INSIDE AFRICA

Now is the time to invest in Africa

19 August 2013

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BRIEFS

Private Equity in South Africa is 53% of Africa's total vs Nigeria 5%

The Electricity Company of Ghana (ECG) would save $85m per year if it could reduce energy loses by 10%. ECG is one of Ghana's most important state-owned enterprises, with over 1.8m customers and sales of about $800 million annually

Prasa set to spend $15bn. The Passenger Rail Agency of South Africa (Prasa) is to spend an estimated $15bn on key capital programmes over the next 10 years. A stock fleet renewal programme will receive $ 5bn with $2.6bn for a rolling stock refurbishment and upgrade programme.

America has 51 embassies in Africa to China's 41, of which many are largely limited to commerce.

Orange customers now have access to **Orange Mobile services at Total service stations in 13 African countries**

IFC invests in East African health
In the largest capital increase by a company in East African healthcare, IFC has taken a $4m equity investment in leading health care provider AAR Health Care Holdings, part of a $15m fundraising exercise. AAR aims to expand its outpatient network, enhance specialist consultation and acquire inpatient facilities in Nairobi, Kampala and Dar es Salaam. It operates 28 clinics in Kenya, Uganda, and Tanzania, serving over 500,000 outpatients annually. It will serve 600,000 additional outpatients a year by 2018.

Mobile phone subscribers
Africa Today: 316 million
Africa Tomorrow: 850 million

Infrastructure development
Africa Today: $45 billion
Africa Tomorrow: $93 billion

In-depth:

From FDI to AIA: Africans investing in Africa

Investors from Europe, Asia and the United States are not the only ones chasing growth opportunities in Africa these days - Africans themselves are waking up to the potential across borders in their own backyard.

The same trends that have lured foreign capital to the continent - rising wealth, sustained economic growth and a swelling young population - are attracting investors in South Africa, Kenya, Nigeria and even Namibia.

Between 2003 and 2011, intra-African investment into new FDI projects in Africa grew at a 23% annual compound rate, according to Ernst & Young. Since 2007, that rate has increased to 32.5%, more than double the growth in investment from non-African emerging markets and almost four times faster than FDI from developed markets

As Nigeria's Finance Minister **Ngozi Okonjo-Iweala** told this year's World Economic Forum on Africa: "We focus on FDI all the time. How about AIA - Africans investing in Africa."

Cross-border African investment is set to accelerate as local firms seek new markets, resource-rich countries launch sovereign wealth funds and assets held by pension funds grow.

Underpinning this are the favourable demographics of sub-Saharan Africa, the world's youngest region, which will be the only region of the globe not to experience a decline in its saving rate by 2030, according to the World Bank.

By the middle of the century, Africa's working age population will number 1.2-billion people, from around 500-million today, meaning it will provide one in four of the world's workers, compared to one in eight from China.

While FDI and portfolio flows from outside the continent will continue to provide long-term capital, skills and technology, many believe growing intra-regional investment will create a virtuous cycle, encouraging greater foreign investment.

"Foreign investors are much happier putting their money behind local investors," said **Gachao Kiuna**, CEO of TransCentury, a Nairobi-listed infrastructure company which invests in countries such as Uganda, Mozambique and the Democratic Republic of Congo."Domestic investment is the real trigger towards driving high investment levels," he added.

SWELLING SAVERS' POOL

South Africa has led the way in intra-African investment, with companies like MTN and Shoprite among the first to venture further north. Africa's biggest economy is now one of the top five overall investors on the continent. To the east and west, regional powerhouses Kenya and Nigeria are also major cross-border investors.

Nigeria's Dangote Cement, controlled by the continent's richest man **Aliko Dangote**, is investing $5-billion to build an African cement empire, with projects planned in Cameroon, Senegal, Ethiopia, Zambia and South Africa.

Kenyan and Nigerian banks have also expanded into their surrounding regions. Nigeria's United Bank for Africa, with operations in 18 other African states including Ghana, Mozambique and Tanzania, expects to generate half its revenue from the rest of Africa in coming years, from 20% now.

"There is a lot of potential in sectors like oil and gas which in the next ten years will still be booming in Africa," **Emmanuel Nnorom**, chief executive of UBA Africa, told Reuters. Africa's burgeoning pool of savings will help to drive the intra-regional investment surge.

"Everybody talks about the rising middle class, growing urbanisation of the labour force. Even more important is the formalisation of the labour force which is creating more contributors to pension funds," said **Eliot Pence**, who heads the Africa practice at US advisory firm McLarty Associates. Like the rest of the developing world, Sub-Saharan Africa's stock of capital is set to balloon in the next two decades and will rise to $23.3-trillion in 2030, from $11-trillion in 2010, according to a World Bank report published in May.

BIG PLAYERS

Pension funds in Africa could become prominent continental investors, though analysts say many will need to update their asset allocation regulations.Renaissance Capital estimates that total assets under management of sub-Saharan Africa's six biggest pension funds could surge to $622-billion by 2020, from $260-billion in 2010, and by 2050 they could balloon to $7.3-trillion.

Africa-focused private equity firms are already tapping local pools of capital. Emerging Capital Partners said 44% of investors in its third Africa fund established in 2008 were local institutions, up from 26.8% in its first fund set up in 2000.

Helios Investment Partners hopes African institutions can become an even larger part of its investor base, said partner Dabney Tonelli. "Given the growth of pension funds ... you see the potential for these institutions to become the big players in African private equity," she said.

South Africa's Government Employees Pension Fund, the continent's largest with around $120-billion in assets, is investing 1% of the fund in the rest of Africa, but can invest up to 5%.

Namibia's $6-billion Government Institutions Pension Fund (GIPF) has a 27% allocation to South Africa and 8 % to the rest of the continent, where it is investing in both listed markets and private equity, CE **David Nuyoma** said. The returns have not disappointed, he added."It's been tremendous - 30 (%) plus year on year."

SOVEREIGN RATING

Region - Africa/Middle East

19-08-2013	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Angola	Ba3	BB-	BB-	NR	B	B
Bahrain	Baa1 -	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	NR	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	AA-	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".

North and South America - Asia

19-08-2013	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	B-u	CC	NR	Bu	**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

Eurozone

19-08-2013	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Austria	Aaa	AA+	AAA	P-1	A-1+	F1+
Belgium	Aa3	AAu	AA	NR	A-1+u	F1+
Cyprus	Caa3	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

S&P Revises Mozambique Outlook To Negative; 'B+/B' Ratings Affirmed

OVERVIEW

-- Recent revisions to Mozambique's external data indicate a much higher current account deficit and net external liability position than we previously estimated.
-- We expect Mozambique's net external liability position to widen further before exports accelerate enough to narrow the current account deficit materially.
-- We are revising our outlook to negative and affirming our 'B+/B' ratings on Mozambique.
-- The negative outlook reflects the possibility that we could downgrade Mozambique within the next year if progress on big investment projects slows, if projects seem less likely to generate the growth needed to narrow external and fiscal deficits, or if there is a material increase in public sector external commercial debt.

RATING ACTION

On Aug. 16, 2013, Standard & Poor's Ratings Services revised its outlook on the Republic of Mozambique to negative from stable. At the same time, we affirmed our 'B+' long-term and 'B' short-term foreign and local currency sovereign credit ratings on the Republic of Mozambique. The transfer and convertibility (T&C) assessment on Mozambique remains at 'B+'.

RATIONALE

The ratings are constrained by Mozambique's very low level of development, structural external and fiscal deficits, and heavy reliance on aid and cross-border investment for economic growth, fiscal revenues, and balance of payments needs. Ratings support stems from favorable growth prospects related in part to the growing mining sector, significant albeit declining donor support, and gradually improving economic management on close cooperation with the International Monetary Fund (IMF) and other international financial institutions.
In our view, Mozambique has established relative political stability since the end of civil war in 1992. However, in successive elections, the Frelimo traditional ruling party has won most votes, so a change in power has yet to take place. We think Frelimo will once again dominate local elections in November 2013 and national elections in October 2014. We are witnessing some disturbances linked to the opposition party, Renamo, that are adversely affecting business and key economic routes, but we do not foresee any escalation. Donors are pushing for greater transparency and a reform of public finances.
With GDP per capita that we estimate at US$670 in 2013, Mozambique remains one of the poorest sovereigns we rate. We expect real GDP per capita growth of 5.5%-6% annually over the next few years. We base these high economic growth projections on the rapidly growing mining sector, several large development projects, strong donor support, and cooperation with international financial institutions that we expect will underpin better economic management.
The Mozambican authorities' recent data revisions have raised the 2012 current account deficit to 37% of GDP, by our estimate. We expect little change in this deficit over the next few years because of foreign direct investment (FDI)-related capital goods and service imports. Mirroring trends over the past couple of years, we think FDI inflows, and to a lesser extent, external borrowing will finance most of the current account deficit.

We forecast Mozambique's gross external financing requirements to remain above 150% of current account receipts (CARs) and useable reserves over the next few years. We expect the net external liability position to move above 400% of CARs, while the debt portion net of reserves and financial sector assets likely stays below 100% of CARs.
We forecast fiscal deficits to average 6% of GDP over 2013-2016, slightly higher than the 2010-2012 average. This is due to an increase in infrastructure expenditure and social protection, coupled with relative declines in direct budget support from bilateral donors, in part because of a switch to project funding over 2013-2016, in our opinion.
Government debt is lower as a percentage of GDP than the flows suggest, mostly because of the Heavily Indebted Poor Countries initiative and other debt forgiveness and also owing to intermittently high inflation. We expect net government debt to increase to 35% of GDP in 2016, from an estimated 32% this year. Mozambique has a non-concessional borrowing limit for 2013-2016, set by the IMF at 12% of 2013 GDP, to be used for infrastructure improvements.
We anticipate that Mozambique will maintain its flexible exchange rate regime, with mild interventions to smooth the effects of large FDI inflows. Inflation has dropped sharply from double-digit rates in 2010-2011, despite floods in early 2013 that lowered food production. Inflation is vulnerable to import prices, administered prices, and exchange rate movements.

OUTLOOK

The negative outlook reflects the potential for a downgrade within the next year if progress on big investment projects slows or if projects seem less likely to generate the growth needed to narrow the external and fiscal deficits. We could also lower the ratings if donor support weakens, external financing becomes more expensive or more difficult to arrange, inflation returns to double-digit rates, social unrest or political tensions escalate, or public sector external borrowing rises materially. We could revise the outlook to stable if economic growth remains strong and significant donor inflows continue to fund a material portion of Mozambique's fiscal deficits, and its balance of payments. At the same time, we would expect to see that progress on investment projects continues to support a significant uptick in exports over 2013-2016.

KEY STATISTICS - RELATED CRITERIA AND RESEARCH

-- Sovereign Government Rating Methodology And Assumptions, June 24, 2013
-- Sovereign Defaults And Rating Transition Data, 2012 Update, March 29, 2013
-- Criteria For Determining Transfer And Convertibility Assessments, May 18, 2009

The views and the decision of the rating committee are summarized in the above rationale and outlook.

RATINGS LIST

Ratings Affirmed; Outlook Action

	To	From
Mozambique (Republic of)		
Sovereign Credit Rating	B+/Negative/B	B+/Stable/B
Senior Unsecured	B+	
Transfer & Convertibility Assessment	B	

INVESTMENTS

The world's first sustainable cooking fuel facility has opened near Beira.

Cleanstar Mozambique an integrated food, energy, and forest protection business, will supply ethanol -based cooking fuel made from cassavato Maputo, Mozambique. An ethanol stove will cost about $30, the same as a month's charcoal. *(African Business)*

Italy: €60m for Africa and Asia

The Italian Cooperat ion will put €60m toward health, education and infrastructure projects in Africa and Asia. It includes innovative financing instruments for cooperation, promoting agricultural development in Ethiopia, €3m to Mozambique for education. Recipients of the €28m in donations and €32m in assistance loans include Somalia, Mozambique, Eritrea, Afghanistan, Lebanon , North Korea and Myanmar. *(African Business)*

Porto Amboim, in Angola, has Africa's largest crane

Africa's largest crane, with capacity to load and unload equipment for the oil and gas industry in Angola, has been inaugurated in Porto Amboim, in the Angolan province of Kwanza Sul, Angolan state newspaper Jornal de Angola reported.
Built by metal-mechanics company Porto Amboim Estaleiros Navais (Paenal) and costing US$50 million, the crane was designed by Ihi (Ishikawajima-Harima Heavy Industries) Unyo Kikai (Japan) (IUK), and has been named Jamba, meaning elephant, due to its ability to lift cargo weighing up to 2,500 tons.
The managing director of Paenal, César Guerra, said that following the inauguration of Jamba the company was moving into a phase of development and integration of complex modules on oil tankers, drilling rig services and, in the near future, building oil rigs.

The managing director noted that the inauguration of Africa's largest crane in Angola was the realisation of the vision of Sonangol in partnership with Netherland's group SBM which, in 2007, believed that and international standard shipyard could be built in the Porto Amboim region.
"Paenal was established to meet a need to develop manufacturing technology and integration of modules in floating production, storage and offloading (FPSO) units," he said.
Porto Amboim Estaleiros Navais currently employs 1,100 workers, of which 85 % are Angolans included in the areas of production, engineering, project management, quality control, human resources, administration and finance, logistics, and hygiene and safety. *(Macauhub)*

Mozambique to return 8 % of funding approved by Millennium Challenge Corporation

The Mozambican government will return 8 % of the US$506.9 million approved by US agency Millennium Challenge Corporation (MCC), as it was unable to make use of all the funding made available within the deadline, according to the chief executive of the Millennium Challenge Account – Mozambique.
The funds will be returned as stipulated by the development agency as Mozambique will not conclude all the projects funded by the MCC within the timeframe given. The MCC provided funding for projects in the country's four northernmost provinces with a view to reducing poverty and stimulating economic growth.
The level of execution of the MCC programmes by the end of the programme, on 22 September, is expected to be 92 %, which is the equivalent of expenditure of between US$470 million and US$480 million, according to Paulo Fumane, cited by daily newspaper Mediafax. The newspaper also reported that Mozambique planned to access a second package of funding from the MCC, with a value of US$300 million, the beneficiaries of which will be announced in December of this year.
Mozambique is well-placed to benefit from the new funding, but only the final evaluation by the MCC can determine if the country has the right to receive further aid.In total the MCC will evaluate 20 different criteria and, according to the MCC board, Mozambique is well-placed in at least 16 of these, but has negative points in the areas of health and fiscal policy. *(Macauhub)*

Foreign direct investment in Mozambique totals US$724.5 million in the first half of 2013

Mozambique received US$724.5 million in foreign direct investment (FDI), in the first half of this year, with South Africa the biggest foreign investor on a list of 29 countries, Macauhub learned from the Mozambican Centre for Investment Promotion (CPI).
In the first six months of the year the CPI approved 207 FDI projects. South Africa, which topped the list of foreign investors, has earmarked investment of US$240.7 million in 39 projects.
Germany (US$140.4 million in three projects) and Switzerland (US$140.3 million in two projects), were in second and third place, respectively, and Portugal was ranked fourth, with investment of around US$84 million in 85 projects. With 11 approved projects, China was the fifth biggest investor (around US$23 million), followed by Mauritius (US$22.9 million), the United Kingdom (US$17.8 million, Italy (US$14,9 million, Zimbabwe (US$5.7 million) and India (US$8 million. Amongst Portuguese-Speaking Countries, as well as Portugal (4th place), Brazil was ranked in 16th place with two projects worth US$1.4 million, and Angola, was 22nd with investment of US$750,000 in a single project. *(Macauhub)*

Investments of US$2.448 billion may create 16,000 jobs in Mozambique

The Mozambican Centre for Investment Promotion (CPI) approved 248 investment projects in the first six months of 2013, worth a total of US$2.448 billion, which may create over 16,000 jobs, the CPI said.
The Industrial sector, with US$1.281 billion for 54 projects, was the sector of most interest to investors, and also received the most foreign direct investment (FDI), of US$349.5 million in total.
The Agriculture and Agro-Industrial sectors received the largest amount of national investment – US$181.7 million – across a total of 32 projects worth US$784.3 million, which will create 3,191 jobs.
Despite being the area with the most approved projects (76) as well as the one that may create the most jobs (4,111), Services came in third place in terms of total investment, with US$169.9 million.
This was followed by the Tourism sector, with investment of US$97.4 million in 36 projects and 1,251 potential jobs, and Construction and Public Works, with US$82 million in investment and 3,848 jobs.
Finally, Transport and Communications, with 28 projects costing US$26.5 million, may create 262 jobs, whilst Aquaculture and Fishing, with two investment projects with investment of around US$1 million, is expected to create 53 jobs. *(Macauhub)*

BANKING

Banks

Barclays branches out

Barclays will create Africa's largest retail bank in terms of branch networks and customers in a tie-up deal. The Absa banking group, of which Barclays plc. own a 55.5 % controlling stake, has been given regulatory approval to acquire the British bank's African business, consolidating the assets and rebranding the business as Barclays Africa. *(ABR)*

Western Union grows mobile banking business across Africa

"It's a convenience thing. People will use the channel and the touch point most convenient to them." This is according to Richard Malcolm, south and east African regional vice president for Western Union. The US-based company provides global payments services, allowing consumers and businesses to send and receive money around the world.

While Western Union reportedly has 27,000 brick and mortar agent locations spanning 50 countries in Africa, it has focused its attention on expanding its alternative or digital transaction channels. For example, integrating with more mobile networks and allowing people to receive transactions through prepaid cards."We see Africa as being the hotbed or ground zero for some interesting technological advances," Malcolm added. "Some of the things that are happening here in Africa, happened here first… We are talking about mobile money transfers, definitely. I am also talking about what we call account based money transfers, so where a person with a bank account can send or receive from their bank account or into their bank account."

Malcolm said the company is also working with a bank in Kenya, where it will be announced soon that the bank has introduced the ability to receive Western Union transactions from its ATMs.A reason why mobile and digital channels have become a key focus of Western Union's business in Africa is that they are generally the most convenient transaction methods for many people across the continent."I think if you take an average of Africa, you will probably find that the average, let's call it banked population, is probably less than 10% across Africa. You have some countries that are performing better, like South Africa where it's about 50%."However, while a large majority of the African population might not have a bank account, a large percentage has mobile phones which they use to make payments and transactions. Kenya, for example, has 30.7 million mobile subscribers, a penetration of 78%, according to recent research by the Communications Commission of Kenya."Kenya was a single digit banked population, probably in the mid 2000s [or] the early 2000s," said Malcolm. "After their very spectacular and interesting M-Pesa product… we see today that Kenyans are probably around, even over, 70% financially included. So the mobile phone is everywhere and it's invaluable."

African diaspora and remittances

Malcolm said remittances into Africa are a big part of Western Union's business, adding that many African countries rely on these money transfers as a GDP input."In fact, [for] many countries in Africa over 30% of their GDP is relying on remittances… if you reduce the transaction to its most basic form you have an Ethiopian who lived out in a rural area, has left, is working now in, let's say, the United Arab Emirates (UAE)… they will be working as a maid or a driver in the UAE [and] sending money back to their rural family or dependents who may be in a village or on a farm. That money goes back into the local economy, into a micro economy, and it empowers that micro economy, it empowers the village, it empowers the farm, and it leads to micro growth," explained Malcolm."These [are] little hot spots of growth, as this money comes in and people in Ethiopia, in that family, use it to buy school uniforms, to buy food, and just generally support themselves," he continued. "So really you cannot underestimate the relevance and importance of remittances into an under-financed environment."Western Union also opened a location in Hargesia, Somaliland in 2011 where Malcolm said it is seeing transactions go into the autonomous economic region from places like the UK and US. "And you cannot imagine just how important this is for the people in that type of environment."He added that Zimbabweans, who have moved into neighbouring Southern African countries, are another large remittance market.

African markets are unique

"Each country sometimes requires very unique and specific solutions, particular to the personality or the characteristic of that country… So for the Zimbabweans in South Africa sending back to Zimbabwe, we want to find services that work for them, that they have a need for," explained Malcolm. "So this is really our approach and we will take this in the direction customers need."His advice to foreign multinational companies looking to expand into African markets is to focus on the unique differences in each market. "Even neighbouring countries can be worlds apart, and to try and lump them together is inappropriate. You will bring products to the market that you believe work but the customers don't need. So really focus on the customer need." *(How we made it in Africa)*

Deals

Gulf African Bank in AGF deal

Kenya's Islamic Gulf African Bank has signed a $L13m agreement with the African Guarantee Fund (AGF) to support lending to small and medium-sized enterprises. The International Finance Corporation has taken a 15% equity interest in Gulf African Bank.*(African Banker)*

GT Bank buys into Fina

Nigeria's Guaranty Trust Bank (GT Bank) will acquire a 70% stake in Kenya's Fina Bank for $100m, thus expanding its sub-Saharan presence. The top-tier bank will do the deal through share purchase from current shareholders and direct investment. Fina Bank has total assets of $338m with operations in Kenya, Rwanda and Uganda, a $184m loan book and operates from 38 branches . *(African Banker)*

Banks commit to energy projects

The African Development Bank (AfDB) will support US President Barack Obama's $7bn Power Africa initiative, a five-year partnership between the US, the governments of Ghana, Tanzania, Kenya, Nigeria, Ethiopia and Liberia and the private sector, with $3bn. Standard Chartered has committed to $2bn. Nigerian businessman Tony Elumelu has pledged $2.5bn. A total of $9bn is from the private sector. *(African Banker)*

AfDB signs with Commerzbank

The African Development Bank (AfDB) signed a $10om unfunded Risk Participation Agreement (RPA) with Commerzbank. This three year RPA is a 50/50 risk sharing arrangement that will enable Commerzbank to match AfDB's undertaking in every transaction, creating a maximum portfolio of up to $200m and support to African banks and small and medium enterprises. It is expected to facilitate about $1.2bn of trade in equipment, raw materials, intermediate and finished goods. *(African Banker)*

Markets

Nigeria: CBN Takes Delivery of New Naira Notes September

The Central Bank of Nigeria (CBN)will take delivery of new naira notes before the end of September for circulation, the Deputy Director, Operations, Dr Tunde Lemo, has said. Lemo stated this in an interview with the News Agency of Nigeria (NAN) yesterday in Abuja. The apex bank had earlier said that new naira notes would be in circulation by June, and that the smaller denomination notes (N5, N10, N20, and N50) would be reprinted on paper. "We are going to take delivery of the new notes from this month of August. We will take delivery of the new notes before the end of September. 'The public will get a large quantity of the new notes to replace the old and mutilated notes, particularly the higher denomination notes in the first instance, then later the lower denominations," he said. On the scarcity of the lower denomination notes, Lemo blamed commercial banks for what he called "poor circulation". "For the lower denomination; well, I think the banks are really the ones that are really not allowing the lower denomination in circulation, largely, because of the carrying value. "Most people don't require small denomination. But for buying things in the market, if you look at the veracity, you find out that the N50 circulate more than the smaller ones," he said.
Meanwhile, Lemo has urged law enforcement agencies to arrest all illegal hawkers of new naira notes. He also called on commercial banks to keep watchful eyes on their staff to avoid being used as conduit for illegal transfer of new notes to unauthorised hands.
Lemo said this should be done to ensure effective protection of the currency from abuse. "We have done all we can do in the sense that we have criminalised this in the 2007 Act "It is clear that if you hawk notes, if you abuse the currency, it is a criminal offence and it is punishable. "We expect law enforcement agencies to do the arrest. We don't have power to arrest. We know it is going on," he said. Lemo said commercial banks should "dispense and pay their customers with new notes". He said the apex bank had carried out sensitisation campaigns to inform the public and warn them about the dangers of patronising hawkers. "I think that is the limit the central bank can go," the deputy governor said. NAN reports that new naira notes are sold at Dei Dei along Kubwa Express Road, Abuja, as well as other locations across the country. *(AllAfrica.com)*

Tech

First three-country money transfer

Orange is launching a quick and easy international money transfer service via mobile phone, Orange Money International Transfer, between Mali, Senegal and Cote d'Ivoire. Available already in 13 countries in Africa and the Middle East, Orange Money has more than 7m c ustomers. *(African Business)*

Alcatel-Lucent and Sur tline Communications Ltd are making the fi rst commercial deployment of a 4G LTE network in Ghana and in Western and Central Africa. The 4G LTE network will provide Surtline customers access to social networking sites, internet browsing, e-mail, online gaming, streamed videos and video calling with dramatically increased performance. *(African Business)*

Malawi is joining the Better Than Cash Alliance to transition government cash payments to electronic payments, initially social welfare and salary payments. It will begin by reaching 21,000 people with payments of $3m. The Alliance was **founded by the Bill & Melinda Gates Foundation, Citi, Ford Foundation, Omidyar Network, USAID, UN Capital Development Fund and Visa Inc**. *(African Business)*

ENERGY

Africa: Giving power to the people

US President Obama has pledged $7bn to building a more reliable electric power grid in sub-Saharan Africa through the Power Africa initiative - "the connection that's needed to plug Africa into the grid of the global economy". Power Africa is a five-year partnership between the US and the governments of Ethiopia, Kenya, Liberia, Nigeria, Tanzania and Mozambique, and it will also obtain $9bn from the private sector.

GE Africa is teaming up with the us African Development Foundation to launch the Power Africa Off-Grid Energy Challenge {the Power Africa Challenge), a three-year, $2m challenge that will award 20 or more grants of up to $100,000 each to African organizations providing off-grid solutions that deploy renewable resources and power economic activities.

Nigerian businessman Tony Elumelu has backed the initiative with a $2.Sbn investment pledge. The African Development Bank {AfDB) earmarked up to $3bin for Africa's power sector over the next five years. The African Development Fund {ADF) ADF contributed $1.4bn out of the Bank's $1.6bn over the last five years in the six priority countries' energy investments. Standard Chartered Bank is committing $2bn of new financing, more than 20% of the initial private sector contribution. It will work closely with US agencies, including the Export-Import Bank, the Agency for International Development {USAID) and the Overseas Private Investment Corporation {OPIC). (African Business)

Vestas Wins Largest South African Order From EDF's Innowind

Vestas Wind Systems A/S will supply 105 megawatts of wind turbines to **Electricite de France SA**'s Innowind unit, its biggest ever order in South Africa. The deal is to supply 35 of its V112 3-megawatt turbines to Innowind's Chaba, Waainek and Grassridge sites, Aarhus, Denmark-based Vestas said Aug. 1 in an e-mailed statement. The agreement also includes a 10-year servicing contract. Vestas is chasing orders in developing nations as demand in traditional European markets and the U.S. slows. Chief Sales Officer **Juan Araluce** said in June that he expects "significant growth" in emerging markets, and Aug. 1's order is at least the third this year for the Danish manufacturer in South Africa. "These projects mark another important step in further developing this promising wind market," Thomas Richterich, a Vestas official, said in a statement Aug. 1. The three windpower projects are financed by South Africa's **Industrial Development Corp.** and **ABSA Group Ltd.,** according to Vestas. (*BLOOMBERG*)

Nampower seeks consultants for solar project EIA

Namibia Power (NamPower) on Friday started its search for an environmental impact assessment consultant for the national electricity utility's solar photovoltaic (PV) projects.

Nampower aimed to develop three 10 MW solar PV power plants in Namibia as part of its urgent strategy of securing power supply for its two-million residents.

The request for proposal (RFP) opened for bidders after the power utility issued tender prequalification questionnaires on Thursday.

The selected consultant would be tasked with examining all aspects of the project and identifying the overall potential impact of a solar PV project, including its engineering, construction, operation, maintenance and decommissioning activities. The winning bidder would also outline, besides others, the physical, biological, social, economic and health and safety aspects of each phase at each site.

NamPower had selected sites within a 5km radius surrounding various substations, including Hardap, near Mariental; Osona, near Okahandja and the Omburu substation, near Omaruru. Prospective consultants had until September 27 to submit their bids. *(Engineering News)*

Inga Hydropower project in DRC: Sustainable Energy for Millions

The Congo River, one of the most powerful rivers in Africa, has very high hydropower potential that could contribute significantly to the needs of the continent. Currently, only the Inga site of the river is being harnessed for hydropower generation, with an installed capacity of only 1775 MW compared with Inga's potential of 40,000 MW.

ADF Financing, Project Preparation, Advisory and Brokering Role
The AfDB has been an active partner in rehabilitating Inga 1 and laying the groundwork for Grand Inga, implemented between 1993 and 1997, with ADF funding.
ADF-11
ADF-11 has invested US$ 15 million to finance project preparation work leading to feasibility analysis for Inga 3 project, the first phase of Grand Inga. The Bank is providing active counsel and assistance to the DRC Government. It led a DFI coordination process. Without its intervention, the project would have stalled.
ADF-12
ADF-12 made a technical assistance grant of US$ 37 million for feasibility studies to realize the potential for 4,800 MW of Inga 3 which will be an investment of US$ 10 billion. The Inga project is a **PIDA** priority project.
ADF-13
ADF-13 is expected to play a crucial role in the realization of the project.*(AfDB)*

US Treasury recognizes five exceptional projects at Development Impact Awards ceremony
"It's easy to be critical of development, especially in hard times at home," said US Treasury Secretary Jack Lew."But today shows the very best it can do." Setting out some of the core principles of US development support – "impacts not inputs", "developing countries in the driver's seat", the diminishing role of aid and the growing role of the private sector – he praised the "vital on-the-ground work that strengthens communities and regions around the world, while also advancing American economic and security interests abroad. These kinds of successful investments help to create the next generation of emerging markets and strengthen our national security,"Lew said.
His words came during the second annual Development Impact Honors ceremony, held at the US Treasury building on Pennsylvania Avenue inWashington DC on the morning of Thursday, July 25, 2013. Five of the eight multilateral development institutions were present to receive awards: Jim Kim, President of the World Bank; Donald Kaberuka, President of the African Development Bank; Xiaoyu Zhao, Vice-President of the Asian Development Bank; Luis Albert Moreno, President of the Inter-American Development Bank; and Carlos Sere, Vice-President of the International Fund for Agricultural Development (IFAD). A panel of experts had selected five winners from some 40 projects.
"The MDBs are the first multipliers of America's commitment to the poor," said Lael Brainard, US Under-Secretary of the Treasury for International Affairs. "We have never had as close cooperation between the US and the MDBs as we have today."
Each award-winner was introduced by a senior US Government figure, and **the African Development Bank came twice to the podium, as the winner of two awards.** Congresswoman Maxine Waters (D-CA) said of Donald Kaberuka: "He has steered his institution through a far-reaching reform agenda. The region is proud of the Bank – Africans look to it as an anchor."
The first AfDB project thus honoured was a **broad-ranging support project for Côte d'Ivoire** as it emerged from the civil war which was unleashed in 2003. Bank research had revealed that nearly two-thirds of women in the north, centre and west of the country had experienced some form of physical or sexual violence. With the violence born of unequal power relationships between men and women came trauma, stigma and failures of justice in a situation compounded by state collapse, in which 17,000 officials were no longer in post. The project built, equipped and staffed four integrated service centres in Bouake, Korhogo, Dabakala and Man – as places where were women could go, free of charge, and access social, health, legal and economic services. It also supported income-generating projects for women's associations, giving 470 survivors of gender-based violence and 5,500 members of women's associations business training in areas as diverse as marketing, accounting, corn and rice processing, poultry farming and more.
In the spirit of partnership and capacity-building, the project also trained the staff of six local NGOs, who in turn trained 150 health workers, 150 community leaders, and 150 policemen. All told, some 3,500 women were directly impacted by the project, and an estimated 1.5 million indirectly benefitted. Much of the work was unquantifiable but no less important, not least in the awareness-raising campaigns carried out toeducate men. The project survived the 2010 unrest in the wake of disputed Presidential elections, and its legacy already runs deep. In the words of one 16-year-old girl, herself a victim of rape and abuse: "Now the community knows that it must not harm people – now it knows that women are protected."
Kaberuka set the project in the context of the Bank's longstanding commitment to fragile states (it has offices in 12 of them, and has seen funding for its fragile states work rise from $60 million to $350 million a year in the last decade), and to women. "As so often in crises,"he said, "it is women and girls who pay the highest price…Women are 51% of Africa's onebillion people, but they make up a disproportionate part of its poor. The transformation of Africa hinges very much on inclusive development, and that is why gender is very much at the heart of what we do."
Introducing the second AfDB award, Congressman Gregory Meeks (D-NY) said: "I'm awed when I look at what these Multilateral Development Banks do, and how they contribute to this place we live in, called Earth. We can solve poverty... I salute my good friend Donald Kaberuka: we respect him, and we respect what the Bank does."
The award-winning project itself was designed to **fill chronic gaps in rural Ugandan infrastructure** that stopped agricultural products getting to market, and seriously limited the possibility of agro-processing by which African

farmers can climb the value chain. The Bank saw farmers producing less and earning less, with little building of skills or use of technology or information.

In the five years from 2007-2012, the Bank committed $45 million alongside IFAD's $32 million, to a project spanning 26 districts of eastern and central Uganda which benefitted some 2.6 million people. It built thousands of kilometres of rural roads, hundreds of kilometresof feeder roads, rural markets, and units of agro-processing production from coffee and rice hullers, to maize mills and milk coolers. The rise in farm-gate prices was as astounding as it was quantifiable: the price for cassava went up 2½ times, maize 20 times, milk fourtimes, bananas twotimes. Travel times to take produce to market were cut in half, travel costs cut in half, and the cost of wasted food cut by a fifth.

"It is a project which demonstrates three important things,"said Kaberuka: "how relatively small investments can generate very large returns; how international institutions work together, each in their field of comparative strength; and how critically important is infrastructure. Good infrastructure – combined with credit, support services and smart subsidies – is what will lay the basis of agricultural transformation, and create jobs."

He put the projects in the context of the African Development Fund of which they are a part. "The prizes the Bank receives today honour the work of the African Development Fund, to which the USA is a long-standing and firm supporter," he said. "In these tight economic times, times of budget constraints, these awards are visible evidence that the ADF has been an effective tool, and together we should strengthen it in the replenishment which is going on right now."

"We are celebrating the fact that our collective endeavours are making a difference in the lives of ordinary people, and that we are winning, and getting results. We are pleased that the African Development Bank, the continent's premier development instrument, is having an impact."*(AfDB)*

MINING

Randgold's first finds in DRC

Mining firm Randgold Resources will soon generate gold for the first time from its DRC's Kibali mine, a combined business venture between Randgold Resources and AngloGold Ashanti. Kibali is set to generate 30,000 oz of gold in the next six months before output of 700,000 oz a year in the next four years.*(African Business)*

End of the Golden Era?

Gold prices having risen for more than 30years , are now trumblinng- with the African gold mining index down 50% in a year. What hope now for Africa's gold industry.

One of the asset classes most severely hammered is gold. Gold rose to nearly $2,000 per oz in 2011, driven by superstition (Keynes' "barbarous relic"), as a hedge against inflation and fear following the worst global economic catastrophe in a century. However, between April and June gold fell 25%, its biggest quarterly fall since Reuters data began in 1968. From $1,600 per oz last July, it rose to $1,800 per oz early October before steadily falling back to $1,600 per oz in April. Gold prices then suffered their fastest two-day fall in 30 years, losing around $200 per oz. June has seen prices fall as low as $1,150 per oz, a level not seen since August 2010, with 19th June seeing a $100 per oz loss in one day.

Facts

•29% of gold consumed is used for investment, 59% for jewellery and 12% for technology
•In 2010, sales of gold jewellery were 2,017 tonnes, worth around $79bn
*About a third of annual supply is recycled
•Up to 2010, about 166,600 tonnes of gold had ever been mined in the whole world, 40% of which came from South Africa
•Latest figures from the US Geological Society reported Global Gold Reserves as
51,000 tonnes in January 2011
•About 2,500 tonnes a year mined

Source; World Gold Couucil

Gold Consumption

Country	2010	2012
India	746 TONNES	864 TONNES
China	4 00 TONNES	776 TONNES
USA	129 TONNES	371 TONNES

Biggest producers 2011

	Output tonnes	Value	Production*	GDP ..
China	371	$18.75bn	13.16%	0.26%
Australia	258.3	$13.05bn	9.16%	0.95%
United States	232.8	$11.76bn	8.26%	0.08%
Russia	211.9	$10.71bn	7.52%	0.58%
South Africa	197.9	$10bn	7.02%	2.45%
Ghana	91	$4.6bn	3.23%	11.73%
Tanzania	49.6	$2.4bn***	2%***	10.50%
Mali	45.8	$2.23bn	1.63%	21.85%

* % of total global production

** estimated value of gold produced as a percentage of GDP. Source: World Gold Council

***estimate African Business, based on WGC.figures

(Eaglestone Securities, African Business, World Gold Council)

Expert is appointed

African Potash, the AIM listed company focused on sub-Saharan potash assets, has announced it has appointed Dr Simon Dorling as Non-Executive Director with immediate effect. Dr Dorling provides the Board with substantial operational expertise as it continues to advance its exploration activities."*(ABR)*

OIL & GAS

How East Africa can avoid the resource curse

Eastern Africa is the new fossil fuel frontier. In the last few years Kenya, Uganda, Tanzania and Mozambique have discovered large quantities of commercially viable oil and gas deposits, with the potential for even more discoveries as more aggressive prospecting continues. There is reason to be upbeat about the region's economic prospects over the next three decades, or at least before the oil runs out. But the optimism must be tempered by an acknowledgement of the dangers that come with the newfound resource wealth. Of particular concern are issues of governance and sound economic management.

We are all too aware of the dangers of the resource curse. This is when the discovery and exploitation of natural resources leads to a deterioration of governance, descent into autocracy and a fall in living standards. Associated with the resource curse is the problem of the Dutch disease, which occurs when natural resource exports (e.g. oil and gas) lead to an appreciation of the exchange rate, thereby hurting other export sectors and destroying the ability of a country to diversify its export basket. The new resource-rich Eastern African states face the risk of having both problems, and to avoid them they must cooperate.

In many ways Eastern African states are lucky to be late arrivals at the oil and gas game. Unlike their counterparts in Western and Central Africa, nearly all of them are now nominal electoral democracies with varying degrees of institutionalised systems to ensure transparency in the management of public resources. Across the region, the Big Man syndrome is on the decline. But challenges remain. Recent accusations of secrecy, corruption and bribery surrounding government deals with mining companies suggest that there is a lot of room for improvement as far as the strengthening of institutions that enforce transparency (such as parliaments) is concerned. It is on this front that there is opportunity for regional cooperation to improve transparency and resource management.

While it is easy for governments to ignore weak domestic oversight institutions and civil society organisations, it is much harder to renege on international agreements and treaties. A regional approach to setting standards of transparency and accountability could therefore help ensure that the ongoing oil and gas bonanza does not give way to sorrow and regret three decades down the road. In addition, such an approach would facilitate easier cross-border operations for the oil majors that are currently operational in multiple countries, not to mention drastically reduce the political risk of entering the region's energy sector. It would also leave individual countries in a stronger bargaining position by limiting opportunities for multinational firms to engage in cross-border regulatory arbitrage.

The way to implement regional cooperation and oversight would be something akin to the African Peer Review Mechanism, but with a permanent regional body and secretariat (perhaps under the East African Community, EAC).

Such a body would be mandated to ensure the harmonisation of laws to meet global standards of transparency and protection of private property rights. The body would also be mandated to conduct audits of national governments' use of revenue from resources. The aim of the effort would be to normalise best practices among states and to institute a global standard for states to aspire more – more like the way aspirations for membership in the European Union has been a catalyst for domestic reforms in the former Yugoslavia and Eastern Europe.

Regional cooperation would also provide political cover to politicians with regard to economically questionable fuel subsidies. The realities of democratic government are such that politicians often find themselves forced to concede to demands for fuel subsidies from voters. But history shows that more often than not subsidies come at an enormous cost to the economy and instead of benefitting the poor only benefit middlemen. In addition, as the case of Nigeria shows, once implemented such policies are never easy to roll back both due to politics and the power of entrenched interests. Regional agreements capping any fuel subsidies at reasonable levels would be an excellent way to tie politicians' hands in a credible manner, while at the same time providing them with political cover against domestic criticism.

Beyond issues of governance, there is need for cooperation on regional infrastructure development in order to reap maximum value for investment and avoid unnecessary wastes and redundancies. Landlocked Uganda and South Sudan will require massive investments in infrastructure to be able to access global energy markets. The two countries' oil fields are 1,300 km and 1,720 km from the sea through Kenya, respectively. One would hope that as these projects are being studied and implemented, there will be consideration for how to leverage the oil and gas inspired projects to cater to other exports sectors – such as agriculture, tourism and light manufacturing – as well. KPMG, the professional services firm, recently reported that transportation costs eat up as much as 20% of Africa's foreign exchange earnings. There is clearly a need to ensure that the planned new roads and railways serve to reduce the cost of exports for all outward oriented sectors in the region. Embedding other exports sectors (such as agriculture, timber, domestic transport, etc.) in the process of developing new transportation infrastructure will minimise the likelihood of them being completely crowded out by the energy sector.

In isolation, each country's resource sector policy is currently informed by domestic political economy considerations and regional geo-politics. There is an emerging sense of securitisation of resources, with each country trying to ensure that the exploitation of its resources does not depend too much on its neighbours. Because of the relatively small size of the different countries' economies, the risk of ending up with economically inefficient but expensive pipelines, roads and railways is real. South Sudan is currently deciding whether to build a pipeline through Kenya (most likely), through Ethiopia, or stick with the current export route for its oil through Sudan (least preferred due to testy relations). For national security and sovereignty reasons, Uganda is planning on a 30,000-barrel per day refinery in Hoima, despite warnings from industry players that the refinery may not be viable in the long run. Some have argued for the expansion of East Africa's sole refinery in Mombasa to capture gains from economies of scale, an option that Uganda feels puts its energy security too much in Kenya's hands.

In the meantime, Kenya and Tanzania are locked in competition over who will emerge as the "gateway to Eastern Africa," with plans to construct mega-ports in Lamu and Tanga (Mwambani), respectively. While competition is healthy and therefore welcome, this is an area where there is more need for coordination than there is for competition among Eastern African governments. The costs involved are enormous, hence the need for cooperation to avoid any unnecessary redundancies and ensure that the ports realize sufficient returns to justify the investment. Kenya's planned Lamu Port South Sudan Ethiopia Transport Corridor (LAPSSET) project will cost US$24.7 billion. Tanzania's Mwambani Port and Railway Corridor (Mwaporc) project will cost $32 billion.

Chapter 15 of the EAC treaty has specific mandates for cooperation in infrastructure development. As far as transport infrastructure goes, so far cooperation has mostly been around Articles 90 (Roads), 91 (Railways) and 92 (Civil Aviation and Air Transport). There is a need to deepen cooperation in the implementation of Article 93 (Maritime Transport and Ports) that, among other things, mandates the establishment of a common regional maritime transport policy and a "harmonious traffic organisation system for the optimal use of maritime transport services".

The contribution of inefficient ports to transportation costs in the regional cannot be ignored. Presently, the EAC's surface transportation costs, associated with logistics, are the highest of any region in the world. According to the African Development Bank's State of Infrastructure in East Africa report, these costs are mainly due to administrative and customs delays at ports and delays at borders and on roads. Regional cooperation can help accelerate the process of reforming EAC's ports, a process that so far has been stifled (at least in Kenya) by domestic political constituencies opposed to the liberalisation of the management of ports. The move by the East African Legislative Assembly to pass bills establishing one-stop border posts (OSBPs) and harmonised maximum vehicle loads regulations is therefore a step in the right direction.

Going back to the issue of governance, more integrated regional cooperation in the planning and implementation of infrastructure development projects has the potential to insulate the projects from domestic politics and patronage networks that often limit transparency in the tendering process. Presently, Uganda is in the middle of a row with four

different Chinese construction firms over confusion in the tendering process for a new rail link to South Sudan and port on Lake Victoria. The four firms signed different memoranda with different government departments in what appears to be at best a massive lapse in coordination of government activities or at worst a case of competition for rents by over-ambitious tenderpreneurs. This does not inspire confidence in the future of the project. A possible remedy to these kinds of problems is to have a permanent and independent committee for regional infrastructure to oversee all projects that involve cross-border infrastructure development.

In conclusion, I would like to reiterate that Eastern Africa is lucky to have discovered oil and gas in the age of democracy, transparency and good governance. This will serve to ensure that the different states do not descend into the outright kleptocracy that defined Africa's resource sector under the likes of Abacha and Mobutu in an earlier time. That said, a lot remains to be done to ensure that the region's resources will be exploited to the benefit of its people. In this regard there is a lot to be gained from binding regional agreements and treaties to ensure transparency and sound economic management of public resources. Solely relying on weak domestic institutions and civil society organisations will not work.

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OIL plans to raise USD 900 mn for Mozambique buy, ONGC undecided

State-run Oil India Ltd (OIL) plans to raise USD 900 million to finance the purchase of Videocon Mauritius Energy Ltd's 10% stake in Mozambique's Rovuma 1 offshore block. The company plans to shortly start communicating with around 20 banks such as Citigroup Inc.,Barclays, HSBC and Deutsche Bank among others, said a senior OIL executive who spoke on condition of anonymity. OIL and ONGC Videsh Ltd (OVL) are together acquiring Videocon's stake for USD 2.47 billion. ONGC is yet to firm up the funding plans for its USD 1.48 billion contribution. The transaction is expected to close in the fourth quarter of 2013. The Rovuma Area 1 deepwater block has estimated recoverable reserves of 35 to 65 trillion cu. ft (tcf). *(Elara Capittal)*

Mozambique: Eni to Pay 400 Million Dollars Tax

Maputo — The Italian energy company ENI has agreed to pay 400 million US dollars in capital gains tax to the Mozambican authorities.

The tax agreement was announced on Tuesday when the ENI Chief Executive Officer, Paulo Scaroni, met Mozambican President Armando Guebuza in Changara district in the western province of Tete.

ENI heads the consortium exploring for hydrocarbons in Area Four of the Rovuma Basin, off the coast of the northern province of Cabo Delgado, where vast deposits of natural gas, amounting to some 80 trillion cubic feet, have been discovered.

ENI signed an agreement on 13 March with the China National Petroleum Corporation (CNPC), under which CNPC was to pay 4.21 billion US dollars for 28.57 per cent of the ENI stake in Area Four. Since ENI held 70 per cent of the rights to Area Four, this equated to 20 per cent of the total stake.

When, in 2012, the London-registered company Cove Energy sold its 8.5 per cent stake in the gas field in offshore Area One to the Thai state oil company PTT, the Mozambican government imposed capital gains tax at a rate of 12.8 per cent.

But it was reported in March that ENI was exploiting an apparent tax loophole, and intended to pay no capital gains tax at all.

The trick was that CNPC was not buying its stake in Rovuma Basin Area Four directly from ENI. Instead it acquired a 28.57 per cent holding in the subsidiary ENI East Africa, whose sole asset is the block in the Rovuma Basin.

The Paris-based magazine "Africa Energy Intelligence" claimed that this transaction "will enable ENI to skirt around paying tax while putting the full 4.2 billion dollars on its books".

A source in the Mozambique Tax Authority (AT) confirmed the tax avoidance ploy, and told reporters that Mozambican specialists were preparing a response to the Italian company, in order to collect the capital gains tax owing.

The deal with CNPC was conditional on the Mozambican government agreeing to it - and so eventually ENI had to give way. The end result of these negotiations is that ENI will pay the 400 million dollars of tax on 23 August.

An ENI press release on Scaroni's visit added that the tax agreement also involves ENI building a 75 megawatt power station in Cabo Delgado.

It added that Scaroni discussed with Guebuza Eni's support for Mozambique's infrastructure development, including the reconstruction of the coastal road between the Cabo Delgado provincial capital Pemba, and the town of Palma, near the Tanzanian border, along with training, childcare, health and maternity initiatives.

ENI's share in Area Four of the Rovuma Basin has now been reduced to 50 per cent. Its partners are CNPC (20 per cent), GalpEnergia of Portugal (10 per cent), Kogas of Korea (10 per cent), and Mozambique's National Hydrocarbons Company, ENH (also 10 per cent).*(AllAfrica.com)*

INFRASTRUCTURE

Nacala Road Corridor Phase-III: Knowledge Generation and Infrastructure

The Mozambique's Nacala Road Corridor Phase III project, approved in 2012, is one of the strategic regional corridors in the Southern Africa region. It is part of the Spatial Development Initiative (SDI) for Mozambique, Malawi and Zambia, which will substantially increase national and regional connectivity.

ADF Leveraging Finance and Partners

The project is co-financed by ADF (UA 38.38 million), the Japan International Cooperation Agency (UA 49.34 million), the Government of Mozambique (UA 11.49 million), and the Nordic Development Fund (estimated UA 3.33 million, yet to be approved). The engagement of the AfDB was a prerequisite for JICA and the NDF's engagements. Without this leverage and without the Bank financing, the project would not have materialized.

Knowledge generation

The project includes various knowledge management components within the overall project objectives. Knowledge will be developed at various levels. These include:

- Assessment studies and recommendations on transport and trade facilitation;
- Evaluation of the domestic construction sector;
- Assessment and diagnostic of the country's roads maintenance capacity;
- Creation of roadside stations, which will develop knowledge and capacities of local communities, including women, for improved integration into the economic cycle. *(AfDB)*

Technical assistance to four Complementary Infrastructure PPP Projects in Senegal

The AfDB approved loans for four private infrastructure projects in Senegal between July 2009-December 2010:

1. **Expansion of the Dakar container terminal;**
2. **Sendou power plant;**
3. **Dakar-Diamniadio toll highway;**
4. **New Blaise Diagne International Airport.**

These four projects represent a total investment of EUR 1.3 billion in the country. The African Development Bank Group provided financing totaling EUR 185 million and acted as Mandated Lead Arranger (MLA) on 3 of these projects, facilitating a further EUR 326 million of senior debt for other financial institutions.

Bank Group Crucial Advisory and Honest Broker Role:

- The AfDB identified equity investors and technical partners on some of these projects.
- It rendered the projects bankable through its active support and involvement with the authorities, sponsors and other key project stakeholders.
- By building solid and long-lasting relationships with the authorities and developing a solid understanding of the country's regulatory and business environments, the Bank leveraged the experience of each transaction, in order to implement transactions more effectively in the future.
- This provided the Bank the opportunity to lead the structuring, negotiation and implementation of these projects and, as necessary, to act as an honest broker between various parties, in order to find solutions that are sustainable. As such, the Bank managed to ensure that these Public-Private Partnership transactions were implemented according to industry best practices. Moreover, the Bank played and continues to play an active role in ensuring that the best environmental and social standards are adhered to in all four projects. *(AfDB)*

Botswana, Moz in talks on future coal export railway and port

A high-level delegation from Botswana visited Mozambique last week and held discussions with Mozambique officials in the energy, mineral resources and transport sectors. The Botswana delegation was led by Energy Minister **Kitso Mokaila** and Transport Minister **Nomofo Molefhi**. "We are in Mozambique to strengthen cooperation with the Mozambique government," a Botswana government source told the media in Maputo. "We have common interests in, above all, the integrated development of the two countries."

Although a number of important topics were discussed, Mozambique government sources stated that the main issue for the land-locked Botswanans was the export of their coal through Mozambique ports. The Botswana delegation started its visit with a tour of the National Geology Museum, in Maputo, followed by a meeting with Mozambique Mineral Resources Minister **Esperança Bias**. Thereafter they toured the Port of Maputo, which is likely to handle Botswana's first coal exports through the east-coast country.

That Botswana was interested in using Mozambique ports to export its coal first emerged in early 2009, when it was reported that Botswanan officials were studying the possibility. In particular, they were looking at using the Port of Matola, in Maputo province.In 2011, the two countries signed a memo-randum of understanding (MoU), which, among other things, aimed at the construction of a deep-water port at Technobanine, in the Matutuine district of Maputo province. It also covered the construction of a 1 100 km railway line linking the two countries. Reports state that this line will run through Zimbabwe.

Existing railways linking Botswana to the coast do not have the capacity to handle the likely future flow of coal from the landlocked country.
The total cost of the new port and railway has been estimated at $7-billion, and the project will be a joint Botswana-Mozambique programme. In April, Mozambique Prime Minister **Alberto Vaquina** stated that his government was evaluating the concession regime for the construction of the port and railway. Last week, Bias assured the delegation from Gaborone that Mozambique was moving forward on the concession of a property in the Maputo port for the construction of a coal export terminal for Botswana. All that was required was for Gaborone to give the go-ahead for the project.The other major topic of the bilateral talks was oil. There were several aspects to this theme. One was the development of cooperation between the two national oil companies, Botswana Oil and Petromoc. Another was the acquisition by Botswana of oil storage facilities on Mozambique's coast for fuel destined for the landlocked country.
This fuel would be transported to Botswana using "alternative routes", according to a Mozambique govern-ment source. A third aspect of these talks was the possibility of the two countries jointly buying petroleum products in order to achieve economies of scale. These possible areas of cooperation regarding oil are also covered by the 2011 MoU.
The Botswana government currently estimates the country's coal reserves at about 210-billion tons. At the moment, only one coal mine is operating and it exports its coal through Durban, in South Africa (as well as to South Africa itself).*(Mining Weekly)*

Shift from 'blame seeking' will aid efforts to tackle SA's AMD challenge

JOHANNESBURG (miningweekly.com) – Current mining industry players are faced with the challenge of who should be responsible for and deal with the subsequent financial impact of the legacy issue of acid mine drainage (AMD).
The mining industry has been a significant driver of the country's economy, dating back many years; however, as many of the mining houses that pioneered the industry in South Africa have moved on to other areas, or have evolved into other companies or consortiums, the challenge of assigning responsibility for current issues is a real concern, says minerals industry consultancy Venmyn Deloitte environmental industry adviser **Sarah Dyke**.
As South Africa's water systems are interconnected, AMD, if not treated, could potentially decrease the country's water supply quality, which will impact on industries, such as agriculture and manufacturing, Deloitte strategy and innovation consultant **Sabatha Mhlanga** says.
Out of the 120 mining companies that once mined in the Witwatersrand, only six remain, and there are about 6 000 ownerless and abandoned mines, as well as about 270 tailings dams in the area containing six-billion tons of pyrite – a catalyst for AMD. Therefore, there is going to be AMD production over the next couple of centuries, The Environmental Law Consultancy business development director **Peter Flynn** tells *Mining Weekly*.
"Currently, there are about 20 proven technologies that can deal effectively with AMD, but the problem is the cost of implementing these technologies. The mining industry is resistant to being held accountable for the entire problem, as government and by extension, the people of South Africa, have also made money from mining for the last 120 years," he explains. Flynn adds that, as the mining companies were legally allowed to mine in that manner, a complex situation has ensued.
Meanwhile, Water Stewardship Council trustee Dr **Anthony Turton** states that progress in the roll-out of technical solutions for AMD has been impaired by nongovernmental organisation (NGO) activity relating to assigning liability.
"In essence, NGOs have argued that the 'polluter pays' principle must apply and have launched a range of legal actions to enforce this. This has now gone through various courts and, in general, the apportionment of liability has been a failure as the cause of the problem is not current negligence by mining com- panies, but rather the historical failure of our predemocratic government to put in place the relevant governance structures that could ringfence capital for rehabilitation and develop a viable closure strategy to manage the transition to a postmining economy and the technology for mitigation purposes. "This historic failing cannot be remedied through litigation against current players, but this quest has introduced such high levels of risk into the AMD space, that most technical solutions have been developed in secret, simply to avoid the risk of becoming embroiled in the intense contestation between NGOs and an embattled industry and regulator," Turton says.
"There is an urgent need to shift from blame-seeking to solution-seeking behaviour," he adds. Venmyn Deloitte MD **Andy Clay** points out that through historical mining, large voids were created that have now become natural reservoirs, which could be valuable as South Africa is short of water. "We should be using that water to benefit the nation. If the cost of pumping and treatment to get the water to a potable level is less than or equal to the retail price at which bulk water is supplied to municipalities, it is a natural solution that we should be considering," Clay states.
Consulting engineering group Aurecon has been appointed by government to investigate the issue and there are a few companies that have developed water-treatment solutions, which include reselling the water to government, Dyke says.
Clay adds that he believes the mining industry would be willing to treat the affected water if government committed to buying it back. "We would then move towards a model of independent water producers, much like the current independent power producers," he says. Turton divides the potential treatment options for AMD in South Africa into two categories – the legacy model and the public–private partnership (PPP) model.
The legacy model is based on the logic that society benefited from a century of mining, so that society is now responsible for the historical externalisation of costs. This model regards AMD as being a perpetual problem to be

managed for near infinity. Various technologies are emerging, with different cost and benefit structures, but in essence, the taxpayer will have to foot the bill, he explains.

The PPP model is based on the logic that AMD is a manifestation of the lack of a formal closure strategy to manage the transition to a postmining economy. There-fore, a partnership should be negotiated with rehabilitation companies capable of removing all surface tailings and thus releasing the 5 445 ha of land occupied by mine residue areas (MRAs) for safe economic use.

This model could potentially close the void created by historical mining completely and thus prevent all future ingress of surface water and the subsurface generation of new AMD. This can extend the life of mining and sustain jobs for another 20 years, while dumps are consolidated and land is cleared. This model regards AMD as being a short-term manifestation only, with the permanent closure of the void spaces being technically possible and many benefits arising, including the prevention of future AMD, the restoration of geotechnical stability at surface and the permanent closure of stopes to deny illegal miners, who are often linked to crime syndicates, access. "Only once these two models are fully understood by the regulatory authority and the taxpaying public can we answer the question of who should carry the costs," Turton says. "While the war against the unintended consequences of a century of largely self- regulated mining has not been won, it is safe to say that we are, in fact, winning local battles on numerous fronts, so there is reason for cautious optimism," Turton says. He believes the most significant development in the AMD space has been the evolution of a sophisticated risk assessment method that has characterised every MRA in Gauteng in terms of hazard/risk classification. "As a result of this process, we currently have a sophisticated understanding of the hazard rating of all known MRAs in Gauteng. It is also known, with increased confidence, that the risks arising from AMD in the Witwatersrand goldfields are not those being portrayed in the popular media," Turton emphasises.

Meanwhile, government, in association with the Trans-Caledon Tunnel Authority (TCTA) is implementing what is referred to as a short-term solution to deal with AMD in the Witwatersrand.

In the Western basin of the Witwatersrand, there was a decant of AMD and the TCTA has implemented an immediate solution, which comprises the upgrading of South African miner Rand Uranium's water treatment plant, in Randfontein, through the building of two new trains and upgrading the old Rand Uranium train to bring it to the same standard, TCTA AMD project manager **Craig Hasenjager** tells *Mining Weekly*. Commissioning of this plant started at the end of last month, and 30 M·/d of AMD is currently being treated. Uncontrolled decant has stopped in the Western basin, except for a few isolated instances, although the decant on these occasions have not been more than 0.6 M·/d, he explains. "We are working towards drawing the water in the Western basin down to the environmental critical level (ECL), the highest level that the water can reach within the mine void without AMD flowing out of the mine workings and into the surrounding environmental systems. This can only be achieved after the new pumps on order have been delivered in early 2014, enabling the upgraded Rand Uranium plant to pump 36 M·/d of AMD," Hasenjager says. Meanwhile, TCTA awarded a contract to construction company Group Five in December last year to implement the short-term AMD solution in the Central basin. The TCTA also reached an agreement with gold mining company Central Rand Gold, which resulted in its donating pumps to the project. These pumps and shaft pipe stacks will arrive on site next month, to coincide with the civil construction programme. "We believe that we will be able to start pumping AMD before the water level breaches the ECL level," Hasenjager says. Further, the TCTA is currently out on tender for the construction of the AMD treatment plant in the Eastern basin. Plant construction is expected to start in November and be completed by the end of next year, he adds. The ECL in the Eastern basin is estimated to be breached by November 2014. "While the short-term AMD solution is government funded, the long-term solution, which is currently in feasibility stage, does consider ways in which money could be recovered from the mining industry," says Hasenjager. However, South Africa's AMD problem is not only contained to the Witwatersrand basins, Dyke points out. "The potential for AMD to affect river systems has also been identified in areas such as Mpumalanga, the Free State, Limpopo, the North West and the Northern Cape. This is not a centralised issue and has the potential to affect the entire country," she says. The order of magnitude of the situation in coal mining areas is worse, as South Africa's coal is high in sulphur and the mines are generally shallow, says Clay. "In addition, our coal mining industry has been functioning since the turn of the last century and many communities are affected by the contaminated water," he says. In the Mpumalanga coalfields, South Africa has, in effect, lost its agricultural capacity in what used to be one of the most productive areas of land in the country, Turton adds. "This is caused by diffuse AMD that comes from multiple sources, which is difficult to contain. The same situation is occurring in the Upper Vaal Water Management Area that is 100% underlain by coal."

Sustainable Technologies

The techniques of pumping and neutralisation currently used to treat AMD on the Witwatersrand is mainly a reactive solution and is not sustainable, Mhlanga says. "The neutralisation removes the heavy metals from the water, but the sulphates remain, which means that the water has a high salt content," Flynn adds. The salt content of the treated water is about 3 500 mg/·, compared with the World Health Organisation's drinking water standard of only 200 mg/·, he says. "Therefore, the salt content of the water that is being redirected into the Vaal river system is dramatically higher than what is regarded as safe for human consumption. "Currently the Vaal river system can still dilute the concentration of sulphates to such an extent that it is safe for human consumption. However, once pumping in the Eastern basin starts the volume of neutralised water redirected into the Vaal river system will be too high for the system to effectively

dilute," Flynn explains.Dyke adds that, in seeking a sustainable solution, the trade-off between aspects, such as capital expenditure, operational costs, the quality of the water delivered and the resulting economic viability, has to be considered. Mining solutions company Fraser Alexander and water treatment company Mine Water Treatment Technologies (Miwatek) believe that they have found a solution that addresses these aspects."Unlike traditional AMD treatments, which generate high volumes of sludge and brine, the Miwatek technology offers a total solution and allows for the production of reusable waste, rendering it more cost effective than other technologies," says Miwatek cofounder Pieter Jansen.The Miwatek water-treatment solution also offers the benefit of about 50% less solids, compared with the industry average.

The solution incorporates sophisticated modelling, based on the chemical analysis of the specific water to be treated, the locally developed Abrimix Mixer technology and reverse osmosis membranes from US-based stakeholder Jalema Technologies, which enables optimal plant design and, therefore, an optimal water-treatment solution.

The Miwatek solution can also integrate a type of evaporation and crystallisation technology into an overall process proposal, which can deliver zero liquid discharge with all of the crystal products in the form of industrial quality reagents, rather than a mixed crystal mass that has to be disposed of. Chemical and waste expert and consultant Dr Richard Paxton points out that, as the technology offers the benefit of an analysis-based design, it can be adjusted according to the requirements of each client to ensure an optimum AMD treatment solution. Fraser Alexander water treatment division head Ken Bouch says the Miwatek plants will not be sold to clients, but that they will be designed and built by Miwatek. The plants will be owned and operated by Fraser Alexander during and beyond the life of the mine. "Effectively, clients will only pay for clean water, which means no process risk for the client," he noted.

Meanwhile, water company Prentec recently developed the new-generation mine water treatment process, LoRO, which builds on the latest knowledge to provide a solution with low capital cost, energy consumption, chemical use and waste generation, as well as low operating cost, Prentec process manager **Martin Pryor** tells Mining Weekly.

"We have been awarded the contract to design, build and operate the 10M·/d mine water plant at Matla Coal, in Mpumalanga. We were awarded the contract in April and the plant will be commissioned in December. This demonstrates our capacity to deliver this type of plant on tight schedules."We have applied Prentec's unique modular design to achieve this quick turnaround and other benefits such as expandability, portability, economy and operability. This is a crucial project for the ongoing operations of Matla Coal, and by inference, Matla Power Station," Pryor adds.

AGRIBUSINESS

AfDB approves $80m agri loan

The African Development Bank (AfDB) will loan $80m in local currencies for Olam's Africa Investment Programme (OAIP) for processing wheat and palm oil in Africa, including sub-projects in Cameroon, Ghana, Mozambique and Senegal. *(African Business)*

Mozambique lost revenues of $67m in 2012 due to illegal fishing of tuna and shrimp by foreign fishing vessels within its territorial waters, particularly the bays of Maputo and Sofala. It spends $2.3m a year on patrolling and inspection *(African Business)*

The World Bank approved $300m credit for Nigerian farming. Agriculture accounts for more than 40% of Nigeria's economy. Nigeria attracted agricultural investment worth more than $8bn in the past 18 months. Only 40% of its 2lm hectares of arable land is cultivated *(African Business)*

Argentina to help Angola improve its beef cattle stock

Angola plans to import new beef cattle production techniques from Argentina via agro-industrial company Tecnoland to improve its supply of high quality meat from the south of the country, the local press reported. A Tecnoland official, Nestor Giacussa, said that the new techniques involved implanting embryos of improved breeds via artificial insemination. Giacussa said that Angola had the conditions to breed embryos as it has a good climate and animals that are suitable for breeding. During the 5th International Meat Livestock Conferences, Giacussa also said that the process of implanting embryos in improved and native cows gave the animals greater genetic purity and brought in new breeds.

The conferences were held in the Angolan city of Lubango, the capital of the coastal province of Huíla. They brought together Angolan and foreign veterinary specialists to analyse effective ways of combating the principal diseases affecting beef cattle in the south of the country. *(Macauhub)*

Nigeria is the second largest grower of citrus fruit in the world yet it spends $200m pa importing juice. *(African Business)*

A World Bank report estimates that agriculture and rlated businesses - supplying fertiliser and processing food – could be a $1 trillion market in sub-Saharan Africa by 2030, up from $313bn in 2010. Small farmers supply 80% of food in Africa and Asia *(African Business)*

Agroforestry offers potential for greater food security in Africa

With a rapidly increasing population, the global demand for food is expected to increase by 50-80% by 2050. Growing this food will be an immense challenge, especially in Africa.

Faced with a growing population, little new land available for agriculture, decreasing plot sizes, ageing farmers, urban migration and depleted natural resources, Africa's agricultural systems need to be transformed, environmental degradation reversed, policies and governance improved, and better access to markets established for small farmers.

More than 70% of people affected by food insecurity in Africa live in rural areas. The root cause of food insecurity is the inability of people to gain access to food due to poverty. The majority of Africans depend on small-scale farming systems for their livelihoods, but the agriculture sector in Africa is underdeveloped, with soils that are exhausted and few funds available to purchase fertilisers.

In sub-Saharan Africa, 95% of the food that is grown relies on rain as a water source, making it extremely vulnerable to drought. This is a major challenge as climate change is expected to result in more frequent and severe floods and droughts, and more pests and diseases.

Access to markets is another major hurdle for smallholder production, affected by poor infrastructure and the limited resources of farmers, lack of market information and inadequate government institutions. Poverty, gender inequality, inadequate education and poor health among smallholder farming families, also limit their ability to increase the productivity and profitability of their farms.

One innovation of integrating trees with agriculture, crops and livestock, is significantly increasing livelihoods, food security and environmental stability. This practice, called agroforestry, offers a positive way to achieve major gains in poverty reduction and food production.

More than 30% of the world's cocoa supply comes from Côte d'Ivoire, and with global cocoa demand increasing at around 2% each year, there is enormous potential for smallholder farmers to increase their incomes. But over the last decade, cocoa production has been declining because of depleted soils, ageing trees, pests and diseases, and changing weather.

The chocolate company Mars joined together with the World Agroforestry Centre, local farmers, government and civil society organisations to improve productivity in the cocoa sector in Côte d'Ivoire. The programme focused on the trees, providing farmers with high quality saplings, rehabilitating ageing cocoa farms, and providing farmers with the skills and tools to adopt modern, environmentally sustainable agricultural practices. Today, 150,000 farmers have increased their cocoa yields by an average of around 400 kg to 1,500 kg per hectare or more from their healthy trees.

Another example of using trees in a new way is in Niger, one of the poorest countries in the world. The rapidly increasing population there forced the clearing of a vast, ancient forest during the 1960s and '70s. But the dense underground root system remained, and for many years, instead of clearing their fields prior to planting crops, hundreds of thousands of farmers are now allowing some of the trees to grow, protecting their crops from wind and sun, drawing up water from the deep reservoirs and increasing the fertility of the soil. With crops now growing in a verdant parkland, cereal yields have increased by an average of 100 kg per hectare, contributing enough extra food to satisfy the needs of an additional 2.5 million people.

Besides greater cereal crop yields, the trees provide fuel wood and sellable wood, adding significantly to farmers' incomes. Many also provide edible leaves, fruits and nuts as well as fodder for livestock.

Food security is not just about access to food, but also depends on a supply of nutritious food. Nine of the 20 nations with the highest burden of children malnourished are found in sub-Saharan Africa. The average consumption of fruit and vegetables in this region is well below the minimum recommended daily intake. To address this in Cameroon, scientists and farmers have been working together to bring a range of valuable indigenous fruit trees into cultivation. The income this provides and the nutrition gained from the fruit is increasing health, improving livelihoods and reducing migration to the cities as the young people stay in villages to earn a living from the new tree farming activities.

Increasing the productivity of Africa's agricultural systems without further degrading the environment is one of the most significant challenges facing global agriculture. Using trees to develop a new agriculture is offering one answer. Yet there remains an urgent need for these types of technologies to be financed, scaled-up and supported by sound policies and good governance.

Kate Langford is the communications officer for the International Centre for Research in Agroforestry (ICRAF) of the World Agroforestry Centre.

TRADE

Obama launches Trade Africa

US President Obama launched a major trade partnership between the US and sub-Saharan Africa, Trade Africa, to expand trade and economic ties between Africa, the US and global markets, starting with the East African Community.
The US is setting goals including moving goods faster between ports like Dar es Salaam and Mombasa to Burundi and Rwanda in the interior; reducing wait times for truckers at border crossings; increasing East African exports to the US under the African Growth and Opportunity Act (AGOA) by 40%; and doubling trade within East Africa. *(African Business)*

lntra-EAC trade has doubled in the past five years, and the region's GDP has risen to more than $80bn - quadrupling in only 10 years *(African Business)*

Angola to join SADC Free Trade area only in 2014 or 2015

Angola will only join the Free Trade Area of the Southern African Development community (SADC) in 2014 or 2015, the Angolan trade minister, Rosa Pacavira said, cited by Angolan news agency Angop.
Noting that the move would not be announced at the 33rd summit of heads of State and government, due to meet Saturday in Lilongué, the minister said that Angola would maintain the position it took up at the previous summit held in Maputo as there were "some adjustments" needed to be made in the energy and agriculture sectors, and others.
Pacavira said, however, that Angolan specialists from a variety of sectors were working for Angola to join as soon as possible.
The SADC Free Trade Area was set up in Johannesburg in August 2007, at the 28th SADC summit, and currently includes South Africa, Botswana, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Swaziland, Tanzania, Zambia, Zimbabwe and Madagascar, The SADC countries that did not join are Angola, the democratic Republic of Congo and the Seychelles.
The aim of the Free Trade Area is to boost economic integration and drive industrialization of the African sub-region by increasing business opportunities and gradually removing trade barriers.
Of the countries that have already joined the initiative South Africa has the largest economy, with a Gross Domestic Product (DP) of US$282 billion, which accounts for 65 % of the total SADC market. *(Macauhub)*

MARKET INDICATORS

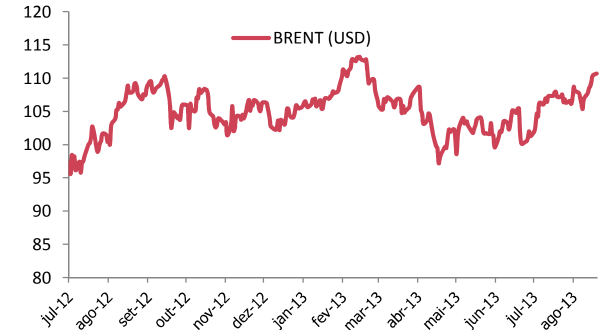
19-08-2013

STOCK EXCHANGES		
Index Name (Country)	19-08-2013	YTD % Change
Botswana Gaborone Domestic Index (Botswana)	8.465,47	12,72%
Bourse Régionale des Valeurs Mobilières (Ivory Coast)	206,83	24,16%
Case 30 Index (Egypt)	5.329,19	-2,44%
FTSE NSE Kenya 15 Index (Kenya)	165,24	31,40%
Morocco Casablanca Stock Exchange CFG 25 (Morocco)	17.638,75	-7,86%
Nigerian Stock Exchange All Share Index (Nigeria)	36.822,25	31,14%
FTSE/JSE Africa All Shares Index (South Africa)	42.875,91	9,24%
Tunindex (Tunisia)	4.574,85	-0,11%

Source: Bloomberg and Eaglestone Securities

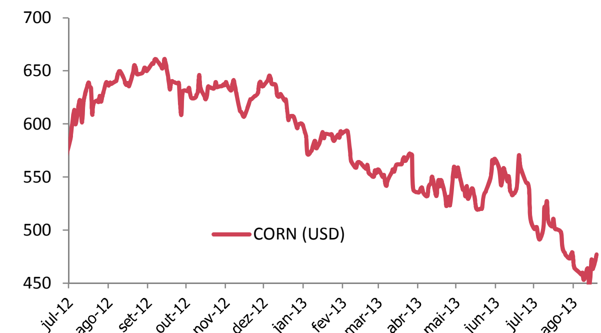
METALS		
	Spot	YTD % Change
Gold	1.367	-18,39%
Silver	23	-23,87%
Platinum	1.508	-2,06%
Copper $/mt	7.400	-6,70%

Source: Bloomberg and Eaglestone Securities



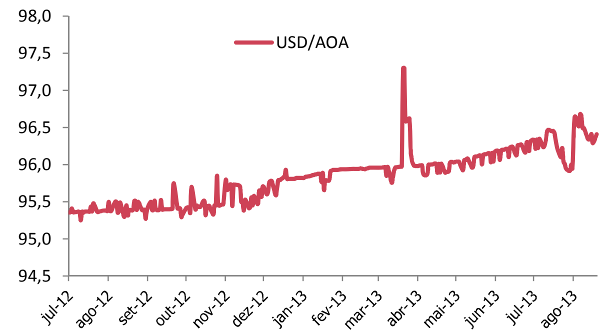
ENERGY		
	Spot	YTD % Change
NYMEX WTI Crude (USD/barril)	107,3	15,17%
ICE Brent (USD/barril)	110,7	2,05%
ICE Gasoil (USD/cents per tonne)	944,5	3,14%

Source: Bloomberg and Eaglestone Securities



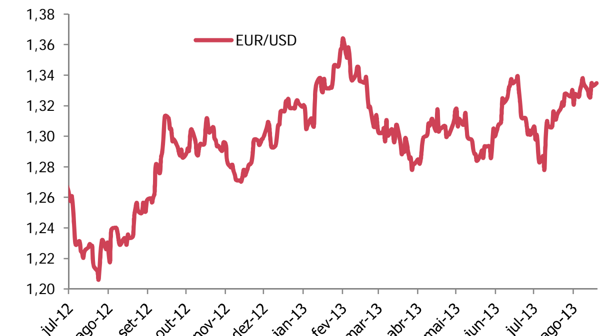
AGRICULTURE		
	Spot	YTD % Change
Corn cents/bu.	477,0	-31,88%
Wheat cents/bu.	651,3	-17,33%
Coffee (KC) c/lb	123,3	-15,99%
Sugar#11 c/lb	16,6	-16,11%
Cocoa $/mt	2493,0	10,60%
Cotton cents/lb	93,2	22,79%
Soybeans c/bsh	1288,0	-7,95%

Source: Bloomberg and Eaglestone Securities



CURRENCIES	
	Spot
KWANZAS	
USD	96,410
EUR	128,681
GBP	150,858
ZAR	9,453
BRL	40,213
NEW MOZAMBIQUE METICAL	
USD	29,900
EUR	39,975
GBP	46,865
ZAR	2,937
SOUTH AFRICAN RAND SPOT	
USD	10,194
EUR	13,608
GBP	15,951
BRL	4,253
EUROZONE	
USD	1,34
GBP	0,85
CHF	1,23
JPY	130,86
GBP / USD	1,56

Source: Bloomberg and Eaglestone Securities



UPCOMING EVENTS

Bauma Africa 2013- 1st International Trade Fair for Construction Machinery, Building Material Machines, Mining Machines and Construction Vehicles
The first Bauma Africa takes place from **September 18–21, 2013 in Johannesburg** and is directed primarily at attendees from Sub-Saharan Africa. The premiere of Bauma Africa is attracting great interest in the sector, both at home and abroad: the South African Construction and Mining Equipment Suppliers' Association (CONMESA) expressly welcomes the launch of a show for the whole construction and mining branch *(http://www.bauma-africa.com/en/visitors)*

African Leadership Forum, New York, 21st September. The Forum will be held in conjunction with the **UN Global Leaders Summit 2013**, which will bring together over 1000 chief executives and leaders from civil society, government and the UN *(www.ic-events.nets)*

Africa Hotel Investment Forum 2013 which will take place 23-25 September at the InterContinental, Nairobi. *(http://www.africa-conference.com/)*

Ai CEO Institutional Investment Summit 2013- 24 September 2013 - New York Stock Exchange, New York, USA
Africa investor will again host its market leading, annual Ai CEO Institutional Investment Summit in partnership with the New York Stock Exchange, to profile leading African capital market opportunities to African and global pension fund investors through high-level panel discussions and interactive one-on-one meetings.*(http://www.africainvestor.com/event.asp?id=342)*

20thAfrica Oil Week, 25th to 29th November-Cape Town, International Convention Centre.
(www.globalparcificpartners.com)

Bank Risk Africa - Event Date: 7-9 October 2013 , **A Five Stars Venue to be Confirmed, Johannesburg, South Africa** *(http://bankriskafrica.marcusevans.com/EventDetails.asp?PageID=520&AD=africainvestor)*

Africa Electricity 2013 The third edition of the **Africa Electricity** Exhibition & Conference takes place **9 – 11 October 2013** at the **Sandton Convention Centre**, Johannesburg, South Africa.
Africa Electricity serves as a comprehensive showcase for these core segments of the power and energy industry: power generation, transmission & distribution, lighting, new and renewable energy, nuclear energy, water. *(http://www.africaelectricity.com/)*

U.S.-AFRICA BUSINESS SUMMIT 2013 - The Corporate Council on Africa's 9th Biennial U.S.·Africa Business Summit will take place **October 8-11, 2013** at the McCormick Place Convention Center in **Chicago**, Illinois. Since 1997, CCA's U.S.-Africa Business Summit has been regarded as an essential conference for anyone looking to do business in Africa *(http://www.africacncl.org/*

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)*

Disclamers Appendix

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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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