources will provide strong growth going forward. Tanzania, Iraq, Mongolia and Uganda complete the rest of the top five. Five Asian economies feature in the list, alongside single representatives from the Middle East and Europe.

Snowden added: "Many of these economies are commodity plays where significant opportunities also exist for infrastructure, engineering firms, and companies targeting a growing consumer sector. While China may be larger in population terms and have a bigger economy, there are many huge opportunities across emerging markets which are ignored at investors' peril." A recent Bank of America Merrill Lynch report said that the poor performance of emerging market equities over the past year has caused global investors to turn to frontier markets for better returns.

Assets under management in frontier market funds more than doubled to $3.1bn between January and August 2013, while emerging market funds suffered outflows of $2.1bn.*(Your Money.com)*

Sub-Saharan African countries at risk from tightening liquidity conditions – Fitch

Sub-Saharan African (SSA) countries that are reliant on short-term capital flows to finance large current account and budget deficits are most at risk from tightening global liquidity conditions, with Kenya, South Africa and Ghana among the most vulnerable, ratings agency Fitch has said. In a newly released report, the agency estimated that the current account deficit less foreign direct investment (FDI) for Kenya and South Africa would be 10.5% and 4.6% of gross domestic product (GDP), respectively, for the 2013 fiscal year, with the deficit 80% and 30% funded, respectively, through short-term capital flows into bonds and equities.

The report found that Ghana was also exposed, with an expected budget deficit of 10.3% of GDP for the 2013 fiscal year, funded largely by 68% domestic debt issuance, of which foreigners held around 26%. "On average, however, SSA will be less vulnerable to eventual US Federal Reserve Bank (Fed) tapering and monetary tightening than more mainstream emerging markets, owing to lower external financing requirements and the largely nonconcessional nature of their foreign debt. "SSA is also shielded by financial markets, which are not as globally integrated, and improved reserve cover. Stronger growth prospects, supportive of FDI, will also provide a needed buffer," the agency said in a statement.

As a result, Fitch said it did not expect eventual Fed tapering to place significant pressure on SSA countries' domestic and external financing capacity, as an improvement in credit fundamentals over the past decade should make most relatively resilient. It added that central reserves had risen in the last ten years on the back of improved balance-of-payments positions, less currency market intervention and more exchange-rate flexibility, with domestic financial institutions providing a steady source of demand for local debt. "South Africa, Kenya and Ghana are not alone among SSA in having large current account and budget deficits, but vulnerability is mitigated in other countries. For example, in Mozambique, much of the current account deficit is financed through FDI, while Rwanda receives substantial concessional funding," Fitch noted.

Foreign participation in smaller markets, such as Uganda and Zambia, had largely been driven by movements in domestic interest rates, making these markets less vulnerable to Fed tapering. In addition, fears that higher yields may dissuade first-time SSA Eurobond issuers from entering the market appeared to be misplaced, with Fitch expecting first-time issuances to continue as countries took advantage of what were still historically low yields to fund infrastructure deficits. "While yields are likely to rise further and faster once the Fed eventually starts hiking rates, the significance of regular Eurobond issuances in Africa will largely depend on how successful governments are at using the proceeds. The track record here is still largely unproven," the agency said.

United Kingdom wants to help diversify Angola's economy

The UK government plans to diversify the economic relationship between British and Angolan companies, which have so far focused on the oil and natural gas industry, a special envoy of the UK Prime Minister said in Luanda. Jonathan Marland, special envoy for Investment and Trade, said that new focuses included sectors such as information technology, agriculture, infrastructure, education and training, financial services and energy, all areas in which the United Kingdom has significant experience. At the opening session of the first Angola-United Kingdom economic forum, Marland noted that the UK had significant investments in Angola and that trade relations were still based on the oil and natural gas industry. "The Angolan government plans for Angola's economy to no longer depend on oil and British companies have the opportunity to contribute to the country's economic reconstruction," he said, according to Angolan state newspaper Jornal de Angola. Angola is sub-Saharan Africa's third-largest economy and the UK's third-largest export market in the region, Marland said, adding that the government was focused on supporting British companies to meet their objectives in Angola. The 30 companies that are part of the UK's business mission to Angola, headed up by Jonathan Marland, include Cromwell Tools Ltd, one of the largest British manufacturers of equipment for the industrial sector. *(Macauhub)*

Nigeria invests in US bonds

The Nigerian Sovereign Wealth Fund (SWF) has invested $200m, via its management partners, in the US bond market. The $200m is the 20% stabilisation fund set aside from the $1bn wealth fund, to be used for foreign financial market investment. UBS, Credit Suisse and Goldman Sachs were appointed managers of the fund. $50m of the fund was allocated to UBS for asset acquisitions in the US Treasuries, while the $150m left will be handed over to Credit Suisse and Goldman Sachs for the development of a US bond portfolio. Nigeria's wealth fund is the third largest in sub-Saharan Africa, only behind Botswana's $6.9bn and Angola's $5bn. It will target emerging markets. *(African Banker)*

AFRICAN DEVELOPMENT BANK

First Call for Proposals of Africa Trade Fund

The African Development Bank Group (AfDB) is pleased to announce the first call for proposals of the **Africa Trade Fund (AfTra)**. Award amounts shall range from 50,000 USD to 1,000,000 USD per project.

AfDB invite African-based national and regional organizations and associations involved in trade development such as African government agencies, regional economic communities and private sector and civil society organizations located in Africa to apply. Bank organizational units (sector and regional departments, field offices) are also invited to apply.

Under this call for proposals, the Africa Trade Fund will finance initiatives and projects that help boost the continent's trade capacity and accelerate its integration in the global trading system.

Examples of such projects include but are not limited to:

- Trade facilitation projects such as the creation of one stop border posts (OSBPs), modernization of customs and ports systems, development of corridors, enhancement of border management, etc.;
- Projects aiming to enhance standards capacity (especially sanitary and phytosanitary standards) to facilitate market access and increase product quality;
- Development of market information systems to facilitation access to information;
- Projects and programs aiming to strengthen the capacity of trade-related national and regional institutions so that they can better implement their mandates.

All applicants are invited to submit their proposals online by **20 November 2013**.

AfTra is a joint initiative of the AfDB and the Canadian International Development Agency (CIDA). The Fund aims to assist low income African countries and their institutions to develop trade-related skills, regulatory regimes and infrastructure needed to enhance their trade performance and competitiveness and benefit from international trade and market opportunities.

AfDB Supports COMESA-EAC-SADC Tripartite Capacity Building Programme

The Board of Directors of the African Development Bank Group on Wednesday, October 9, 2013, approved a grant of US $7.5 million to finance the COMESA-EAC-SADC Tripartite Capacity Building Programme (TCBP).

The programme will provide technical assistance to the three regional Economic communities (RECs) and the 26 Tripartite Regional Member-Countries (RMCs) with a view of increasing intra-Tripartite trade. It will enhance the Tripartite negotiation process, develop trade facilitation instruments and industrial cluster action plans in the Tripartite free trade area (TFTA).

Some of the expected outputs of the programme include: (i) installation of software for Non-Tariff Measures (NTMs) databases and enhancing capacity to manage sanitary and phytosanitary measures and technical barriers to trade (SPS/TBTs); (ii) improved capacity to negotiate market access and undertake implementation; and (iii) strengthened capacity to effectively develop industrial clusters and value chains.

The direct programme beneficiaries are the Tripartite RECs (COMESA, EAC and SADC), the Tripartite RMCs and the Tripartite Business Councils.
The rationale for the programme is to support intra-Tripartite trade growth which is instrumental to boosting the economic welfare of over 587 million consumers in the 26 Tripartite countries through the removal of barriers to movement of goods and services, development of regional value chains, job creation and poverty alleviation thereby facilitating the realization of inclusive growth. The programme is also justified in view of the developmental approach to regional integration adopted by the 2nd Tripartite Summit held in 2012, which is anchored on the three pillars namely: market integration, infrastructure and industrial development. The infrastructure pillar of the Tripartite arrangement is being supported by other development partners as well as the Programme for Infrastructure Development in Africa (PIDA). This leaves a gap for provision of support under the other two pillars of market integration and industrial development – where the UK's Department for International Development (DFID) has so far been providing administrative, technical and financial support to the Tripartite process through Trademark Southern Africa (TMSA) and Trade Mark East Africa (TMEA). Additional resources and technical support are required to complement DFID in implementing the Tripartite work programmes and decisions of the Tripartite Task Force.
The proposed interventions are anchored in the **Bank's Strategy 2013-2022** and will complement the implementation of the Regional Integration Strategy Papers for East and Southern Africa.
The programme will contribute to institutional development and knowledge building in the Tripartite region, particularly in the areas of trade policy analysis, industrial transformation, mutual recognition and equivalence of Sanitary and Phyto-Sanitary standards as well as Tripartite industrial capacity development.
Knowledge production and dissemination will be realized through skills training of both public and private sector officials, advisors and consultants to beneficiary Regional Economic communities. These will be supplemented by regional courses and workshops.
The programme will be implemented from 2013 -2016 at a total cost of US $7.5 million (UA 5 million), from the African Development Fund's public goods coffers

Angola becomes African Development Fund donor country

Angola, along with Egypt and Libya, has become one of a group of donor countries of the African Development Fund (ADF), pan-African news agency Panapress reported. Citing a spokesman in Paris, the agency said that the three countries had made their inclusion in the group of ADF donor countries official at meeting at the end of September in the French capital. During the meeting contributions of US$7.3 billion were announced. To date, South Africa had been the only African ADF donor country. The ADF is an arm of the African Development Bank (ADB) charged with providing subsidised loans to low income African countries. The African Development Bank group is a multilateral institution whose shareholders include 53 African and 24 non-African countries from the Americas, Asia and Europe, and is made up of three institutions – the African Development Bank, the African Development Fund and the Nigeria Trust Fund.

INVESTMENTS

Israel's Mer Group to expand mobile phone network in Mozambique

Israel's Mer Group has been awarded a turnkey contract to supply telecommunications towers for two of the three mobile phone operators in Mozambique, the group said in a statement issued on 7th October.
According to the statement, the contract signed with state company Moçambique Celular (mCel) and Vodacom stipulates that the Israeli group is responsible for designing, supplying and building the towers and designing and installing hybrid power systems for their operation. The group's telecommunications division has already set up a warehouse and other facilities, and is now hiring staff, including IT systems engineers and telecommunications tower specialists. Noting that there was a lot of room for growth in Mozambique as the penetration rate stands at 49 percent, the Mer Group said that once work was finished, the two operators would have a bigger and better quality mobile phone and data transmission network. Founded in 1948, the Mer Group controls a number of subsidiary companies focused on three main areas – telecommunications, security and clean technology. *(Macauhub)*

Spanish companies invest US$35 million in Mozambique

About 50 Spanish companies that operate in Mozambique have invested around US$35 million over the last three years in infrastructure, fishing and agriculture projects, the deputy Minister for Planning and Development, Amélia Nakhare said. At the Spain-Mozambique business meeting, the Mozambican deputy minister said that this level of investment placed Spain in the top ten countries investing in Mozambique. According to Mozambican newspaper O País, the event brought together representatives of 35 Spanish companies from the energy, environment, water and transport infrastructure sectors, as well as Mozambican economic agents interested in setting up partnerships with Spanish companies. The Spanish delegation was headed by the deputy advisor or the Spanish Foreign Trade Institute (Icex), Maria Coriseo González-Izquierdo, who announced a credit line of 75 million euros to fund Spanish-

Mozambican projects in the country. Mozambique's Minister for Industry and Trade, Armando Inroga, invited Spanish companies to make use of "excellent" investment opportunities for construction and/or modernisation of the Mozambican railway network, as it was an "area of increasing importance for carrying away natural resources." *(Macauhub)*

BANKING
Banks

Banks Cannot Fund $8bn Nigeria Annual Power Needs – FBN Capital

Patrick Mgbenwelu, Director and Head, Project and Structured Finance, FBN Capital Limited stated in Lagos at the 1st FBN Capital Project and Infrastructure Finance Conference that Nigerian banks would need the support of institutional and foreign investors to fund the huge resources needed to drive various ongoing infrastructure projects, particularly the estimated $8 billion required to meet the deficit in the power sector for the next 10 years. According to him, specifically considering the nation's power projects alone, about $8 – $12 billion would be needed yearly for the next 10 years, to meet up with the large deficit of power demand and supply in the nation, which the banks alone would not be able to fund. "This funding cannot come from the banks alone. There is the need for institutional investors and foreign investment to bridge the funding gap." He added that Greenfield IPPs will emerge to bridge the energy gap, while Government's PPP commitment will fuel various infrastructure projects such as rails, roads, bridges, and airports among others. Participants at the event were unanimous in the position that although Nigeria's vast natural resources and growing power and infrastructure demands has rightly garnered substantial interest from lenders and developers from across the globe, there remain challenges in ensuring the country's huge potential is realised. Mgbenwelu said multi-billion dollar government projects will require private sector involvement, therefore creating the need for Special Purpose Vehicles (SPVs) as obligator financial vehicles. Highlighting the importance of infrastructure finance, he said investors can choose to approach finance institutions and seek funds either as a corporate entity or directly through the project. According to him, project finance as an option for accessing funds is an avenue for managing risk, instead of bearing them directly as a corporate organisation. "Additional expansion funding can be raised with ease, subject to the project achieving steady state post completion. Project financing vehicles can be credit enhanced via a rating which can exceed that of the actual sponsors" he said, adding that it also ensures and forces extreme financial and project management discipline. Another edge this option has over corporate financing is that once the project completion is achieved, it can be used as a template for rolling out other projects.

Mgbenwelu explained that funding under such an option is primarily based on future cash-flow generating capacity of the project, hence, in the absence of tangible assets projects can still get funding, as opposed to corporate finance funding whose funding is generally asset-backed. Another challenge of corporate finance is that there is tendency for lenders to delve unnecessarily into the corporate entity's information sensitive affairs. Over the past few years, a large number of natural resources and infrastructure projects have been financed and developed to meet the demands for Nigeria's large infrastructural needs. Presently, the nation has just concluded the first phase of its power sector privatisation programme and has now commenced the process for launching the second phase which is being driven by the Niger Delta Power Holding Company (NDPHC). Other significant deals include the $1.5 billion financing for Tolaram's Lekki container port and the Lagos State Blue Line project estimated to cost approximately USD1.8 billion. (*VENTURES AFRICA)*

Standard Bank expands

South Africa's Standard Bank will open representative offices in Ethiopia and Cate d'Ivoire. Its African operations posted a 27% surge in headline earnings in the six months to June this year and an 18% return on equity. Sim Tshabalala (above), joint group CEO, said this performance backed the company's Africa-centred strategy. (*African Banker)*

Indian bank to open in S Africa

India's public sector lender, Canara Bank, will open a branch in Johannesburg by December as part of its plan to expand its overseas branch network. It has already obtained the necessary regulatory approvals. The bank plans to open branches in Dar es Salaam, Tanzania, and Abuja, Nigeria, by March 2015. Headquartered in Bangalore, Canara Bank has 3,800 branches in India.(*African Banker)*

BOC and Nedbank partner

Bank of China (BOC) and Nedbank will jointly advance business flows between China and Africa. The alliance will back up BOC customers as they move to invest in South Africa and the rest of the African continent and open up doors for Nedbank to deepen its activities in Africa and utilise the experience of BOC, one of China's four state-owned commercial banks, to assist Nedbank's customers moving into Africa. BOC is the ninth-biggest bank in the world and China's most international bank. *(African Banker)*

Central banks drive Africa's recovery

Africa's underdeveloped economies and financial sectors have proved a barrier for central banks implementing monetary policy and prudential regulation. But recent years have seen significant progress, thanks in no small part to central banks' growing independence from governments. Shortly after he became Nigeria's central bank governor in June 2009, Lamido Sanusi decided to find out more about the health of five banks. The lenders, three of them among the country's biggest, were showing serious signs of liquidity strains and were borrowing huge amounts from the central bank's discount window. The governor was shocked by what he found. Non-performing loans at the banks, which were highly exposed to the crashing stock market because of their rampant margin lending, had soared. Without central bank liquidity, they would have likely collapsed. Mr Sanusi acted promptly, firing the chief executives of all the banks, as was his legal prerogative. He justified the decision by saying they had to be held accountable for the dire situation their institutions were in. Yet Nigeria's financial elites were still stunned. The executives – some of who were later jailed for fraud – were among the most powerful bankers in the country and well-connected politically. Until then, they were considered untouchable by the regulators.

Bolder action

These events, and the clean-up of the Nigerian banking sector in the following two years, reflect the growing assertiveness and competence of sub-Saharan Africa's central banks. Rather than acting as mere piggy banks for kleptocratic rulers, as some have been accused of in the past, they are much more likely today to be taking bold measures to make their banking sectors safer and control inflation. Much of this progress stems from central banks' increasing autonomy from governments. The South African Reserve Bank is one of the few on the continent to have its independence constitutionally enshrined. But even in countries where their legal position is more ambiguous, central banks nowadays happily make monetary decisions without consulting politicians. And many go as far as publicly questioning government policies – Mr Sanusi has regularly lamented what he sees as bloated public expenditure in Nigeria, while Uganda's central bank recently urged the government to cut military spending. "Ten or 15 years ago, we saw central banks that were a lot less autonomous," says Razia Khan, head of African research at Standard Chartered. "It has become the norm now that even where formal independence is not granted, central banks have a degree of autonomy. The fact civil society and the private sector expect that to be the case speaks to the strengthening of those institutions over time."

Evolving roles

Central bankers say that being given more leeway has enabled them to do their jobs better. Caleb Fundanga, governor of the Bank of Zambia from 2002 to 2011, says that on his appointment, the country's president Levy Mwanawasa told him he would be free to make his own decisions. "There was no possibility that if my position differed from his I would be fired," says Mr Fundanga. "He said from the beginning: 'You do what is professionally correct. And if you can prove that's what you've done, don't expect any backlash from me.' That was very reassuring. I knew I wouldn't be punished for doing what was right." As Africa's central banks have become more independent, their roles have evolved. Whereas traditionally they concentrated heavily on development issues, such as boosting employment and cutting poverty, their mandates have become more focused on price and exchange rate stability. The Bank of Ghana became an explicit inflation-targeting central bank when legislation was passed in 2002, giving it independence over monetary policy. Over the past decade or so, several other central banks have also started to target specific levels of inflation, usually establishing monetary policy committees and base interest rates to help them in the process. Analysts have largely welcomed this change. They say that because of the informal nature of most African economies and their structural weaknesses, it is hard enough for central banks to aim for stable prices, let alone economic growth at the same time. Many argue that central banks in east Africa – particularly those in Kenya and Uganda – were too slow to put up interest rates in 2011, when food shortages and rising oil prices caused regional inflation to spike, precisely because they were nervous about stunting credit growth, something they viewed as vital for economic growth. "Where central banks are likely to run into trouble is where there is a dual aim," says Ms Khan. "Part of the reluctance to tighten in the face of a very clear inflation shock in 2011 was central banks taking the view that [low rates] had done a lot for growth. That muddied what many would have considered to be their primary aim of price stability."

Drawing the line

Mr Fundanga says some form of co-operation between central banks and governments is necessary, with monetary and fiscal policy-makers liaising to make sure they are working towards the same goals. "Central banks don't work in a vacuum," says Mr Fundanga. "There should be collaboration between them and their finance ministries." An example of this is when central banks try to boost lending to sectors that governments say have been neglected. Nigeria's central bank provides commercial lenders with low-cost funds specifically for on-lending to agricultural borrowers, which have traditionally struggled to access credit. Andrew Nevin, a partner with PricewaterhouseCoopers (PwC) in Lagos, says such roles can only be carried out by central banks. "In Africa, they are essentially the most important economic actors in their countries," he says. "There are issues around the economy that central banks can control, monetary policy being one of those. There are other issues which they don't control, but which they need to influence." Most central bankers would agree, yet draw the line at suggestions that they, rather than politicians, are mainly responsible for economic growth. "If the idea is being sold that somehow central bank generosity can compensate for fiscal and structural [deficiencies], then that is, in my view, misguided," Mr Sanusi told *The Banker* in

March. "I don't think central banks deliver growth. They deliver stability." Similarly, Gill Marcus, governor of the South African Reserve Bank, often hints in her speeches that the central bank cannot solve South Africa's long-term structural issues, be they poor infrastructure or a weak education system. All it can aim for, she says, is macroeconomic and price stability. By focusing on that stability, central bankers have become more successful at keeping price rises on the continent low. Some countries, such as the mostly French-speaking members of the CFA franc zones in west and central Africa, whose currencies are pegged to the euro at a rate guaranteed by France, have long enjoyed low single-digit inflation. But even those that have to set their own monetary policy have generally experienced greater price stability. Angola's inflation fell below 10% for the first time on record in 2011, while Zambia's fell to single digits at the beginning of 2010 and has since remained well within them. And Kenya and Uganda, partly by putting up interest rates sharply in late 2011, have reversed their inflationary spirals. There are still several exceptions that demonstrate the limits of African central banks' monetary powers. Ghana, whose inflation went up from under 9% at the end of last year to almost 12% in July, is one of those. And even central banks that have managed to bring down inflation tend to view anything in single digits as a success. Few are yet ambitious enough to target levels of below 5%.

Weak transmission

A major part of the reason for this is that it remains very difficult for sub-Saharan central banks to influence their economies and manage liquidity via monetary policies (South Africa and Mauritius are perhaps the only exceptions). Because financial and banking systems across the region are underdeveloped, countries lack market-based interest rates or the types of borrowers – such as homeowners with mortgages – that are affected when base rates rise or fall.

"Most countries aren't financially leveraged," says Samir Gadio, a strategist at Standard Bank. "If central banks reduce or increase policy rates, the impact might be minimal. In most places, banking penetration is about 10% to 20%. And that's just people who have accounts. Even fewer have mortgages, car loans or credit cards. As such, the monetary transmission mechanism in Africa is very weak." PwC's Mr Nevin, who helped formulate Mr Sanusi's response to the Nigerian banking crisis, likens this to driving a car with a steering wheel not properly connected. The result is that to cause their desired effect, central banks usually have to move base rates significantly, rather than incrementally. Kenya's central bank almost tripled its main rate between August and December 2011 – hiking it from 6.25% to 18% – to combat inflation. "To really influence economic activity, central banks in Africa have to tighten or ease much more aggressively than policy-makers elsewhere," says Ms Khan.

Some central banks have innovated to get around this problem. In July, the Central Bank of Nigeria, concerned about a build up of liquidity, announced it would increase its cash reserve requirement (CRR) for public sector deposits from 12% to 50%, a decision that took banks and markets by surprise (see Reg Rage). It opted to keep its base rate unchanged in part because it felt the CRR was a blunter instrument with which to move short-term market rates.

For some countries, the most effective anchor for their monetary policies is exchange rate stability. African states typically import the majority of their manufactured goods and any currency depreciation imposes inflationary pressures. "If you are an import-dependent country, it is difficult to keep inflation within a certain range," says Mr Gadio. "If your exchange rate comes under any pressure, imported inflation will go up." Hydrocarbon exporters with current account surpluses, such as oil-rich Angola and Nigeria, have had stable exchange rates in the past two years, partly because their central banks have plentiful foreign reserves they can sell down when they need to prop up their local currencies. Others have tried to generate exchange rate stability by encouraging foreign portfolio investment through easing capital account restrictions.

Regulating banks

Regulating banks remains a major challenge for central banks in Africa. The consensus among analysts is that their prudential regulation has got a lot better. The number of banking crises in sub-Saharan Africa has fallen markedly since 2000. Nigeria was the only country whose banks suffered badly during the global financial crash of 2008 and 2009. And even there, the central bank's efforts to save and then revive the financial system were widely lauded.

"Central banks are taking a much stronger line against banks they think might not be well-run," says Ms Khan. "It goes hand in hand with the more autonomous role of central banks. If they were completely beholden to fiscal authorities, I doubt the same progress would have been made."

African banks tend to be well capitalised and conservative. Many of the biggest have capital adequacy ratios above 10% and loan to deposit ratios far below 100%. Very few fund themselves with short-term capital market instruments, instead preferring deposits.

But central banks can hardly afford to rest on their laurels. In many African countries, a crash in the banking sector would pose a huge risk to their economies, not least because of the sheer pace at which they are growing amid rapid economic expansion. "Central banks in Africa are all faced with banking sectors that are growing quickly," says Mr Nevin. "In Nigeria, if you're not growing your assets at 20% annually, you're probably falling behind the market."

Implementing Basel III and other recent international regulations will go a long way to bolstering the strength of African banks. South Africa's lenders, which were among the quickest in the world to meet the requirements of Basel II, are already fairly advanced when it comes to conforming with the latest framework, as are banks from Namibia, Lesotho and Swaziland, which form a common monetary area with South Africa. Those from Botswana, Kenya, Mauritius and Nigeria are expected to be able to comply too. "The rest of the continent is probably lagging when it

comes to Basel III," says Charles Okeahalam, an economist and founder of AGH Capital, a Johannesburg-based investment group. "But these countries' banks are going to have to comply if they are going to have the relationships they need to carry out international trade and transactions."

Cross-border headaches

One factor that is new for African central banks is the increasing internationalisation of the lenders they regulate. The continent's big banks have expanded across borders quickly in the past 10 years. Togo-based Ecobank operates in 34 sub-Saharan countries, while Nigeria's United Bank for Africa has licences in 19. Five other Nigerian lenders and most of Kenya and South Africa's biggest institutions have also grown their international arms.

Few central banks on the continent have reacted explicitly to this, even though many are nervous at the prospect of their banks coming unstuck because of problems in other jurisdictions. Nigeria's central bank is one that has. In 2012 it stopped its banks from recapitalising their foreign subsidiaries. This was in response to regulators in Zambia – where two Nigerian lenders operate – suddenly putting up capital requirements for foreign banks from $2m to $100m.

The Zambian case was unique because of how drastic the increase was and how it discriminated against foreign banks (local ones only had to raise their capital to $20m). But it highlighted the fact that central banks in Africa would have to formulate policies for the foreign subsidiaries of their banks sooner or later. "Multinational banks present a new and much bigger challenge for African regulators," says Mr Okeahalam.

To consolidate or not?

Another issue is whether to encourage consolidation. Nigeria and South Africa both have fairly consolidated banking sectors, with 24 and 16 commercial banks, respectively. But Africa's smaller economies tend to have far larger numbers of lenders. Kenya has more than 40 and Tanzania has almost 35. Perhaps the starkest example is the west African CFA franc zone, which despite having just $32bn of banking assets, has 106 commercial banks (by comparison, Nigeria's 24 lenders have $115bn of assets).

Analysts say that too many banks in Africa lack the size and capital needed to develop economies of scale. Central banks could help by raising capital requirements. "In many countries the banking sector is too fragmented and needs some consolidation," says Mr Nevin. "The quality of banks is often not high enough. They don't have the resources to invest in technology. A lot are essentially family banks with a few branches. That's not good enough in the modern world and if countries want to have sophisticated financial systems. The central banks have to be the ones that say why consolidation needs to happen and to determine its direction."

Yet few seem willing to do that. The central bank in Ghana, which has 27 commercial lenders, says it has no plans to increase capital requirements for existing banks from the equivalent of $27m (although in August it did raise requirements for new entrants to double that amount). "We are leaving it to the banks themselves to determine whether or not they should merge," says Millison Narh, first deputy governor of the Bank of Ghana.

Among other priorities, central banks are encouraging greater volumes of electronic transactions, be they over the internet or through mobile phones. Reducing the use of cash would bring more money into the formal financial system and allow them to monitor economic flows more closely, thus aiding their monetary policies.

African central banks have made plenty of progress in the past decade. The autonomy they have gained from governments has enabled them to concentrate more on their core mandates of stabilising inflation and keeping their banking sectors safe.

The next few years will throw up plenty of new challenges, however, as Africa's banks and economies continue to grow rapidly and become more complex. As such, central banks will have to keep bolstering their prudential regulation and finding ways to make sure their monetary policies are as effective as possible. Should they succeed, they will go a long way towards ensuring there is no repeat of Nigeria's financial meltdown four years ago. *(The Banker)*

Deals

Old Mutual Zimbabwe expected to endorse empowerment deal

HARARE — The Zimbabwean unit of global financial services group Old Mutual is expected to endorse the disposal of a 3.5% shareholding to a consortium led by the unit's former CEO, Luke Ngwerume, for $13m at its annual general meeting on Tuesday next week. The company said this was in pursuit of a bid to comply fully with Zimbabwe's indigenisation laws, which compel foreign companies to cede majority stakes to black owners.

Other companies, including cement maker PPC, have already inked indigenisation compliance deals with the Zimbabwean government. Old Mutual Zimbabwe's disposal of 3.5% of its shares to a company led by its senior executives and directors is part of a broader indigenisation deal reached with former empowerment minister Saviour Kasukuwere on December 13 last year. "Stiefel Investments entered into a sale of shares and relationship agreement with Old Mutual for the purchase of 3.5% of the fully paid up and issues B class shares," Old Mutual Zimbabwe company secretary Laurence Karumazondo said. "As envisaged and agreed at the time of the agreement with (Mr Kasukuwere), the transaction requires loan financing and is to be funded by the company through its banking subsidiary, Central African Building Society (CABS)." CABS is a building society that also offers general banking services in the country. It will offer a $12.756m loan facility to help facilitate the deal, at a 13% interest rate.

The loan had a tenure of 10 years, Mr Karumazondo said. Mr Ngwerume and Stiefel Investments will have to pay a 2% downpayment of $260,324. Stiefel's senior executives are among the executives and nonexecutive directors of Old

Mutual Zimbabwe subsidiaries. They include Mr Ngwerume, who is now nonexecutive director of CABS; Todd Moyo, who is regional chairman for CABS in Midlands and Matabeleland; and Tracey Mutaviri, who is a nonexecutive director of Old Mutual Life Assurance Company in Zimbabwe. In 2011, Old Mutual Zimbabwe agreed to offer pensioners on the group's scheme a grant equivalent to a 10% stake in the company. The empowerment deal also includes a stake of about 9% set aside for employees, in addition to Stiefel Investments 3.5%.*(BDLive)*

AfDB prices a new 5-year US Dollar Global bond

The African Development Bank **priced** a new USD 1 billion 5-year Global benchmark bond. This is AfDB's second fixed-rate USD transaction of the year after having issued a 5-year in January. Following the US Federal Reserve's announcement to continue with loose monetary policy for longer than anticipated and the subsequent stabilization of yields, the AfDB decided to take advantage of a clear issuance window ahead of expected heavy supply with a new 5-year Global benchmark transaction. Final pricing achieved was in the context of midswaps plus 6 basis points. Final distribution figures underscore AfDB's diverse investor base across key regions. Investors from the Americas came in as the largest buyers at 39 percent. EMEA and Asian investors bought 35 and 26 percent, respectively. The 28 accounts involved in the deal included high quality orders from Central Banks and official institutions, which bought 39 percent of the deal, while banks bought 31 percent and asset managers 30 percent. Joint Lead Managers on the transaction are Citigroup, Goldman Sachs International, HSBC and TD Securities. The bond matures in five years on 2 October 2018. AfDB is a triple-A rated institution by the international ratings agencies Moody's, Fitch and Standard & Poor's. The USD 1 billion Global benchmark transaction demonstrates the Bank's credibility as an international financial institution *(AfDB)*

Markets

Companhia de Moçambique issues 2 million bonds

Demand outstripped supply more than three-fold when Companhia de Moçambique of the Entreposto group, a Portuguese-owned Mozambican group, sold 2 million bonds on the Mozambique Stock Exchange (BVM), according to the final results of the operation. According to figures published by the BVM, the 2 million bonds issued at a unit price of 100 meticals received 217 buy orders for over 7 million bonds. Organised by Moza Banco, the Companhia de Moçambique bond issue, which was the first by a private non-financial company on BVM, has a four-year maturity, with half-yearly payments at a fixed rate of 13 percent in the first two years, and in the other two years the interest rate is pegged to the Bank of Mozambique's permanent facility rate with an additional 4 percentage points. The issue, called "pioneering" by the vice president of Entreposto Group, José Cardoso, earned the group 200 million meticals. This cash will finance the group's investment plan, which is focused on its network of delegations in Mozambique and on continued expansion of its real estate business. The Companhia de Moçambique 2013 bonds will now be listed on the Mozambique Stock exchange, to be traded on the secondary market. *(Bloomberg)*

Angola has delayed the issue of its first sovereign Eurobond to 2014 from this year as it has been working on internal factors to ensure the debt sale is successful in international markets, Finance Minister Armando Manuel said on Thursday. "It is certainly a target for next year," Manuel told Reuters on the sidelines of a ministry event. "We are working on the financing needs for the 2014 budget and that's where we will decide on the value (of the planned issuance)." He added that the government had restructured its debt planning, but did not disclose further details on the process or the internal factors it is addressing. Angola, which is Africa's second biggest oil producer, has twice planned a Eurobond issue in the last few years only to postpone it. It had intended to raise $1 billion this year to follow in the footsteps of successful sales by Nigeria, Zambia and Rwanda. *(Reuters)*

Tech

Airtel new partnerships

Equity Bank and Airtel Kenya will partner in Kenya through Airtel Money. Customers from both Airtel and Equity Bank will be able to access Airtel mobile banking platforms, perform agency cash transactions at Equity Bank branches; Airtel services customers will be able to withdraw money at any Equity Bank. Airtel Money will also enable customers to pay their utility bills, receive bank transaction alerts, check account balance and receive mini statements, among other services. Airtel Ghana has partnered with Fidelity Bank to launch cardless ATM withdrawals via Airtel Money. *(African Banker)*

New market for MasterCard

MasterCard has distributed 10m South African debit cards that replace cash for social grant recipients. The company is working with the government of South Africa after agreeing to issue 13m debit cards in Nigeria which will also act as identity documents. The company is also expanding in Angola and Mozambique and working with local partners such as Kenya's Equity Bank. *(African Banker)*

SnapScan is top business app

SanpScan, a Standard Bank-invented payment app model has been awarded the 2013 MTN Business App of the Year. The app permits clients to use their phone to make payments at any merchant point showing the SnapScan logo, without having to pop in an electronic wallet. SnapScan cuts payment periods, eliminates any need to carry cash around while also allowing receipts to be emailed to customers. SnapScan was started in 2013 and is current being piloted in South Africa's Western Cape region. *(African Banker)*

ENERGY

Ncondezi signs head of terms with EDM

London-listed Ncondezi Energy was one step closer to securing a binding power purchase agreement (PPA) with Mozambique State-owned power utility Electricidade de Mozambique (EDM) after signing the nonbinding heads of terms. The nonbinding power purchase and transmission agreement heads of terms was a precursor to negotiating a full and binding PPA. Ncondezi said negotiations were expected to start "imminently" and conclude with a final agreement in the first quarter of 2014. "The signing of the PPA heads of terms significantly accelerates the project momentum built over the past five months, as it confirms EDM as the main offtaker for the first 300 MW generated [from the Ncondezi project]," CEO **Paul Venter** said. Ncondezi Energy expected to commission the first 300 MW, of the planned 1 800 MW, of its 100%-owned Ncondezi project, in Tete province, in northern Mozambique, in 2017, followed by commercial operations during the first half of 2018. The first 300 MW phase would supply domestic consumers in Mozambique using reinforced existing transmission capacity to meet current demand.

EDM would be the exclusive buyer of the electricity generated by the first phase of the integrated thermal coal mine and power plant project for a 25-year period.

The PPA's heads of terms stipulated that Ncondezi would be responsible for the design, construction, commissioning, ownership, operation and maintenance of the power plant, as well as make available the entire capacity of the power plant and net electrical output to EDM on an exclusive basis, besides others.

The design, construction and commissioning of a transmission line would be transferred to EDM for operation and maintenance once commissioned. Ncondezi also concluded the heads of terms for a coal supply agreement with the Ncondezi coal mine, with a final agreement expected in the first half of 2014. In addition to buying the electricity from the plant, EDM would be required to pay tariffs; ensure ongoing operation and maintenance of the transmission connection; and provide assistance to enable the power plant to undertake its testing and commissioning procedures. "We are now targeting completion of the remaining conditions precedent during the quarter in order to make the power framework agreement effective by year end, which will allow us to begin power concession agreement negotiations, a key component of the PPA," concluded Venter. *(Engineering News)*

Standard Bank backing another R10bn worth of SA renewables projects

Standard Bank Corporate and Investment Banking reports that it is backing projects worth R10-billion as part of South Africa's third renewable-energy bidding round, which is currently in the final stages of adjudication.

CEO **David Munro** says the projects have a combined capacity of more than 1 000 MW and that the bank, which was a leading funder of projects during the first two rounds, is eagerly awaiting the outcome of the adjudication process.

During the first bidding round, Standard Bank underwrote R9.4-billion for wind and solar projects and followed that up with a further R6.4-billion during the second round. "These are meaningful commitments of financial resources to individual projects and companies that will be creating renewables assets in South Africa," Munro enthuses.

Third-round bidding under the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) closed on August 19 and the preferred bidders are expected to be named on October 29. The Department of Energy (DoE) is aiming to secure an initial 3 625 MW of large-scale renewables capacity through the REIPPPP, of which 2 460 MW has already been allocated across 47 projects. The 1 165 MW balance is expected to be allocated during the third bidding round, with observers indicating that pricing has become even more competitive than was the case during the second window, particularly for the solar photovoltaic allocation. The DoE has also set a closing date of March 31, 2014, for a dedicated concentrated solar power bidding round and a submission deadline of August 18, 2014, for a fourth bid window. This follows a Ministerial determination indicating that the DoE will procure an additional 3 200 MW of renewables capacity over the coming few years.

Earlier in the year, Standard Bank also signed a R20-billion funding support agreement with the Industrial and Commercial Bank of China, its 20% shareholder, to support renewable-energy projects in South Africa.

In early October, the first R180-million transaction drawing on that co-investment agreement was confirmed for a wind farm in the Eastern Cape.

Besides the REIPPPP programme, Standard Bank, which, since the financial crisis, has a stronger African focus, is pursuing a range of other energy prospects across the continent, having identified oil and gas, mining and infrastructure as core business areas.

"Oil and gas has emerged as a significant theme and is attracting a huge amount of capital," Munro explains, adding that it is likely to be particularly active in Nigeria, Ghana and Mozambique in the near term. *(Engineering News)*

Angola, Africa's largest crude oil producer after Nigeria, plans to build hydroelectric plants to boost power generation fivefold in a bid to attract investment in other industries to the country.

The goal is to have an installed capacity of 9,000 megawatts of generation capacity by 2025 compared with about 1,800 megawatts now, Jose Salgueiro, director of studies, planning and statistics at the Ministry of Energy and Water, said in an Oct. 2 interview. "Everything is planned to have the electricity there because it's the main way to say Angola is open for business," he said in Luanda, the capital. "The promise of more power will attract more investment." The southwest African country of 21 million people plans to build about 15 plants with the help of companies such as Brazil's Odebrecht SA and Xinjiang TBEA Group Co. of Chinaas it seeks to almost double non-oil foreign investment to $4 billion a year by 2017. Angola suffers daily power outages as it recovers from a 27-year civil war in which homes, dams, plants and power lines were destroyed and an estimated 800,000 people were killed, according to the University of Massachusetts' Political Economy Research Institute. The government wants to diversify its economy, which the International Monetary Fund expects to expand by 6.2 percent this year, away from the petroleum spending that accounts for 97 percent of exports and 75 percent of taxes. Angola pumped about 1.74 million barrels of oil a day in September, according to data compiled by Bloomberg.

The state wants to double the amount of people with access to electricity to 60 percent in 12 years, ministry documents show. Citizens and businesses use diesel generators to maintain supply. One megawatt is enough to supply 2,000 average European homes. The largest network so far approved will be four power plants southeast of Luanda along the Kwanza River, including the $3.9 billion Lauca dam with capacity of 400 megawatts by 2017, Salgueiro said. It will use equipment made by Spain's Elecnor SA (ENO) and Germany's Voith GmbH, ramping up to 2,069 megawatts eight years later, he said. The $1.5 billion Cambambe 2 project will produce 380 megawatts by 2015 and increase to 780 megawatts two years later. It joins Cambambe 1, which began in 1960, produces 180 megawatts and will increase to 240 megawatts after a project to add 30 meters (98 feet) of height to the dam is completed in 2015, Salgueiro said. The 2,047-megawatt Caculo Cabaca project may be started next year and completed within six years, while the Capanda plant on the same river, managed by state-owned Gabinete de Aproveitamento do Medio Kwanza, or Gamek, continues to generate 520 megawatts, Salgueiro said. The government's most ambitious project is being studied for the Queve, Longa and Ngunza rivers further south to produce 774 megawatts by 2018 and rise to 6,284 megawatts in the decade following that, Salgueiro said. A plan to increase output from Catumbela in Benguela province to 2,000 megawatts from 90 megawatts depends on the approval of a dam at Cacombo, he said. A natural-gas power plant at Soyo near the mouth of the Congo River will use four turbines to produce almost 500 megawatts by 2015 in a $1.6 billion project, including 300 kilometers (186 miles) of transmission lines to Luanda, he said. Output may rise to 1,700 megawatts in the next decade, he said.

Angola is splitting costs and output with Namibia in building several power and water projects along the Cunene River that forms part of the border between the countries, he said. The Jama ya Omo and Jama ya Mina projects, estimated to cost $500 million for 78 megawatts and $800 million for 227 megawatts, respectively, are expected to be approved in the 2014 state budget, Salgueiro said. A 100-megawatt wind-power project at Tombwa is also being considered and contracts have yet to be awarded, he said. Two new water projects are also awaiting approval for Luanda, he said. The six-contract, $622 million Quilonga Grande will supply the city's north from the Kwanza River and the 7-contract, $538 million Bita project will deliver to its south. Each will take three years to build, Salgueiro said. The state plans to reorganize its three overlapping electricity companies along separate production, transmission and distribution mandates by early next year, he said. Along with Gamek, the state owns power distributor Empresa de Distribuicao de Electricidade EP, or EDEL, and Empresa Nacional de Electricidade EP, known as ENE. Goals include increasing electricity usage to 15% of all energy by 2025 from 3 percent now, raising oil and gas to 55% from 33% and cutting wood burning to 30% from 64%, ministry documents show.*(Bloomberg)*

Saudi power group aiming for 4 000 MW Southern African portfolio by 2020

Independent power producer ACWA Power is pursuing several electricity investments in Southern Africa over and above the 50 MW Bokpoort concentrated solar power (CSP) project being developed in the Northern Cape and has set a goal of building a regional portfolio with a capacity of 4 000 MW by 2020. Southern Africa business director **Chris Ehlers** tells ***Engineering News Online*** that both renewable-energy and conventional power projects are being evaluated, including a 300 MW coal-fired power station to supply electricity primarily to mining clients in the Moatize area, in the Tete province of Mozambique. The group, which is incorporated in Saudi Arabia and is also a leader in the deployment of desalination technology, currently has a generation fleet either in operation or under construction, across the Middle East and Africa, with a capacity of more than 15 000 MW. The R5-billion Bokpoort project adds to its growing portfolio of CSP investments, one that also includes the 160 MW Noor 1 project, which is being progressed in Morocco.

Construction on Bokpoort began in August at a site near Groblershoop, which is in close proximity to both the Orange river from which it will source 820-million cubic meters of water yearly, as well as the electrical sub-station infrastructure associated with the Sishen-Saldahna iron-ore railway export corridor.

ACWA Power has a 40% interest in the project, which reached financial close in June and incorporates CSP trough technology, as well as more than nine hours of molten-salt storage.
The large-scale storage capacity will enable the plant to operate for about 19 hours a day and dispatch power to Eskom during the peak demand period between 17:00 and 21:00, at a tariff of R2.51/kWh. This peaking ability due to its large storage capacity is making CSP increasingly attractive, particularly given that, the technology becomes more and more competitive with diesel-fuelled open cycle gas turbines, which have become increasingly expensive to operate.
The other equity partners include the Public Investment Corporation (25%), several funds falling under Lereko Metier (25%), Kurisani Solafrica Investments (5%) and the Solafrica Community Investment Company (5%), while Investec, Absa and Old Mutual Specialised Finance have provided debt funding.
Construction is being undertaken by an engineering, procurement and construction consortium comprising Spanish companies TSK Electrónica y Electricidad, Acciona Infrastructuras, Acciona Ingeniería, and Sener Ingeniería y Sistemas together with Crowie Concessions, of South Africa. A 30-month construction period is scheduled and the plant should become operational by the end of 2015, with the site expected to host up to 900 workers during the peak of building activities – the facility will be operated by 50 permanent staff. Ehlers reports that local-content levels will be around 40%, but that these levels could rise considerably in future should the Department of Energy (DoE) proceed with plans for higher allocations to CSP, which allow to establish economies of scale – a decision that is likely to be premised on the ability of the technology to dispatch power, which distinguishes it from other renewables technologies such as wind and solar photovoltaic.
The DoE has already approved a two-tier tariff structure for CSP projects participating the in third bidding round under the Renewable Energy Independent Power Producer Programme, thereby offering CSP plants the option to receive a peak tariff that is 2.4 times that of the off-peak price. ACWA Power has decided not to participate in the third round, but Ehlers says the company is planning to participate in subsequent competitive bidding processes. "I believe that if there is a consistent commitment to procuring between 200 MW and 300 MW a year of CSP over the medium term, there could be a material increase in local-content levels from around 40% today to 60%," Ehlers argued. "This is due to economies of scale, which would allow foreign CSP component suppliers to justify investment into manufacturing facilities in South Africa". He is also convinced that there is scope to lower the cost of production from CSP facilities by between 30% and 40% as improvements are made and as the tower and Fresnel collector technologies mature.
But ACWA also has non-renewables ambitions and is pursuing coal-fired project opportunities in Mozambique and South Africa, with financial close for the Mozambique project anticipated in the coming months. It also has its eye on a few hydropower projects that could be developed in the region. The group is also gearing up to participate in South Africa's independent power producer base-load tender, which Ehlers is hopeful will be released by the DoE during the course of 2014. A Ministerial determination published in December 2012 indicated that South Africa could procure 2 500 MW of coal-fired capacity from IPP projects, 2 652 MW from baseload or mid-merit capacity from natural-gas plants and 2 609 MW of imported hydroelectricity over the coming few years. "We are optimistic that, given the demand growth across Southern Africa, we will be in a position to grow our footprint considerably across South Africa, Botswana, Namibia and Mozambique over the coming few years," Ehlers concludes. *(Engineering News)*

Kenya Power to invest $1.8bn in five years to expand network

Kenya Power plans to spend 156-billion shillings between now and 2018 to expand its electricity distribution network in order to keep up with growing demand. The country suffers from frequent blackouts due to supply shortfalls and an aging grid, forcing most businesses and wealthy people to have stand-by generators.Kenya Power, the sole electricity distribution company in the east African nation, has had to contend with increasing customer connections, particularly in rural areas.
Ben Chumo, the company's acting chief executive, said demand was forecast to rise by 6% by June next year. "We shall primarily be looking at expanding the network," he told a news conference on Friday."We are looking forward to support from the donor community, the lending community, and of course besides this we are looking to raising our own resources to support this particular amount." **Lawrence Yego**, Kenya Power's finance manager, said the company planned to raise $300-million through a bond, while the World Bank would provide $150 million. The World Bank was also offering technical advice over the proposed bond issue, Yego said. "We really need to go very fast to grow very fast to be able to catch up with the level of generation and the level of demand that is likely to grow in the market," he said.
Kenya Power, which serves more than two-million customers, depends on hydro power stations and geothermal plants, run by the Kenya Electricity Generating Company. Kenya plans to add 5 000 MW of power supply capacity to the existing 1 664 MW generated by 2017. Chumo said that in the financial year ending June 2014, Kenya Power expected an additional 540 MW of electricity from new geothermal, wind and diesel power plants, compared with the previous year. Kenya Power posted a 24 percent drop in pretax profit for its year ended June, hurt by higher financing costs. *(Engineering News)*

France to lend €100m to Eskom for solar power

France will lend €100-million to South African state power utility Eskom to help it finance solar power projects in Africa's largest economy, according to a communique obtained by Reuters . The deal will be signed as a part of a summit between French President **François Hollande** and South Africa's President **Jacob Zuma**, which started on Monday in Pretoria. No

further details were provided.South Africa plans to spend $5-billion on clean energy in the coming years as it tries to decrease reliance on coal-fired power plants, which provide 85% of its electricity.
The government has invested heavily in new, coal-fired plants to reduce power constraints that have been a drag on investment and economic growth. However, Pretoria has also committed to curtail greenhouse gas emissions that rank as the highest on the continent. It wants to cut carbon dioxide emissions by a third over the next decade but has little flexibility to make fast changes because big employers are among the top emitters. South Africa is also a major producer and exporter of coal. *(Engineering News)*

SA pushing ahead with carbon-capture plans despite global headwinds

South Africa has indicated that it will continue to explore whether carbon capture and storage (CCS) can play a meaningful role in helping it to reduce the country's carbon footprint notwithstanding limited progress in international climate negotiations and carbon pricing, as well as Norway's recent decision to pull back from the development of full-scale carbon dioxide (CO2) capture at Mongstad.Norway, which is also a supporter of the South Africa programme, is a leader in CCS research and development and has indicated that it continues to support the development of a full-scale capture facility in Norway by 2020, despite the decision to discontinue with the high-profile Mongstad project. Speaking at South Africa's third CCS conference in Johannesburg on Thursday, Energy Minister **Dikobe Ben Martins** reiterated government's support for the technology, as well as for the work being done by the South African Centre for Carbon Capture and Storage (SACCCS). The centre was established in March 2009 to conduct research and development and to build the necessary capacity to implement CCS locally. Martins said that government remained of the view that the country's abundant coal resources should continue to be exploited as part of an increasingly diversified energy mix. However, it also intended honouring the commitment made by President **Jacob Zuma** at United Nations climate negotiations in Copenhagen, Denmark, in 2009, where South Africa pledged to reduce its business-as-usual emissions by 34% by 2020 and by 42% by 2025 – a commitment premised, though, on South Africa receiving financial and technological support from developed countries. South Africa has set aside R197-million over a three-year period to support SACCCS in implementing the CCS roadmap that was endorsed by Cabinet in May 2012. SACCCS's **Brendan Beck**, who is also the manager for the proposed CO2 storage pilot project that is due for implementation in 2017, described the discontinuation of the Mongstad project as "disappointing".
However, he pointed to International Energy Agency (IEA) analysis showing that CCS would remain a critical greenhouse-gas reduction solution for as long as fossil fuels and carbon-intensive industries continue to occupy a dominant position in the energy mix. The IEA believes CCS could contribute one-sixth of total CO2 emission reductions required by 2050, and 14% of the cumulative emissions reductions through to 2050. Beck also stressed that other projects we under way in Norway, the US, Australia and Algeria, where the technology was being demonstrated. "There are five projects operating in the world that have stored over 5-million tons of CO2."
Preparations were, thus, continuing on a plan to implement an onshore pilot plant in South Africa, with the source of the CO2 and the eventual storage sites yet to be determined. Further exploration would be pursued in the Zululand basin, on the eastern side of South Africa, and the Algoa basin, in the Eastern Cape.
Owing to South Africa's relatively undeveloped oil and gas industry, this exploration is likely to increase the capital cost of the South Africa pilot project when compared with similar initiatives under way in Australia. Beck estimates that between $70-million and $80-million will be required for the development.
"We are still working on the costing, which is also site specific," South African National Energy Development Institute (Sanedi) CEO **Kevin Nassiep** added. The SACCCS falls under the aegis of Sanedi, the State agency responsible for overseeing energy-related research and development in fields as diverse as renewable energy and energy efficiency, through to green transport and CCS. Work was also under way on a funding plan, with the financial pledge already made by the South African government said to be providing an important signal to other potential funders of South Africa's commitment to CCS. Norwegian Ambassador to South Africa **Kari Bjørnsgaard** offered assurances that Norway would remain a "strong partner" and noted that the Norwegian Ministry of Petroleum and Energy had pledged R28-million to the country's CCS activities. The World Bank's CCS Capacity Building Trust Fund was another likely source of additional funding. But Beck stressed that the thrust at SACCCS was not to pursue the solution "at any cost", but rather to understand the potential for CCS in South Africa. *(Engineering News)*

MINING

Natural resources, legislation 'fuel corruption in Africa'

AFRICA's natural resources boom and complex legislation, which brought additional layers of red tape, have provided the food for bribery and corruption on the continent, tax experts said. The perception of corruption in many African countries has increased, despite governments — such as those of Mozambique and Angola — introducing extensive anticorruption legislation. Angola ranked 157th out of 176 countries in the 2012 Transparency International Corruption Perceptions Index. Mozambique ranked 123rd, and Nigeria ranked 139th.

Tax experts at PricewaterhouseCoopers' (PwC's) 16th Africa Tax and Business Symposium in Mauritius warned against the use of agents or intermediaries who make vague promises to "help the company to get things done".
Joao Martins, managing partner of PwC in Mozambique, said it was perceived as normal behaviour to bribe or pay facilitation fees in order to escape harassment by officials. "It will take a whole generation to correct the structure that has been created," he said. He said Mozambique has an anti-corruption unit, but the body was not sufficiently resourced or equipped to deal with corruption. "One has to ensure that such units have institutional capacity and human capital who get paid well. It does not help to have an anti-corruption unit that is being paid lousy salaries. They will fall in the (corruption) trap as well." PwC director Trevor Hills said third parties, including agents and intermediaries, posed large risks for companies who used them to "get people off the boat". He said in many instances the conditions for engagement were vague, the scope and monitoring of the work were often not properly defined, and in many cases there were no proper contracts in place. "Firms need to take reasonable steps to ensure that when a regulator, for whatever reason, knocks on the door, they will be able to produce a contract that is well defined."
Mr Hills said red flags were raised when the billing procedures were not clear, when supporting documents for invoices were lacking, and when there were no contingencies built into a contract, or when a contract did not exist.
PwC tax partner in Angola Eduardo Paiva said the country had anticorruption legislation, indicating what may and may not be offered to officials. A company offering a gift basket to its employees and extending it to officials at Christmas was perceived as "polite" in Angola. He added in jest that a company offering an official a bottle of expensive Scotch whisky was seen as being "very polite". But Angolan officials understood the risks if a company had a strong anticorruption policy. Mr Hills said there were very few exceptions where the payment of a bribe would be allowed. One was when lives were at stake, or in terms of the UK Bribery Act, where military intelligence officials can pay a bribe in specific circumstances to get access to information. *The writer is a guest of PwC. (BDLive)*

Mozambican government launches website for mining cadastre

Mozambique's Mining Resources Ministry has launched a website to publish information about the country's mining cadastre with the aim of "increasing transparency and promoting investments in the sector," said the state department.
Developed by South African company Spatial Dimension, the "Mozambican Mining Cadastre Website" (available at **http://portals.flexicadastre.com/Mozambique/EN/)** provides "all the State's mining titles and contracts," according to a press release. The website list six types of authorisation (contracts, mining concessions, mining certificates, prospecting and surveying licenses, reconnaissance licenses and mining resources authorisations for construction) and three types of private area, a platform to search the records via a map or by licence number, company name or geographical coordinates. On the map, blue, which equates to prospecting and surveying licenses, is the most common colour, particularly in the centre and north of the country where some of the most important mining resources, such as coal, have been found. Noting that the website is one of "the requirements of the Extractive Industries Transparency Initiative (EITI)," the Trade and Industry Association (ACIS) said in a statement sent to Macauhub in Maputo that, "not all the information is complete in terms of identifying who has the licenses, but the work is underway."
The information on the website was last updated on 26 September of this year. *(Macauhub)*

OIL & GAS

India approves acquisitions offshore deepwater Mozambique

NEW DELHI, India – ONGC Videsh and Oil India have received governmental approval to acquire a total of 20% interest in gas production offshore Mozambique. ONCG, through OVL will buy Videocon's 10% interest in Rouvama Area 1 for $2.475 billion, and OVL will acquire Anadarko Petroleum's interest in the block for $2.64 billion. The total area involved is 2.6 million acres in the deepwater Rovuma basin with estimated recoverable gas reserves of 35-65 tcf. The transactions are scheduled for completion in February 2014 *(Offshore Magazine)*

Japan Set to Get its First Angolan LNG Spot Cargo at Tokyo Bay

Tanker Lobito en route to LNG terminal in Tokyo Bay, eastern Japan, according to ship transmissions captured by IHS Fairplay on Bloomberg.

- Vessel loaded at Angola LNG's Soyo terminal Aug. 6
- Scheduled to dock in Japan on the 10th October
- Japan has no term LNG-supply contracts with Angola, according to data compiled by Bloomberg
- Japan has five LNG terminals in Tokyo Bay
- Cargo is third shipment from Angola LNG. First and second cargoes shipped to Brazil and China, respectively. *(Bloomberg)*

Tanzania says new LNG plants should be onshore

Tanzania, which is sitting on natural gas reserves estimated at double Europe's annual demand, wants the country's future liquefied natural gas (LNG) terminals to be built onshore to benefit the domestic economy, its energy minister said.
Tanzania and its southern neighbour, Mozambique, are locked in a race to be first to export gas from Africa's eastern seaboard after huge discoveries offshore recently that could transform their struggling economies.Both face hurdles.

Tanzania has yet to finalise its natural gas policy, while debate rumbles on over how much gas should be sold to foreign investors and how much left for domestic consumption in a country historically dogged by power outages.
Britain's BG Group and Ophir Energy have been at the forefront of exploration in Tanzania, while energy majors Exxon Mobil and Statoil have also found gas. BG and Statoil said in March they planned to build a $10-billion LNG terminal.
"No LNG plant will be built offshore. We have rejected those proposals," **Sospeter Muhongo**, Tanzania's energy and minerals minister, told Reuters on Friday in an interview. Muhongo said Statoil and BG were expected to submit proposals for a plant soon. Natural gas is the fastest-growing fossil fuel and the region's proximity to Asia's major LNG consumers makes its reserves attractive to energy majors. "Tanzanians have been farming since independence, but remain poor. We want the gas economy to benefit all Tanzanians," the minister said. Like Mozambique, Tanzania needs to overcome challenges before exports commence, including passing legislation to encourage and safeguard investors, securing new investment for costly infrastructure and allaying corruption fears. Tanzania, which is drafting a new gas policy, plans to hold its next oil and gas licensing round on October 25. It will offer seven deepwater offshore blocks and one onshore.
"The gas policy will be taken for cabinet approval soon," Muhongo said. Once that is done, a bill will be put to parliament.
He declined to put forward a timeframe for the first LNG exports out of Tanzania, East Africa's second-biggest economy.
"These are technical issues. The companies will conduct their own studies to pick locations for LNG plants onshore and decide when they will start construction and ultimately gas exports."
Given their different political and regulatory environments, energy consultancy Wood Mackenzie expects Mozambique to export its first LNG cargo by 2019, while Tanzania will have to wait until 2021. The Tanzanian government will be keen to show gas windfalls will benefit the whole nation after violent protests in the south earlier this year by residents opposing the construction of a gas pipeline until they get a bigger share of benefits. The southern Mtwara region, where the demonstrations took place, is one area earmarked by the government as a potential site for LNG plants. The government has accused opponents of fomenting trouble and has promised transparency. "There is no chance for corruption, favouritism or propaganda in the ongoing gas development," Muhongo said.*(Engineering News)*

Subsidiary of Chinese group Sinopec plans to prospect for oil in Sao Tome and Principe

Sinoangol, a subsidiary of the China Petroleum & Chemical Corporation (Sinopec), plans to invest US$154 million in oil prospecting in an offshore block in Sao Tome and Principe, the director of the Sao Tome and Principe National Oil Agency (AP) said Wednesday. In a statement, Fernando Maquengo said that the National Oil Agency, representing the Sao Tome and Principe government, had signed a contract to share production from block 2 of the Exclusive Economic Zone (EEZ) with Sinoangol. Citing the fundamental basis of the contract, Maquengo announced “an investment of US$154 million in the first eight years, to carry out seismic surveys and environmental impact studies, test drilling and assessment.
As well as a US$5 million bonus due to be paid with 30 days to the Sao Tome oil account,” Sinoangol will also have to spend a further US$5 million every year on social projects as well as US$250,000 a year on training Sao Tome and Principe staff, noted Maquengo. After eight years of research, the contract stipulates there will be a second period of 20 years for development and production, the ANP statement said. Sinoangol’s interest in block 2 was announced in April 2013 in a request for direct negotiation “in exceptional cases” as part of the Sao Tome and Principe framework law on oil operations. As well as its exclusive area, Sao Tome and Principe also has a joint exploration area with Nigeria based on a treaty signed in February 2001, stating that Nigeria receives 60 percent of revenues while 40 percent goes to Sao Tome. *(Macauhub)*

Sonangol and Argentina’s Plus Petroleum start onshore oil production in Angola

Angolan state oil company, Sociedade Nacional de Combustíveis de Angola (Sonangol) and Argentine company Plus Petroleum have started producing oil at an onshore block with four wells in Angola’s Cabinda province. It is currently producing 1,000 barrels of oil per day according to Angolan daily newspaper Jornal de Angola.
The newspaper said that production would increase to 5,000 barrels per day in November once the 45-day test production stage was over. The managing director of Plus Petroleum, Ricardo Teja, told the newspaper that production had begun “after long and difficult surveying and drilling work, which was sometimes unsuccessful.” Teja also said that the company had chosen to install a single pipeline for all four wells, to carry the crude oil to processing facilities and to the Malongo terminal, where it is loaded onto tankers for export. *(Macauhub)*

Oil reserves in Angola’s territorial waters estimated to total 12.667 billion barrels

Angola’s oil reserve sin shallow, deep and ultra deep waters are estimated to total 12.667 billon barrels, Angola’s Oil Minister, Botelho de Vasconcelos said in New Orleans Monday. The minister added that Angola currently produces some 1.751 million barrels of oil per day and is soon expected to be producing 2 million barrels per day once production increases at existing oil fields. At the annual banquet of the Oil Engineers Society, in the US city of New Orleans, Louisiana, the minister also announced that 15 new onshore oil blocks would be auctioned in order further to involve Angolan private companies and to set up partnerships. Cited by Angolan state newspaper Jornal de Angola, Botelho de Vasconcelos said that the issue of “national involvement” was one of the Angolan government’s concerns. In this context, he said, the definition of the philosophy to include national companies in the sector is being analysed

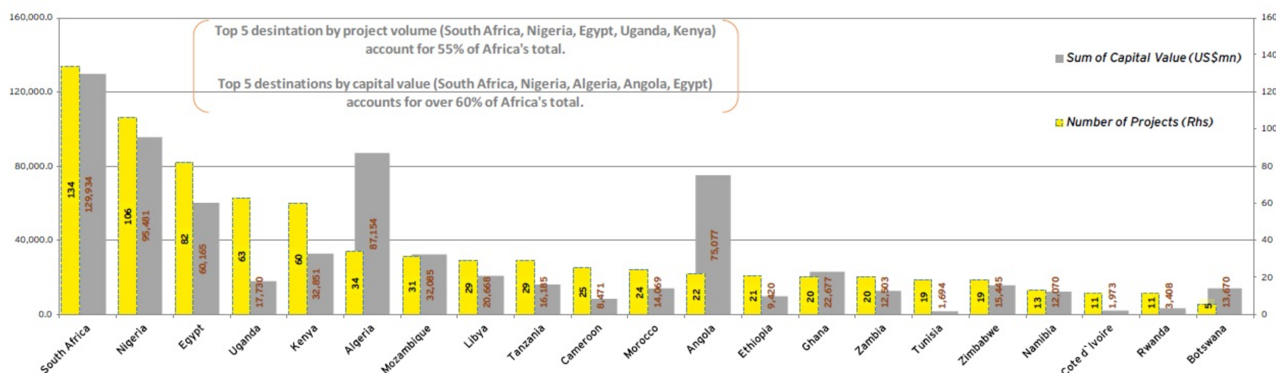
in order to offer more attractive conditions for Angolan businesspeople, by encouraging partnerships with foreign companies. "In the last 20 years the oil sector in Angola has seen unparalleled growth for the West coast of Africa,"he said noting that Angola had become a benchmark in the world for deep water oil fields. *(Macauhub)*

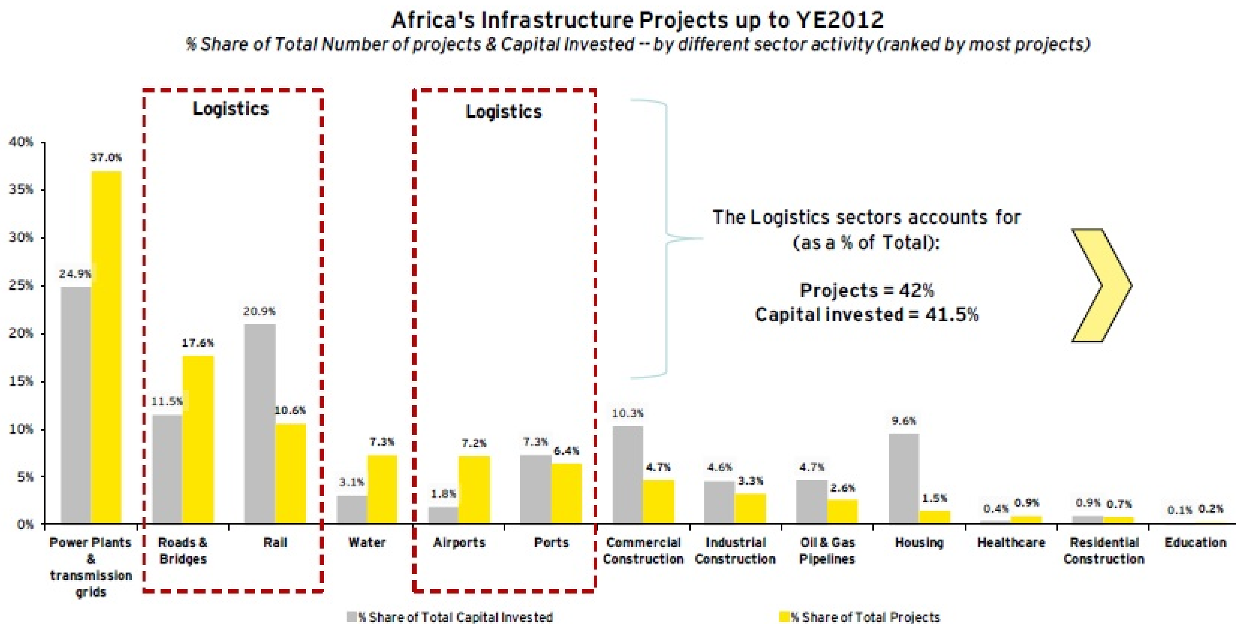
Angolan state oil firm Sonangol said it plans to hold bidding this year and next for licences to explore for oil onshore in 10 new blocks in the Kwanza and Lower Congo basins. Angola, Africa's second-biggest oil producer after Nigeria, wants to increase its crude output to 2 million barrels per day (mbpd) in 2015 from around 1.7 mbpd now. Most of its crude currently comes from offshore fields. "The bidding process is designed to develop Angola's onshore geological potential," Sonangol said on Monday. Sonangol in February announced that it would seek bids for 15 blocks - 10 in the Kwanza basin and five in the Lower Congo basin, both in northern Angola. Instead, its latest statement said it would take bids for seven blocks in the Kwanza and three in the Lower Congo. The company said it would soon announce the start of the pre-qualifying process on its website and through state-owned newspaper Jornal de Angola and would then launch the bidding round. Angola's first oil discoveries were made onshore in the 1950s.Oil revenues represent over 95 percent of its export income and around 45 percent of its gross domestic product. *(Reuters)*

BP Group announces investments of US$85 million in Mozambique
Oil group BP plans to invest US$85 million in Mozambique over the next five years in new projects and modernising facilities in the country, BP's director for Southern Africa, Thandi Orleyn said. "The biggest portion of the investment, US$75 million, will be spent on modernisation of infrastructure in order to improve the safety and reliability of shipments to the port terminals of Nacala, Beira and Matola," Orleyn said, cited by the Mozambican press. The BP director for Southern Africa added that "the work will make it possible to increase our ability to meet domestic and regional demand." Orleyn said that BP would use the remaining US$10 million to modernise its facilities at two airports in Mozambique. BP currently has an 18 percent of Mozambique's fuel market, with the sale of 240 million litres of fuel per year. *(Macauhub)*

INFRASTRUCTURE

Foreign direct investment into Africa has remained solid in a difficult international environment, with rising interest in consumer sectors and intra-regional flows partially offsettinq a fall in commodity-related investments.
FDI (2013-2012) into African
-metals and mining: $33.9bn
-consumer sectors: $58bn
-into African oil and gas:$ 29.6bn





Infrastructure funding fair to unlock R6bn for KZN projects

Sixty infrastructure projects in KwaZulu-Natal, worth a collective R6-billion, will be put to both national and international funders at an Infrastructure Funding Fair to be held in Pietermaritzburg on October 24.

Launching the initiative, in Durban, this week, KwaZulu-Natal Provincial Treasury GM for infrastructure management and economic services **Clive Coetzee** said the aim of the fair was to deal with infrastructure backlogs and to find alternative means of funding the provision of critical services, such as water and electricity to speed up associated residential and industrial developments. "The provision of infrastructure leverages further development so each of these projects is a means to a number of ends," he added.

The Infrastructure Funding Fair is the product of a partnership between Deloitte KwaZulu-Natal, the Provincial Treasury and the KwaZulu-Natal Department of Economic Development and Tourism. It follows the successful Business Funding Fair held in April, which unlocked R300-million in funding for corporate development projects. Ongoing negotiations following this event are expected to result in further loans. Requests for a similar approach to accessing funding for infrastructure projects followed the conclusion of the Business Funding Fair, said Coetzee.

Fifteen provincial departments and municipalities will pitch the 60 projects.

Deloitte Corporate Finance senior manager **Leon Bezuidenhout** said projects on the table ranged from multibillion-rand initiatives, such as roads, bridges and new schools, to smaller projects that could resolve regional developmental issues and improve the quality of life for local communities. Smaller projects that will be presented include the refurbishment of historically poorly maintained and dilapidated sewage treatment plants, community halls, libraries and museums.

The Richards Bay Industrial Development Zone and KwaZulu-Natal Sharks Board have also submitted proposals to pitch projects at the fair.

Funders that will be attending include commercial banks and development finance institutions such as the Development Bank of South Africa, the European Investment Bank, the German government-owned development bank KfW, Ithala Development Finance Corporation and the Industrial Development Corporation.

"The Infrastructure Funding Fair includes Chinese construction companies and banks, which typically bring their own financing options when developing projects. Indian and Brazilian construction companies are also increasingly active in Africa and have been invited to attend," said Deloitte KwaZulu-Natal Corporate Finance leader **André Pottas**.

He said companies operating in the built environment space, such as large construction companies, as well as industry bodies active in the engineering and construction sectors, have been invited.

In addition to short pitches to potential funders, participants will also take part in an exhibition that will provide opportunities for one-on-one discussions, as well as the showcasing of innovative technologies.

Coetzee said another objective of what the partners intended making a yearly event, was to create debate around alternative forms of funding for government projects that fell outside those departments' budget envelope. Up to now, the Municipal Infrastructure Grant (MIG) system was regarded as the only route; however, funding from the fiscus was more in demand but becoming increasingly scarce, with government bodies facing massive constraints. Pottas added that MIGs may be sufficient to maintain existing infrastructure but could not facilitate the construction of new urgently needed infrastructure. "Service delivery has become a key issue. There has been a growing number of protests, so government is recognising the need to address this. However, we have seen little investment in social infrastructure, resulting in problems with things like water quality and sewage treatment." In addition to more conventional funding mechanisms such as concessions and loans from local and international development finance institutions, Coetzee said the Infrastructure Funding Fair would investigate options such as the establishment of a venture fund, the issuing of municipal bonds and the creation of public–private

partnerships (PPPs) with both local and foreign investors. He said PPPs were a vehicle that had been "heavily underutilised" in KwaZulu-Natal, adding that it was hoped that this event would tackle preconceived ideas and misconceptions. *(Engineering News)*

Kenya's port upgrades power supply to end damaging shutdowns

Kenya's Mombasa port, east Africa's biggest trade gateway, is constructing a new power back-up facility after suffering frequent blackouts at a time when the port is under pressure to clear cargo faster under a regional trade plan.

Kenya, Uganda and Rwanda have signed agreements to boost regional trade by cutting red tape to hasten the movement of goods between the port of Mombasa and the hinterland.

Kenya also wants to keep its status as the trading hub of the region, fighting of competition from the port of Dar es Salaam in neighbouring Tanzania.

The new power facility at the port will also supply a new berth commissioned in August and a second container terminal being built at a cost of $300-million, the port's management said on Wednesday.

The backup plant will produce 132 kV of electricity up from the current 11 kV, and will cost $6.4-million to build, **Bernard Osero**, the port corporate affairs manager, said in a statement.

It would be completed by February 2014, Osero said.

"It will cushion port operations from frequent power outages (and) enable the port meet the growing electricity demand from existing facilities and future expansion projects," Osero said.

A three-day blackout at the port over the weekend cost the port $800 000 after it crippled the giant ship-to-shore cranes at the Mombasa Container Terminal, leading to a backlog of ships waiting to berth.

Kenya's sole power distributor, Kenya Power, blamed a fire that destroyed its main transmission plant in Mombasa for the blackout which also affected the airport and petroleum refinery plant in the country's second-biggest city.

AGRIBUSINESS

- Soft commodity prices had a mixed month in September, with Cocoa, Sugar and Wheat gaining strongly, while Coffee and Maize continued to slump.
- The outlook for West Africa's 2013/14 cocoa season is clouded, with lower output expected in Côte d'Ivoire and Ghana owing to the lower use of fertiliser and pesticides.
- Uganda is on track for record coffee exports in 2012/13, following good weather.
- The outlook for West Africa's 2013/14 cotton season is mixed, owing to late arrival of rains.
- Dangote Sugar is to invest US$1.5bn in sugar plantations and refineries in Nigeria.
- Zimbabwe is facing severe food shortages after a slump in the grain harvest .
- The World Bank is funding a US$109mn project to rehabilitate rice production in Cameroon's Far North Region, which was devastated by flooding in 2012.

2013/2014 agricultural campaign in Angola expected to yield 23.4 million tons of products

The 2013/2014 agricultural campaign in Angola is expected to see production of 23.4 million tons of a variety of products from a total of 5.6 million hectares of land, the Agrarian Development Institute (IDA) said. According to a statement issued in Luanda, that total includes grains, vegetables, legumes and root vegetables.

The IDA added that, considering the country's current situation, the Angolan central government would continue to bear the cost of some factors of production used by rural farmers, particularly those that have a lot of impact on increasing production and yield. In the 2013/2014 agricultural campaign the IDA expects to assist 730,000 families across the country from its 131 Agrarian Development Stations (EDA).

As it is concerned about outflow of agricultural products, the IDA noted that it would seek to establish a link between producers and the markets. *(Macauhub)*

Private equity fund sees growing demand for table olives in Africa

Agri-Vie, a private equity fund that invests in agribusiness companies in sub-Saharan Africa, believes demand for table olives is set to grow across the continent.

Agri-Vie, headquartered in South Africa, recently announced it has bought a 63% stake in South African-based Cape Olive Holdings, the country's largest table olive supplier. Executive director at Agri-Vie Izak Strauss said the investment decision was made on the back of major growth opportunities for table olives, both in South Africa's food services sector and exports to the rest of the continent. "The emerging economies of sub-Saharan Africa are… driving up demand for condiment olives from hotels and restaurants, as well as food services producers and retailers in the region. Agri-Vie as major shareholders will strategically support the company's expansion in the export market to Africa," said Strauss in a media statement. Fifty-five per cent of Cape Olive's produce currently goes into table olives, with 45% of the raw product being supplied to olive oil producers."

According to Strauss there is a growing demand for table olives as the condiments market grows due to an expanding middle class and urbanisation in Africa, coupled with an increasing demand from food manufacturing services, caterers, fast food outlets and restaurants.
"Table olives are a quality condiment and over the last three years we have maintained stable production converting our harvest into quality table olives. Raw olives are also sold to other producers for olive oil production. However, over this period we have identified a market for a different quality and different type of product and with Agri-Vie supporting the growth of the business we can now market a bigger percentage of our harvest into table olives products," commented Richard Allen, CEO of Cape Olive Holdings.
According to Strauss, Agri-Vie is anticipating a good return on investment and will see growth in value within two to three years. "There are already developments underway to expand capability and capacity at the processing facilities and the business will produce more quality olives in a sustainable manner," he said *(How we made it in Africa)*

Farming should be a priority for Africa, warns Kenya's Chris Kirubi

Kenyan businessman Chris Kirubi has built a multi-million dollar business empire in East Africa investing in diverse sectors including property, consumer goods, insurance, media, energy, manufacturing and logistics.
One of the sectors on which Kirubi would like to focus more is agriculture. Kirubi told ***How we made it in Africa*** that farming is a critical sector in Africa at a time when the population is growing rapidly and agricultural productivity is falling.
"[Some] of the things this [continent] is crying for is food, water and protection of environment. We must feed people. The population is growing at an alarming rate [while] agricultural productivity is going down because most land is being used for settlement."
According to Kirubi, to counter this imbalance, Africa needs to use "scientific methods to increase productivity".
"I believe I have a role to feed Africa and to demonstrate to other people [that farming] is not a business for the uneducated and the old in the rural areas. It is something very critical because everybody must eat," said Kirubi.
He added that food should be available at the most affordable prices and accessible to the very poor.
"I am already farming. I have a big coffee farm. It is a challenge because of international price fluctuations but we have to gain some access to international markets and we must bring foreign currency to this nation of ours. So, this is one of the cash crops that we must find a way to farm in an efficient manner."
During this year's World Economic Forum on Africa held in May in Cape Town, South Africa, Kirubi criticised the relationship between African farmers and the Western markets to which produce like tea, coffee and horticulture is exported. This, he said, has "institutionalised African farmers to remain poor".
"I like to classify farming as modern slavery that continues in Africa because people labour for so little, if at all anything… we know access of processed African products to the Western world, America and the lot, is almost impossible and also even fresh products, you have to buy so many chemicals from the developed countries in order to comply with their changing rules of the game… and the chemical producers make more money than the farmer exporting the products to their countries," Kirubi said at the conference.

Africa to feed itself

Speaking to ***How we made it in Africa*** this week, Kirubi explained that Africa should not only focus on international markets; feeding local populations should also be a priority.
"We have just got to find equity in market access. We also need to feed our own people in the domestic market. We have to grow our own rice. We don't have to import rice from Pakistan, India and China. These people have their own huge populations to feed. One day they could say there is no more rice exports to you. What shall we feed with?
"It is important for us, with the amount of land available, to really use technology, to utilise marginal lands and find better methods of farming and to do things in a modern way."
Youth involvement in farming is low in most countries in Africa despite high levels of unemployment. Kirubi advised Africa's educated youth who favour office jobs over farming to relook at the industry. He said there are numerous opportunities in the sector, from planting to value addition.
"Simply you have got the wrong education and you have the wrong profile of what farming is all about. Farming is not an imaginary business. It is the most important business," he said. "We must all support farming and we must look at value addition so that people can earn better incomes from their produce." *(How we made it in Africa)*

MANUFACTURING

Sidel Wins Bottling Line Installation Contract In Ethiopia

Sidel, an international manufacturer of liquid packaging solutions, has won another contract with Moha Soft Drinks industry S.C., for the installation of a production line for Moha's Greenfield site in Ethiopia. The plant at Mekele, the capital city of the Regional Government of Tigraye, is continuing the success achieved by Moha at its other plants.
The new plant, sited around 780 kilometres north of the capital Addis Ababa, is where the Pepsi bottler aims to meet the rising demand with the new Sidel line for carbonated soft drinks (CSD) and water.

Previously, supply to the region had necessitated the trucking of products from Addis Ababa. The new line will be mostly producing carbonated soft drinks at a rate of 36,000 returnable glass bottles (RGB) per hour. “We are proud and happy to be working with Moha Soft Drinks once again. Moha is highly respected within the Pepsi world and the soft drinks industry in general,” said Clive Smith, Sidel Zone Vice President for GMEA (Greater Middle East and Africa). Moha Soft Drinks Industry S.C, was founded in 1996, following the acquisition of four state-owned Pepsi plants by Saudi Arabian-Ethiopian business magnate and the largest foreign investor in Ethiopia, Sheikh Mohammed Hussein Ali Al Amoudi and his wife.
The company is arguably the leading producer of CSDs in Ethiopia and is the principal supplier of Pepsi Cola products throughout the country, currently responsible for around half of the overall national production of over 40 million crates. It bottles products for several top soft drinks companies including, Pepsi Cola, Mirinda Orange, 7-Up, Mirinda Tonic, Mirinda Apple and Kool bottled water products. (*VENTURES AFRICA)*

TRADE

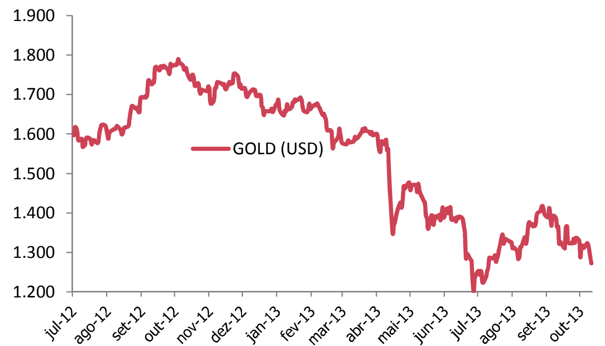
Mozambican government approves legislation to simplify process of opening a business
The Mozambican government ahs approved the Single Form to open companies and launch business activities, said Minister for Industry and Trade, Armando Inroga, cited by the Mozambican press.
At the end of a council of Ministers meeting, Inroga said that the Single Form was a tool intended to simplify and bring together all the legal requirements for company registration and operation.
The Single Form (Formulário Único) is part of a package of reforms introduced to improve the business climate in Mozambique. It is also intended to reduce the cost of registering a company and launching business activities.
For a standard process, company registration and the launch of its activities could take up to 65 days, which is now expected to be reduced to 25 days by using the single Form. *(Macauhub)*

India, Africa on track to meet 2015 trade target – Davies
Trade between India and Africa was on track to reach the $90-billion target set for 2015, Trade and Industry Minister Dr **Rob Davies** said on Tuesday.Trade between Africa and India had already surpassed $60-billion by 2011 and continued to increase, he said at the opening of the third Africa–India Ministers of Trade meeting, in Sandton.
India's continuing investment into Africa provided the continent the opportunity to drive industrialisation and interregional trade, as well as to further strengthen ties between the two emerging economies.
Africa was currently India's sixth-largest trading partner, while India had emerged as Africa's fourth-largest trading partner.
The Asian country had, over the past decade, invested over $50-billion into Africa – a sum India's Commerce and Industry Minister **Anand Sharma** indicated would increase, particularly into mining, infrastructure and energy, besides other sectors.
Davies said this meant that, for the continent to leverage the increasing investments and the increasingly changing economic landscape, Africa now needed to make a shift.
"We need to reposition ourselves from being producers and exporters of primary products and importers of finished products to become industrial producers and exporters," he said.
African countries collectively represented a mostly youthful population of over one-billion and the continent had a combined gross domestic product of $2.6-trillion, which provided the leverage needed to industrialise.
He further noted that the continent needed to boost intra-African trade to further extend the benefits to the continent’s citizens.
The partnerships between other emerging economies and Africa would enable Africa to exploit resource value addition, critical skills transfers, poverty eradication and take advantage of the fact that emerging economies were growing ahead of developed countries.
Davies explained that the option of "simply producing value-added goods for the developed world was no longer available."
The embattled "rich world" was currently experiencing low growth and trying to reindustrialise itself.
"We need to have another leg to build our markets."
African Union chairperson **Nkosazana Dlamini-Zuma** added that the economies of Brazil, India and China would surpass those of Canada, the US, the UK and Italy, besides others, over the next few years, while Africa increasingly represented a frontier of economic growth and stability. *(Engineering News)*

MARKET INDICATORS
14-10-2013

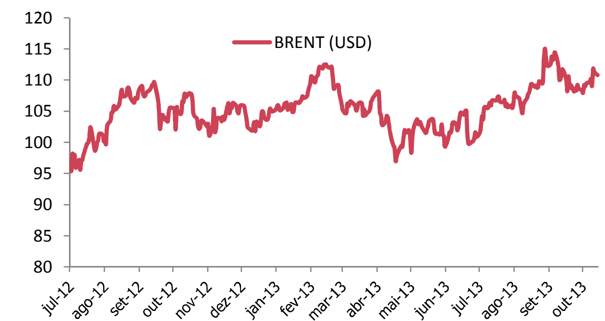
STOCK EXCHANGES		
Index Name (Country)	**14-10-2013**	**YTD % Change**
Botswana Gaborone Domestic Index (Botswana)	8.646,15	15,12%
Bourse Régionale des Valeurs Mobilières (Ivory Coast)	208,10	24,92%
Case 30 Index (Egypt)	5.986,80	9,60%
FTSE NSE Kenya 15 Index (Kenya)	172,67	37,31%
Morocco Casablanca Stock Exchange CFG 25 (Morocco)	18.311,45	-4,34%
Nigerian Stock Exchange All Share Index (Nigeria)	37.051,14	31,95%
FTSE/JSE Africa All Shares Index (South Africa)	43.723,16	11,40%
Tunindex (Tunisia)	4.465,36	-2,50%

Source: Bloomberg and Eaglestone Securities



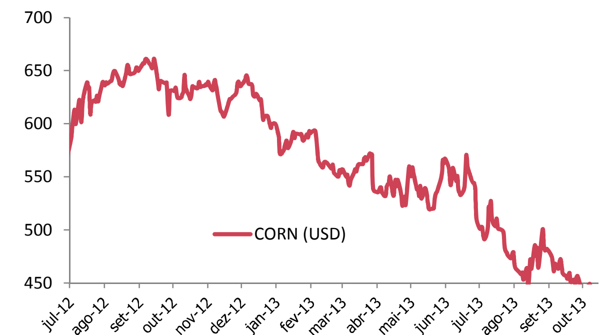
METALS		
	Spot	**YTD % Change**
Gold	1.281	-23,52%
Silver	21	-29,28%
Platinum	1.387	-9,94%
Copper $/mt	7.200	-9,22%

Source: Bloomberg and Eaglestone Securities



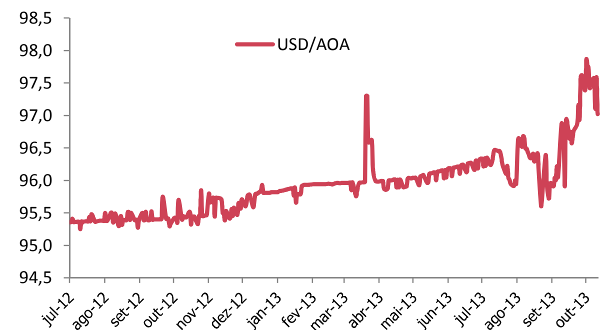
ENERGY		
	Spot	**YTD % Change**
NYMEX WTI Crude (USD/barril)	101,5	8,96%
ICE Brent (USD/barril)	110,0	1,37%
ICE Gasoil (USD/cents per tonne)	931,5	1,72%

Source: Bloomberg and Eaglestone Securities



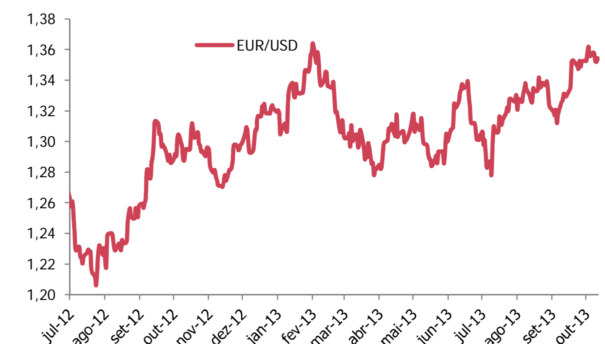
AGRICULTURE		
	Spot	**YTD % Change**
Corn cents/bu.	435,0	-37,88%
Wheat cents/bu.	689,3	-12,50%
Coffee (KC) c/lb	116,9	-20,35%
Sugar#11 c/lb	19,0	-3,70%
Cocoa $/mt	2714,0	20,41%
Cotton cents/lb	83,7	10,35%
Soybeans c/bsh	1277,5	-8,70%

Source: Bloomberg and Eaglestone Securities



CURRENCIES	
	Spot
KWANZAS	
USD	97,530
EUR	132,383
GBP	156,004
ZAR	9,782
BRL	44,580
NEW MOZAMBIQUE METICAL	
USD	29,600
EUR	40,207
GBP	47,381
ZAR	2,971
SOUTH AFRICAN RAND SPOT	
USD	9,964
EUR	13,535
GBP	15,950
BRL	4,558
EUROZONE	
USD	1,36
GBP	0,85
CHF	1,23
JPY	133,34
GBP / USD	1,60

Source: Bloomberg and Eaglestone Securities



Disclamers Appendix

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Additional information is available upon request.

UPCOMING EVENTS

Inter Solar- Mumbai, India November 12-14, 2013. Intersolar India is India's largest exhibition and conference for the solar industry and, as a leading industry platform, focuses on the areas of photovoltaics, PV production technologies, energy storage and solar thermal technologies.(*http://www.intersolar.in/en/visitor-service-india/programs.html)*

Water Africa 2013, **International Trade Exhibition – Abuja – Nigeria , 25-27 November 2013** *(http://www.mbendi.com/ace/events/e97p.htm)*

PRIVATE EQUITY IN AFRICA – 16 OCTOBER, INTERCONTINENTAL PARK LANE, LONDON - FT AND EMPEA
This is Africa and the Emerging Markets Private Equity Association (EMPEA), are pleased to present this year's annual Private Equity in Africa Summit. Against the backdrop of a slowing global economy and increasingly constrained development spending, the private sector is now recognized to lie at the heart of driving Africa's economic transformation. On the back of business friendly reform, investor interest in the region is soaring, with FDI levels at their highest ever. Harnessing such trends for domestic private sector development will be essential to realizing Africa's potential. This one day event will critically examine the role of private equity in supporting and accelerating private sector development across Africa, and the true return potential of the continent

IPAD MOZAMBIQUE POWER & GAS FORUM – 22-24 October , Maputo, Mozambique
iPAD Mozambique Power & Gas Forum is the vital platform to discuss the infrastructure requirements of the Power & Gas sectors and also highlights the vital issues shaping the industry. iPAD Mozambique invites government, global experts and regional leaders to share their expertise and knowledge around investment opportunities, technological innovation, risk management - natural disaster damage prevention, legal and regulatory updates : latest projects evolving, impacts on the energy sectors across the regions, infrastructure developments, transport & logistics, finance & investment and the latest on the new master plan as it impacts on the Power & Gas sectors. *(http://www.ipad-mozambique.com/conference)*

Brazil - Africa Leadership Forum 2013 - New Partnerships for the 21st century, 27 November 2013 | Johannesburg, South Africa. The Second annual Brazil Africa Leadership Forum, organised by This is Africa and Financial Times Live, brings together key players in driving this strategic partnership. As the global economy shifts, and both Brazil and Africa take on increasingly important international roles, this one day summit will provide a platform for constructive dialogue on how to deepen the relationship between the two regions. (*http://event.ft-live.com/ehome/index.php?eventid=70801&)*

African Mining Indaba- 3-6 Feb 2014-Cape Town, South Africa
Global professionals including key mining analysts, fund managers, investment specialists, and governments clearly define Mining Indaba as their preferred venue for obtaining the most current economic and mining developments from the world's leading experts on African mining. It is held annually at the Cape Town International Convention Centre in Cape Town, South Africa and is organised by Mining Indaba LLC. (*http://www.miningindaba.com/)*

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Disclosures

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

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

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

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

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