# INSIDE AFRICA

*Now is the time to invest in Africa*

***04 August 2014***

EAGLESTONE
SECURITIES

## BRIEFS

## Contents

**IN-DEPTH:**

**Africa's liquid asset................................................................ 2**
**US-Africa oil trade wanes after shale revolution................ 2**

SOVEREIGN RATINGS............................................................... 4

African Development Bank............................................................ 5

**INVESTMENTS........................................................................ 7**

**BANKING**

***BANKS.................................................................... 10***
***MARKETS................................................................ 12***
***FUNDS.................................................................... 17***
***TECH...................................................................... 18***
***M&A........................................................................ 19***

**ENERGY................................................................................ 20**

**MINING................................................................................ 21**

**OIL & GAS............................................................................ 23**

**INFRASTRUCTURE................................................................ 29**

**TELECOM.............................................................................. 30**

**RETAIL.................................................................................. 31**

**AGRIBUSINESS.................................................................... 33**

**MARKETS INDICATORS...................................................... 35**

**UPCOMING EVENTS.......................................................... 36**

**Africa**

- Africa operations boost Barclays Africa H1 earnings
- Standard Chartered Raises Commitment to ‘Power Africa’ to $5bn
- Three African Countries Seek Services Of Thomson Reuters

**Angola**

- Angola's reserves dip to $30.14 billion in May
- Angola inflation at 6.89 percent year-on-year in June

**Ghana**

- Ghana and World Bank sign $156 million agreement
- Ghana's external debt now $12b

**Kenya**

- Nakumatt eyes first Kenyan supermarket entry into Juba and Burundi
- Kenyan hotel chain says H1 profits down on security woes

**Morocco**

- IMF agrees on $5 billion credit line for Morocco

**Mozambique**

- Rio Tinto sells Mozambique coal assets for $50 mln
- India group to nearly triple coal output from mine bought from Rio Tinto

**Nigeria**

- Nigeria Pepsi bottler 7Up 3-mth pretax profit up by 50%
- E-Commerce Gets Boost as FirstBank Partners PayPal

**Rwanda**

- Bharti Airtel hits 300 million subscriber mark

**Zimbabwe**

- Schneider Electric partners local firm

## In-depth:
## Africa's Liquid Asset

There is no alternative for it – we have nothing we can use in its place. One billion people can't get it. Every 20 seconds a child dies from a disease related to it and in 15 years 48 nations won't have enough of it – WATER. Water, in some places in the world is also referred to as "Blue Gold".

Is water the new oil? Not yet. But we can envision a time in the not too- distant future when water will be as avidly sought after, as important to economic development, and as intertwined with international and domestic policy as oil is today. To this date and for a long time sought daily in Africa by millions of its poor.

It is the one resource that we as humans take most for granted. In the US, California, the price of this resource is up 300% in the last ten years, but the price of avocados for this region has hardly inflated. This resource is in the midst of crises – it's a renewable resource and we need to ensure that it does not go away.

Some of the major solutions implemented around the world have merely been linked to infrastructure developments and water pricing mechanisms – they have failed.

The numbers of people who face a shortage of water around the world rank in the millions and grow daily. Agriculture consumes 80% of world usage. But expansion of human population has strained water supply, even to the extent of water droughts in Nevada, USA – only with 40% water supply.

In many regards we do not pay for water itself as it is a free resource – we pay for getting access to it. The reality of the challenge globally, specifically in Africa is the exporting of water in a manner that is safe and cost effective for an African economy.

For Africa it costs lots of money to transport water from one space to another and then the cost of desalination – for which infrastructure and facilities are not available in most of Africa. According to a World Health Organisation and UNICEF, since 1990, 322 million Africans gained access to an improved drinking water source and 189 million gained access to an improved sanitation facility. Yet 65 million more people in Africa lacked access to an improved drinking water source in 2010 than did in 1990.

**Water facts for Africa**

- 322 million people in Africa gained access to an improved drinking water source since 1990
- The population that uses a piped drinking water source onto premises increased from 147 million in 1990, to 271 million in 2010
- To meet the MDG drinking water target 215 million people need to gain access over the period 2010 – 2015
- Despite an increase in drinking water coverage from 56 % in 1990, to 66 % in 2010, the population relying on unimproved drinking water source increased from 279 million in 1990, to 344 million in 2010

In 2010, 115 million people directly draw on surface water to meet their drinking water needs

**Development Facts for Africa's Liquid Asset**

- Africa has made limited progress in providing its people with access to basic sanitation. Coverage only increased from 35 % in 1990, to 40 % in 2010, equal to 189 million people gaining access.
- With a population growth of almost 400 million people since 1990, the population without an improved sanitation facility increased by almost 200 million people to 612 million in 2010.
- With a doubling of the urban population over the period 1990-2010, more than 1 in 4 people in urban areas rely on shared or public sanitation facilities.
- Little over 1 in 5 people in Africa still practise open defecation, down from 1 in 3 in 1990.

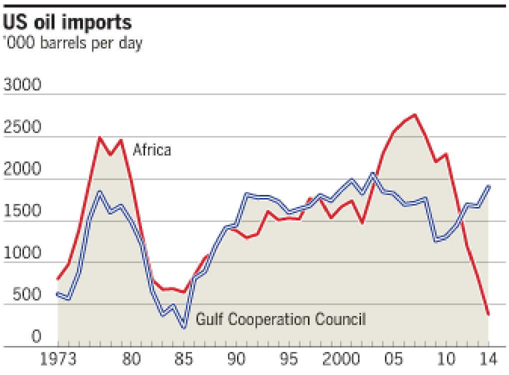
To paint a better picture of the 2013 WHO / UNICEF Report on Water and Sanitation indicates that, "By the end of 2011, there were 2.5 billion people who lacked access to an improved sanitation facility. Of these, 761 million use public or shared sanitation facilities and another 693 million use facilities that do not meet minimum standards of hygiene (unimproved)." The next question to answer is: "What is the shape and form of how ownership of this resource will evolve?" *(Ventures Africa)*

## US-Africa oil trade wanes after shale revolution

There used to be a joke in the oil industry that you could walk from the US to Nigeria without getting your feet wet – just jump from one oil tanker to another.

The line neatly encapsulated the reality: as recently as five years ago, an armada of tankers sailed every month from Africa to the US coast, delivering oil worth billions of US dollars.

Not any more. The American shale revolution, which was supposed to liberate the US from Middle Eastern oil, has instead brought freedom from an unexpected location: Africa. US oil imports from the African continent have this year plunged to a 40-year low.



Source: EIA

The collapse in the oil trade has weakened the most important economic link between the US and Africa, just as Washington launches the first US-Africa summit this week in an effort to win the minds, and wallets, of Africa's population.

Yet the impact of the slump in oil trade will resonate beyond the energy industry and trade, reshaping the military interest of the US in the region.

Only a decade ago, US lawmakers and military commanders held seminars with titles such as "African Oil: A priority for US National Security" and plotted scenarios where the US Navy would patrol the waters of west Africa protecting oil tankers.

But as US oil production booms, Africa has suffered more than other oil producers. Its exports of crude and oil-refined products to the US have fallen to their lowest since at least 1973, down 85 per from a peak in 2008. Six years ago the US-Africa oil trade was worth $100bn a year. If the trends of early 2014 hold, it will be worth just $15bn this year.

"Shale oil has been identified as one of the most serious threats for African [oil] producers," Diezani Alison-Madueke, Nigeria's oil minister, said last year.

Meanwhile, US oil imports from the members of the Gulf Co-operation Council, a regional club gathering Saudi Arabia, United Arab Emirates, Kuwait, Qatar, Bahrain and Oman, rose in the first four months of the year to an 11-year high.

David Fyfe, head of research at Gunvor, a Geneva-based oil trading house, says African countries have been hit worse by US shale because their oil "is of similar quality of the oil pumped in North Dakota and Texas".

US shale oilfields largely produce high quality crude, known in the industry as "light" and "sweet" oil – by and large the same type of crude pumped by the likes of Nigeria, Algeria, Libya and Angola. "US refineries had been able to procure light [and sweet] oil from domestic sources," points out Mr Fyfe, a former senior official at the International Energy Agency, the west's energy watchdog.

The trend is unlikely to be reversed anytime soon. Indeed, if anything, African producers should expect even less demand from the US over the next few years, says Jason Bordoff, director of the Center on Global Energy Policy at Columbia University.

"African oil exports to the US may not go exactly to zero but they will drop close to zero [and stay at that level] for a while," says Mr Bordoff, who until last year was a senior oil official at the White House.

The collapse in the oil trade means the US is the only major region that today trades less with sub-Saharan Africa than before the global financial crisis in 2007-8.

China, the EU and Japan have all increased the import-export volumes compared with eight years ago, according to data compiled by the Brookings Institution, a Washington-based think-tank.

The Overseas Development Institute, a UK-based think-tank, warns in a recent report that a "larger number of countries are exposed to a potential trade shock emerging from a change in US oil imports".

Europe, India and China have been able to absorb Africa's surplus, cushioning the impact of US shale and keeping oil prices and revenues at historically high levels. "The Asians have covered the gap," notes a Nigerian official.

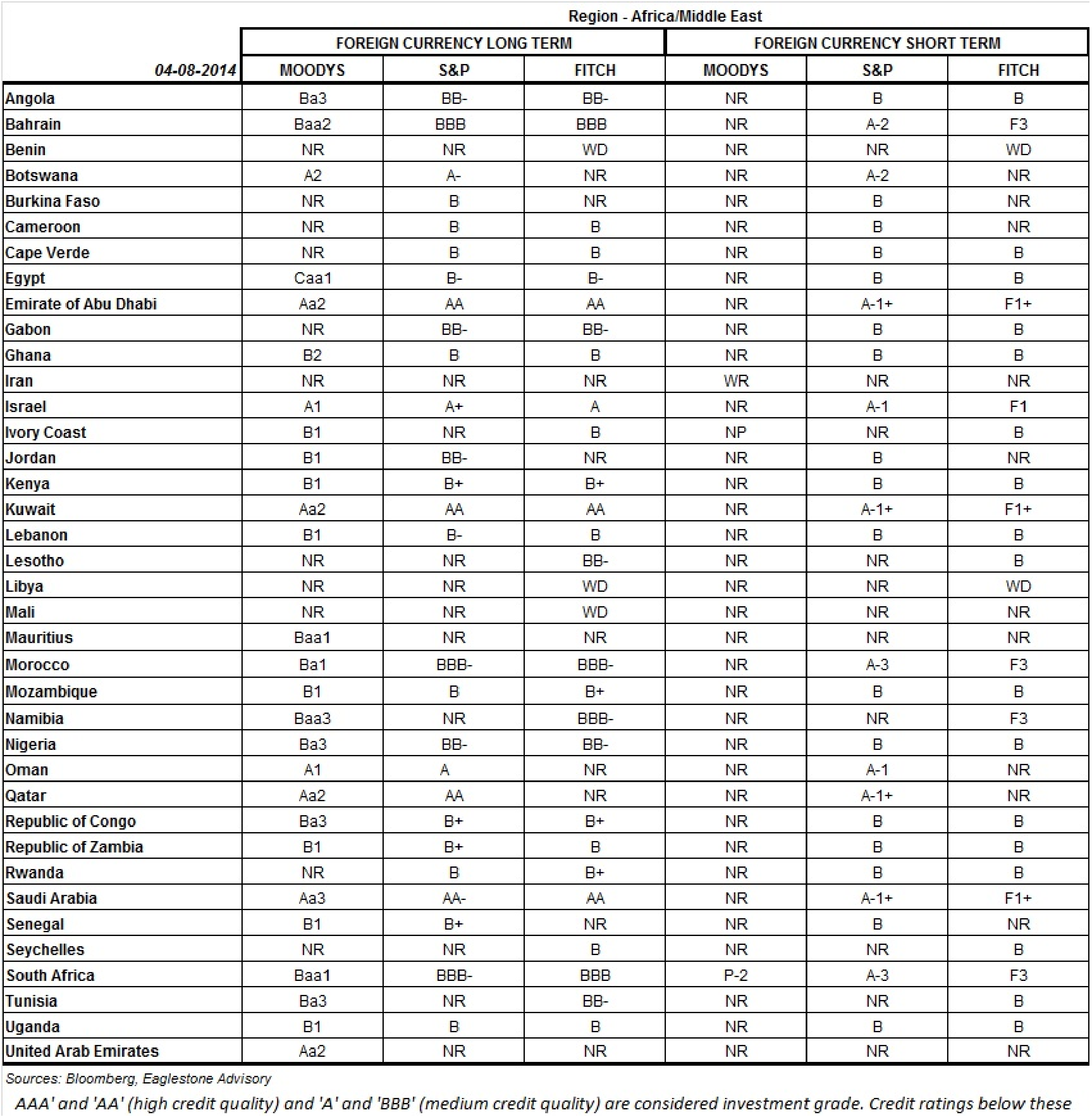
India, for example, has replaced the US as the biggest customer for Nigerian oil, while China is the biggest buyer of oil from Angola.

The US was Algeria's biggest oil customer until 2013 but in a single year the trade fell 75 %, with Spain, France and Italy filling the gap.

While the US is turning away from African oil, Big Oil remains as interested in the continent as ever. The biggest US energy companies, including ExxonMobil and Chevron, as well as smaller groups such as Anadarko and Kosmos Energy, continue to invest in the continent, industry executives, analysts and bankers say.

Even as the US-Africa oil trade has waned, Exxon, for example, has continued to be one of the largest investors in Africa, putting nearly $25bn into the continent over the past five years. *(Financial Times)*

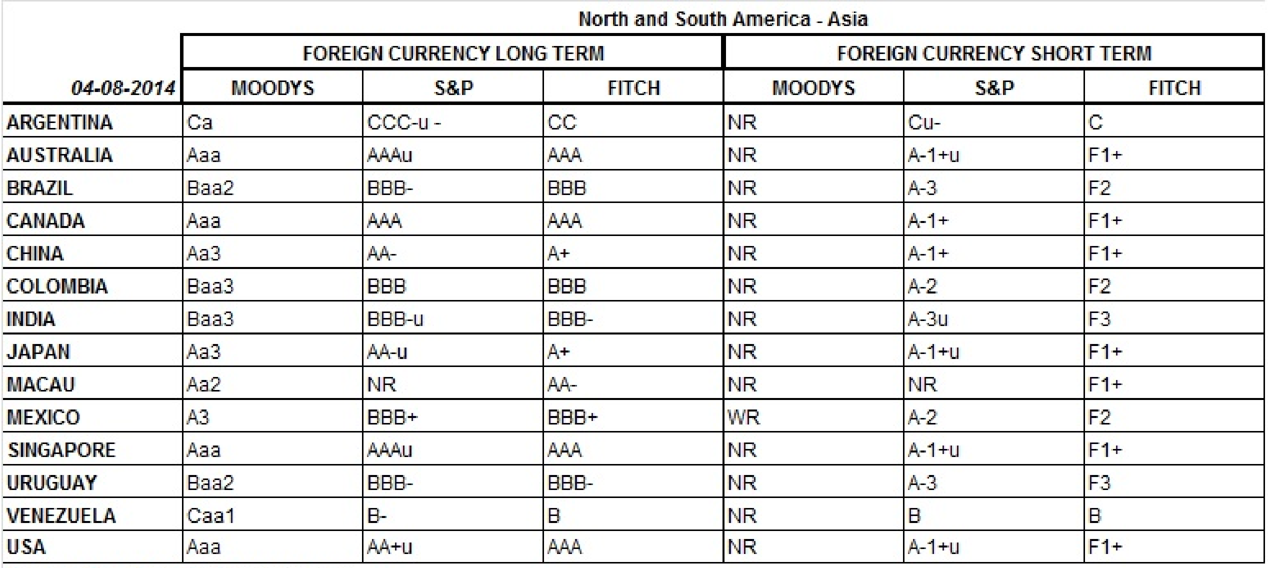
## SOVEREIGN RATINGS



| | Region - Africa/Middle East | | | | | |
|---|---|---|---|---|---|---|
| | FOREIGN CURRENCY LONG TERM | | | FOREIGN CURRENCY SHORT TERM | | |
| *04-08-2014* | MOODYS | S&P | FITCH | MOODYS | S&P | FITCH |
| Angola | Ba3 | BB- | BB- | NR | B | B |
| Bahrain | Baa2 | BBB | BBB | NR | A-2 | F3 |
| Benin | NR | NR | WD | NR | NR | WD |
| Botswana | A2 | A- | NR | NR | A-2 | NR |
| Burkina Faso | NR | B | NR | NR | B | NR |
| Cameroon | NR | B | B | NR | B | NR |
| Cape Verde | NR | B | B | NR | B | B |
| Egypt | Caa1 | B- | B- | NR | B | B |
| Emirate of Abu Dhabi | Aa2 | AA | AA | NR | A-1+ | F1+ |
| Gabon | NR | BB- | BB- | NR | B | B |
| Ghana | B2 | B | B | NR | B | B |
| Iran | NR | NR | NR | WR | NR | NR |
| Israel | A1 | A+ | A | NR | A-1 | F1 |
| Ivory Coast | B1 | NR | B | NP | NR | B |
| Jordan | B1 | BB- | NR | NR | B | NR |
| Kenya | B1 | B+ | B+ | NR | B | B |
| Kuwait | Aa2 | AA | AA | NR | A-1+ | F1+ |
| Lebanon | B1 | B- | B | NR | B | B |
| Lesotho | NR | NR | BB- | NR | NR | B |
| Libya | NR | NR | WD | NR | NR | WD |
| Mali | NR | NR | WD | NR | NR | NR |
| Mauritius | Baa1 | NR | NR | NR | NR | NR |
| Morocco | Ba1 | BBB- | BBB- | NR | A-3 | F3 |
| Mozambique | B1 | B | B+ | NR | B | B |
| Namibia | Baa3 | NR | BBB- | NR | NR | F3 |
| Nigeria | Ba3 | BB- | BB- | NR | B | B |
| Oman | A1 | A | NR | NR | A-1 | NR |
| Qatar | Aa2 | AA | NR | NR | A-1+ | NR |
| Republic of Congo | Ba3 | B+ | B+ | NR | B | B |
| Republic of Zambia | B1 | B+ | B | NR | B | B |
| Rwanda | NR | B | B+ | NR | B | B |
| Saudi Arabia | Aa3 | AA- | AA | NR | A-1+ | F1+ |
| Senegal | B1 | B+ | NR | NR | B | NR |
| Seychelles | NR | NR | B | NR | NR | B |
| South Africa | Baa1 | BBB- | BBB | P-2 | A-3 | F3 |
| Tunisia | Ba3 | NR | BB- | NR | NR | B |
| Uganda | B1 | B | B | NR | B | B |
| United Arab Emirates | Aa2 | NR | NR | NR | NR | NR |

*Sources: Bloomberg, Eaglestone Advisory*

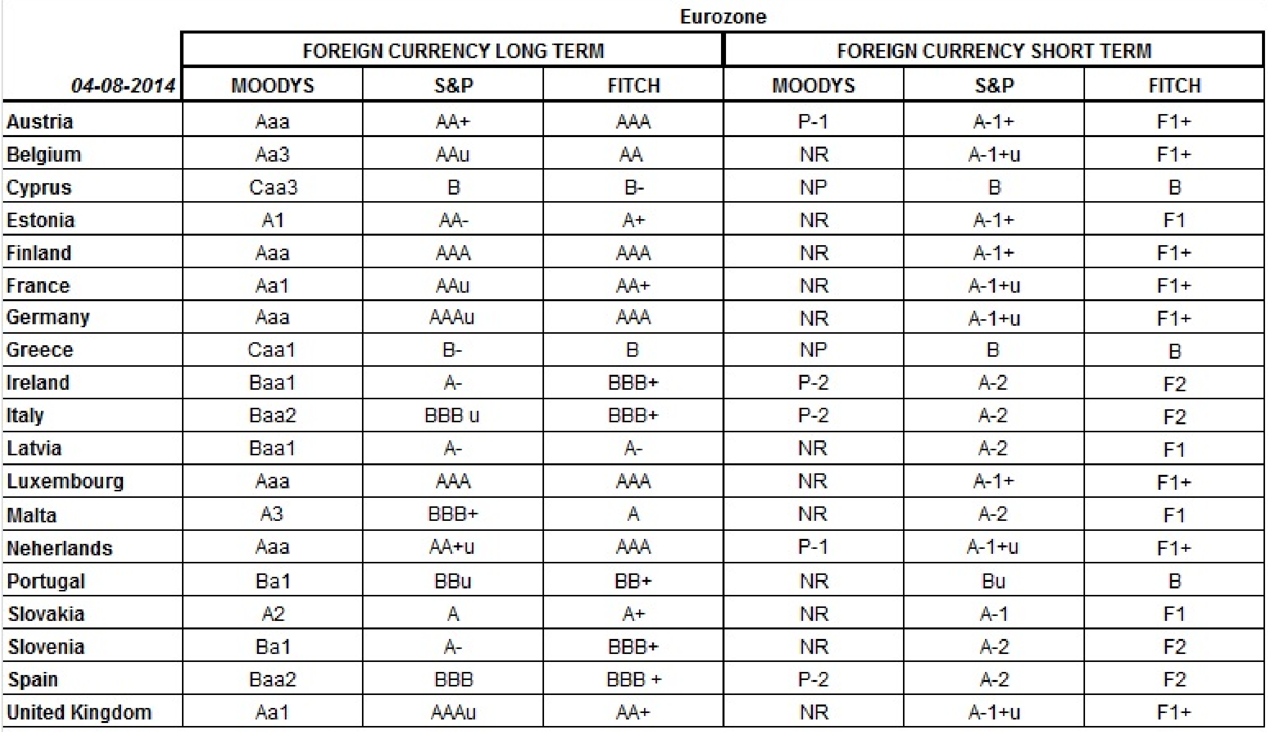
*AAA' and 'AA' (high credit quality) and 'A' and 'BBB' (medium credit quality) are considered investment grade. Credit ratings below these*



North and South America - Asia

| 04-08-2014 | FOREIGN CURRENCY LONG TERM | | | FOREIGN CURRENCY SHORT TERM | | |
|---|---|---|---|---|---|---|
| | MOODYS | S&P | FITCH | MOODYS | S&P | FITCH |
| ARGENTINA | Ca | CCC-u - | CC | NR | Cu- | C |
| AUSTRALIA | Aaa | AAAu | AAA | NR | A-1+u | F1+ |
| BRAZIL | Baa2 | BBB- | BBB | NR | A-3 | F2 |
| CANADA | Aaa | AAA | AAA | NR | A-1+ | F1+ |
| CHINA | Aa3 | AA- | A+ | NR | A-1+ | F1+ |
| COLOMBIA | Baa3 | BBB | BBB | NR | A-2 | F2 |
| INDIA | Baa3 | BBB-u | BBB- | NR | A-3u | F3 |
| JAPAN | Aa3 | AA-u | A+ | NR | A-1+u | F1+ |
| MACAU | Aa2 | NR | AA- | NR | NR | F1+ |
| MEXICO | A3 | BBB+ | BBB+ | WR | A-2 | F2 |
| SINGAPORE | Aaa | AAAu | AAA | NR | A-1+u | F1+ |
| URUGUAY | Baa2 | BBB- | BBB- | NR | A-3 | F3 |
| VENEZUELA | Caa1 | B- | B | NR | B | B |
| USA | Aaa | AA+u | AAA | NR | A-1+u | F1+ |

*Sources: Bloomberg, Eaglestone Advisory*



Eurozone

| 04-08-2014 | FOREIGN CURRENCY LONG TERM | | | FOREIGN CURRENCY SHORT TERM | | |
|---|---|---|---|---|---|---|
| | MOODYS | S&P | FITCH | MOODYS | S&P | FITCH |
| Austria | Aaa | AA+ | AAA | P-1 | A-1+ | F1+ |
| Belgium | Aa3 | AAu | AA | NR | A-1+u | F1+ |
| Cyprus | Caa3 | B | B- | NP | B | B |
| Estonia | A1 | AA- | A+ | NR | A-1+ | F1 |
| Finland | Aaa | AAA | AAA | NR | A-1+ | F1+ |
| France | Aa1 | AAu | AA+ | NR | A-1+u | F1+ |
| Germany | Aaa | AAAu | AAA | NR | A-1+u | F1+ |
| Greece | Caa1 | B- | B | NP | B | B |
| Ireland | Baa1 | A- | BBB+ | P-2 | A-2 | F2 |
| Italy | Baa2 | BBB u | BBB+ | P-2 | A-2 | F2 |
| Latvia | Baa1 | A- | A- | NR | A-2 | F1 |
| Luxembourg | Aaa | AAA | AAA | NR | A-1+ | F1+ |
| Malta | A3 | BBB+ | A | NR | A-2 | F1 |
| Neherlands | Aaa | AA+u | AAA | P-1 | A-1+u | F1+ |
| Portugal | Ba1 | BBu | BB+ | NR | Bu | B |
| Slovakia | A2 | A | A+ | NR | A-1 | F1 |
| Slovenia | Ba1 | A- | BBB+ | NR | A-2 | F2 |
| Spain | Baa2 | BBB | BBB + | P-2 | A-2 | F2 |
| United Kingdom | Aa1 | AAAu | AA+ | NR | A-1+u | F1+ |

*Sources: Bloomberg, Eaglestone Advisory*

## AFRICAN DEVELOPMENT BANK

### AfDB seeks strategic partnership with Angola

The President of the African Development Bank (AfDB), Donald Kaberuka, was received on July 28 by the President of the Republic of Angola, José Eduardo dos Santos, at the Palácio da Cidade Alta in Luanda, where discussions focused on expanding cooperation between the AfDB and the Angolan Government.

In statements to the press at the end of the audience, Kaberuka said it was his third visit to Angola since he became Bank President and underscored the Bank's interest in strengthening its "strategic relationship" with Angola given the growing role and importance of the country on the African continent. During his meeting with the Angolan leader, Kaberuka discussed economic reform and development programs in Angola, with a particular focus on the country's strategy to combat poverty.

The President of the AfDB indicated that, thanks to the deep macroeconomic reforms undertaken in Angola, the country is today one of the three strongest economies of the region, after Nigeria and South Africa, and has made significant achievements in the fight against poverty. Kaberuka said the AfDB is watching and wants to play an active part in this process.

"During the meeting we addressed very specific issues that have to do with job creation, poverty reduction, women's empowerment and diversification of the economy, but [the focus] was very much in reducing poverty," the Bank chairman said, noting that the Government of Angola has made a remarkable achievement that cannot be ignored, by reducing the poverty levels in the country from 60 to 38 %.

The Angolan Government is making progress in economic reforms and infrastructure, with a view to developing industry, diversify the economy, reduce dependence on oil revenues and enhance the well-being and quality of life for the people.

"When we talk about development of infrastructures, we are talking about energy, transport and other vital sectors of an economy. We congratulate the Angolan Government's efforts in these areas, because they are common problems in most African countries," Kaberuka said.

Kaberuka visited the Presidential Palace in the Cidade Alta accompanied by Finance Minister Armando Manuel. The two had met hours earlier, having signed an agreement that will make it possible to inject about one billion dollars in the State budget for projects in the fields of energy.

"Today I signed a one billion-dollar agreement to support the reforms of the energy sector so that, in future, Angola can produce efficiently and comprehensively. We will work with the Ministry of Finance to support the financial and institutional reforms," Kaberuka said. The Minister announced the first disbursement would be in the amount of $600 million.

AfDB supports reforms in Angola and the construction of infrastructure, particularly in the energy sector, acknowledging that a rapidly growing economy such as Angola's needs reliable energy. The country aims to make reforms in the energy sector to ensure sufficient energy is available to the entire population.

The AfDB President observed that whenever he visits Angola he notes "major transformations" and he welcomed the efforts being made. "The journey is still long. On the macroeconomic front, it is important to remain vigilant to ensure that gains are sustained and there is no slippage, but it's a good start," said Kaberuka, who spoke of macroeconomic and fiscal reforms in the oil sector: "Angola still has many challenges, like other African countries, but we can work together to find solutions."

Indeed, four areas of particular focus include: reducing poverty levels; addressing inequalities and accelerating human development; diversifying the economy to create more jobs; and effective management of the petroleum sector so as to maximize the benefits.

Kaberuka praised Angolan authorities and underscored the Bank's commitment to a closer relationship and support for further projects in Angola, particularly in the power sector. One clear goal on this issue was to make the energy sector more efficient and more attractive to investment. "Angola, as other African countries that rely heavily on oil, must step up its pace of reforms," said the AfDB President. "The wealth of a nation is not necessarily what's underneath the soil or sub-soil, but rather it is in the knowledge of men and women, children and youth," he said.

During in visit in Luanda, Kaberuka paid a courtesy call to the Vice-President of the Republic, Manuel Domingos Vicente, and also met the chairman of Fundo Soberano de Angola, José Filomeno Dos Santos, with whom he discussed the Bank's Africa50 Fund.

## AfDB issues its inaugural local currency bond in the Nigerian Capital Market

After receiving the Securities and Exchange Commission ("SEC") of Nigeria's approval to establish a NGN 160 billion (approximately USD 1 billion) Medium Term Note (MTN) Programme and "No Objection" from the SEC to start the book building process on June 6, 2014, the African Development Bank ("AfDB" or the "Bank") proceeded to tap the market for its maiden local currency issuance in the Nigerian capital market.

The AfDB launched a 7-year, semi-annual fixed rate coupon bearing bond structured with a 3-year grace period preceding a 4-year amortising profile on principal, introducing a new instrument into the domestic market and adding another issuance into the supranational asset class. The Bank successfully raised NGN 12.95 billion (approximately USD 80 million), issuing at a discount of about 75 bps below the comparable reference point on the government yield curve (Federal Government of Nigeria 27 Jan 2022) to price at 11.25%. The book building commenced on June 20 with a closing date on July 4 and the settlement of the proceeds occurred on July 11. The AfDB's MTN Programme is the first ever to be established by a supranational issuer in the Nigerian capital market, and the amount raised also represents the largest ever issuance, and also the longest maturity instrument in its asset class to be introduced to the Nigerian market. Acceptance of the issue in the market was also further evidenced and demonstrated by the diverse category of investors to whom the securities were distributed (including pension funds, asset managers, banks and insurance companies).

Pierre Van Peteghem, Treasurer of the African Development Bank Group, outlined the importance and significance of the transaction to the Bank as it marks its inaugural issuance in the Nigerian market, given the size and relative sophistication of this market and Nigeria being the Bank's largest shareholder. He added that "issuances in the local markets allow the Bank to lend to its borrowers in local currencies thereby eliminating their currency risks; and to participate in the development of African capital markets by providing a new investment product to the local institutional investors." The Bank's local currency bonds are structured to match the underlying projects to which the

Bank will lend the proceeds. The proceeds of the maiden NGN issuance will be lent to a client who will use the funds to finance local SMEs and some infrastructure projects.

This issuance marks the AfDB's third domestic bond issue in Africa, outside of South Africa. The Bank previously issued two local currency bonds in Uganda in August 2012 and May 2013. "The Nigerian Naira issuance confirms the AfDB's commitment to launch more local currency bonds across the continent, with proceeds used to provide local currency loans to the Bank's clients. This will enable us to better respond to client needs, particularly with respect to mitigating the foreign exchange risks posed by hard currency loans," said Van Peteghem.

AfDB was advised on this transaction by Stanbic IBTC Capital (a member of the Standard Bank Group) and Rand Merchant Bank Nigeria, a wholly owned subsidiary of the FirstRand Group.

As part of its Local Currency Initiative, the AfDB has issued, since 2005, a series of offshore bonds linked to the Botswana Pula, Ghana Cedi, Kenya Shilling, Tanzania Shilling, Uganda Shilling, Zambian Kwacha and the Nigerian Naira. The Bank currently has authorization to issue domestically in over 10 African markets including, the CFA Franc zone, Zambia, Ghana, Egypt, Tanzania and Kenya.

The African Development Bank is currently celebrating its 50-year anniversary, with over 4,500 projects approved amounting to over USD 118 billion since its creation in 1964, in various sectors including agriculture and rural development, financial intermediation, industry and manufacturing, and education and health.

### ADB provides Angola with US$600 million in August

The African Development Bank (ADB) is due in August to hand over to the Angolan government the first tranche – US$600 million – of a loan agreed in Luanda, Angola's Finance Minister said cited by Angolan news agency Angop.

Minister Armando Manuel said this was the first tranche of a US$1 billion loan earmarked for projects in the areas of energy, construction and transport.

Armando Manuel and the ADB chairman, Donald Kaberuka, who is currently visiting Angola, signed the loan agreement in Luanda.

During the visit, the ADB chairman meet with the president of the Angolan Sovereign Fund, José Filomeno dos Santos, to discuss development in Angola. *(Macauhub)*

### AfDB's New Rice for Africa dissemination project receives US Treasury Award for Development Impact

The African Development Bank's New Rice for Africa (NERICA) project received Development Impact Honors on July 23 from the US Treasury Department in an awards ceremony in Washington, DC.

The NERICA Dissemination Project increased domestic production and food security in seven West African countries, namely Benin, Gambia, Ghana, Guinea, Nigeria, Mali and Sierra Leone. The project was selected from a pool of 29 submissions from various multilateral development banks (MDBs). It is the third consecutive year in which an African Development Bank project has won a US Treasury Award.

The US Treasury Department's Development Impact Honors awards promote the highest standards in development by recognizing outstanding projects undertaken by multilateral development banks. The program seeks to reward excellence in project design and implementation and to showcase the vital work MDBs carry out in communities, countries and regions to support the world's poorest people.

Treasury Secretary Jacob J. Lew delivered the opening remarks and African Development Bank Vice-President, Finance, Charles Boamah was on hand to accept the award. Speaking on behalf of African Development Bank President Dr. Donald Kaberuka, Boamah underscored how NERICA has helped to radically transform livelihoods and contribute to food security in the region. "A conservative estimate of the extent of NERICA production which began with 200,000 hectares now covers 800,000 hectares throughout Africa. The project benefitted 1,320 farmers groups, of which 1,056 were women's groups," said Boamah.

Last year, two AfDB projects were selected – Emerging from Conflict/Multisector Support Project in Côte d'Ivoire and the Community Agricultural Infrastructure Improvement Programme in rural Uganda – alongside initiatives financed by the Asian Development Bank, Inter-American Development Bank and World Bank Group-Global Environment Facility

## INVESTMENTS

### GE Says It Will Invest $2 Billion in Africa by 2018
### Projects Include Gas Turbines, Rail Investment, in Company's 'Most Promising Growth Region'

General Electric Co. said that it would invest $2 billion in Africa by 2018, calling the continent its "most promising growth region."

The conglomerate said it would focus its investment on developing its supply chain and training people, and infrastructure and sustainability initiatives.

Projects include supplying gas turbines to help meet electricity demand in Algeria and in Nigeria's state oil refinery, as well as a $1 billion rail investment in Angola.

GE said it made $5.2 billion in revenue from its African operations in 2013, and that it has won more than $8.3 billion in orders there.

"Over the last few years, we have expanded in growth markets by 15% each year," Chairman and Chief Executive Jeffrey Immelt said in a news release. "Our capability and culture give us great momentum in Africa and other developing regions around the world."

The announcement came ahead of a summit between U.S. President Barack Obama and African leaders, in which GE will be hosting officials, policy experts, business leaders and others, the company said.

GE has sought to focus more on pursuing growth in its core industrial businesses, as it has trimmed back its reliance on both media and finance operations. Last week, for instance, GE's former credit-card-issuing business Synchrony Financial held its initial public offering. *(Wall Street Journal)*

### A new American strategy for business in Africa

Africa has many success stories among its 54 countries. Nine of the world's 20 fastest-growing economies of the past two decades are in Africa, and poverty is declining while education and health are improving. Yet both the media headlines and America's priorities are too often concerned only with terrorism, outbreaks of violence, or Ebola.

This week's US-Africa Leaders Summit in Washington offers President Barack Obama a chance to refocus US foreign policy.

The big strategic issue facing the US in Africa today is to find the right balance between building new drone bases to fight terrorism and strengthening business relations that sustain mutually-beneficial economic and social development. While the US's militaristic emphasis may be understandable, its foreign policy in Africa should shift significantly toward support for trade, finance, and cultural co-operation.

US policy must be as variegated as the landscape of Africa. Many African countries have put in place good macroeconomic policies and governance, and yet investment has still not arrived. As a result, even countries that have introduced reforms and achieved high growth have not generated enough formal sector employment to absorb the growing labour force.

Mineral exports have provided foreign exchange and fiscal revenue but not jobs, especially for frustrated youth in urban areas. Mining and oil companies have invested in Africa, but have too often also excelled at exploiting it. The colonial tradition of taking resources out of a country, without thinking how they could be used to develop it, has persisted. Even now, US petroleum companies resist calls for transparency, and use American courts to stymie efforts to enhance it.

There is a broad business agenda: the US should encourage foreign direct investment into labour-intensive light manufacturing and agro-processing industries, where Africa's large pool of unskilled labour could be used. To get the most from limited resources, it could launch programmes and financing schemes to share risk with investors from all over the world.

The African Growth and Opportunity Act has offered incentives for African countries to pursue reforms and open their economies since 1991. But it does not address the biggest challenges for small and medium-sized enterprises. President Obama should make it a priority to renew AGOA well beyond 2015, to provide predictability for manufacturers, buyers, and investors both in the US and Africa. The US should also work to make it more effective – for instance, by relaxing rules of origin and offering tax incentives to US companies investing in non-oil sectors.

Renewing AGOA legislation in this way would offer an opportunity to facilitate the integration of African SMEs into global value chains. The US could also support programmes that include advisory services, marketing information, technology access and training, and access to equipment and warehouses.

In education and research, a vastly expanded Fulbright programme would benefit both Americans and Africans; but, in addition, joint research projects under the auspices of a range of US government departments would promote health, science and agriculture, and help Africa prepare for global warming. US co-operation would yield high pay-offs in making better use of the continent's huge potential for hydro, solar and other renewable resources.

In pharmaceuticals in particular, the US would be on the right side of history in helping to ensure Africa has access both to life-saving drugs and the knowledge necessary for developing them. It is ironic that the US, usually the strongest advocate of intellectual property rights, has not ratified the Convention on Biological Diversity, under pressure from pharmaceutical companies that fear it would provide "excessive" protection for the IP associated with the use in their products of genetic material derived from plants or animals in developing countries.

In pursuing all these objectives, the US should work closely with the international financial institutions. The World Bank has a wealth of expertise on Africa; in fact, many of the ideas in this feature have been proposed by Célestin Monga, one of its most innovative thinkers. While the IFIs have rightly been criticised for the structural adjustment policies of the past, they are now taking new directions. Even in the current disappointing business environments of many African countries, it is possible for good projects and programmes to be implemented in well-designed industrial parks to address infrastructure shortages and ignite industrialisation. In these islands of excellence, competitive industries could be developed in sectors such as agribusiness, light manufacturing or tourism, and serve as entry points for others. Mr Obama's summit meeting with African leaders provides a unique opportunity for forging a new partnership to exploit America's strengths to the benefit of both the US and Africa.

*The writer is a professor at Columbia University and a former chief economist of the World Bank (Financial Times)*

### Growing excitement among Swiss SMEs to do business with Africa

**Swiss small and medium enterprises (SMEs) are realising Africa is the last 'frontier', and are excited about the significant business opportunities the region has to offer. At the same time they recognise the potential risks and challenges, and are unsure how exactly to enter the market.**

This is how Charles Brewer, managing director of DHL Express for sub-Saharan Africa, describes the general feeling of Swiss SMEs that attended a recent Africa business conference in Zurich. Brewer also delivered a presentation at the event.

During his talk, Brewer painted an honest picture of the continent's business environment – highlighting the numerous opportunities and how companies have navigated the many unique challenges the continent presents, whilst not shying away from the hurdles foreign companies can expect to encounter. "Africa has the potential to be a lucrative market for European SMEs, but companies should anticipate running into some unique challenges along the way. Proper research and partnering with trustworthy organisations on the ground in Africa is therefore essential," explains Brewer.

In terms of logistics many African countries still face challenges related to infrastructure, including the local customs environment and clearance. These are however not too dissimilar from what Asia Pacific experienced not too long ago, and is improving rapidly, according to Brewer. He says DHL's own growth is testament to what can be achieved in Africa. Over the past years the company has seen good market share gains, and strong volume and profit growth.

"The key is to recognise the opportunity and not focus so much on the risk. A good example of this is DHL's significant and accelerated expansion of its retail presence, from 300 outlets to over 3,000 in less than two years, designed to tap into the rapidly growing African SME segment." "However, and because of the relatively embryonic state of the manufacturing sector, Africa's economic progress is likely to be more akin to a marathon, as opposed to the 100m sprint we have seen in Asia Pacific," notes Brewer.

**Market opportunities for Swiss companies**

Switzerland has been ranked by the World Economic Forum as the world's most competitive economy, scoring especially high in terms of innovation. Switzerland's sophisticated scientific research institutions, along with other factors, make the country a top innovator.

While the country is most well known for producing watches and chocolate, Switzerland excels in a number of other industries. Swiss companies with a presence in Africa include insurance firm Swiss Re, food manufacturer Nestlé, healthcare company Roche, and media house Ringier, to name a few.

According to Brewer, Africa provides a ready market for a number of Swiss goods. An area that holds particular potential is technology products, from video conferencing equipment to consumer electronics.

"Africa has a billion people with growing disposable incomes, and they all want to buy the latest gadgets and gizmos. The growing private sector also requires technology to make their businesses run smoother."

DHL sees additional opportunities in industries such as food, life sciences, banking and automotive equipment.

When it comes to investing in Africa, Brewer likes to borrow shoe company Nike's slogan and tell foreign companies to "just do it".

"First mover advantage is incredibly important in business and those companies that are already doing business in Africa will have a significant advantage over everyone else once Africa's economic development reaches a point of no return," he explains. *(How we made it in Africa)*

### Japanese business mission visits Mozambique to study investment opportunities

A business mission from Japan headed up by the country's deputy Foreign affairs Minister, Norio Mitsuya, is due to start a two-day visit to Mozambique to study investment opportunities and meet with Mozambican government officials, the Japanese embassy in Mozambique said.

The mission includes 18 companies from the trade, engineering, banking, construction, industry and consultancy sectors including the Mitsubishi Corporation, Mitsui & CO.LTD, Bank of Tokyo – Mitsubishi UFJ, Ltd, Nippon Steel & Sumitomo Metal Corporation and the Toyota Tsusho Corporation.

The visit by the Japanese deputy Foreign Affairs Minister Norio Mitsuya, follows a visit seven months ago by Japan's Prime Minister, Shinzo Abe, who announced investment of US$670 million in development f the Nacala corridor, in northern Mozambique.

Japanese companies Mitsui, Nippon Steel & Sumitomo Metal Corporation and Mitsubishi already have business interests in Mozambique in the areas of oil, coal and aluminium.

Japan also partners Mozambique and Brazil in the ProSavana agricultural project, along the Nacala corridor, in the provinces of Nampula, Zambézia and Niassa, in an area of 14 million hectares. *(Macauhub)*

## BANKING

### *Banks*

**GE warns that closing ExIm Bank would hit US-Africa trade**

A US Congress decision to close the country's Export-Import Bank would damage American companies trying to do business in Africa, says the head of a leading US company.

The warning by Jeff Immelt, chairman of General Electric, came as Washington tries to boost US-Africa trade in an effort to catch up with China, Japan and the EU, whose economic links with Africa are booming.

The charter of the ExIm Bank, which provides credit to foreign buyers of US products, expires in September and attempts to reauthorise the bank have faltered amid strong opposition from conservative Republicans who see it as a form of crony capitalism. Congress is now in recess until September 8.

Mr Immelt said the ExIm Bank was crucial for US companies operating in Africa because it showed the government was prepared to have "some skin in the game". The closure of ExIm Bank would mean "we are basically making a statement as a country that we do not think that exports are important," said Mr Immelt, who will announce on Monday $2bn of new investment by GE in Africa.

The warning came as President Barack Obama welcomes nearly 50 heads of state from Africa in the first summit between the US and the region. The White House has said a key objective of the summit is to increase trade.

The fierce debate over the ExIm Bank has become the latest in a series of disagreements between the often Republican-leaning business community and anti-government conservatives in the Houses of Representatives. After spending two years heading the Obama White House's council on jobs and competitiveness, Mr Immelt has been a particular target of Tea Party attacks on big business.

The ExIm Bank's cause suffered a sharp blow when Eric Cantor, the Republican majority leader in the House, lost his primary election campaign to a Tea Party rival.

Mr Obama, who as a presidential candidate was once sharply critical of the ExIm Bank, waded into the debate. "Every country does this. It's traditionally been championed by Republicans," he said." But for some reason, right now the House Republicans have decided that we shouldn't do this."

As a result, when companies like Boeing and GE were competing for contracts with German or Chinese rivals "we may lose that sale", he said.

Research this year by George Mason University showed that 10 US companies receive three-quarters of ExIm Bank financing, with GE among the main beneficiaries. GE is likely to be one of the biggest participants in the Obama administration's Power Africa initiative to provide $7bn backing for energy projects in the continent over the next five years.

The Standard & Poor's rating agency warned in July that dissolution of the ExIm Bank could have a "significant" long-term impact on Boeing, the commercial aircraft maker which receives more than a third of the bank's credit.

The US is the only major bloc that today trades less with Africa than it did before the global financial crisis in 2007-8. The drop is, in part, due to a collapse in US oil imports from Africa but it also signals that the US is losing market share to China and other emerging countries, the EU and Japan.

Mr Immelt said the group's Africa business was doubling every four to five years and was "top of the line" in terms of regional growth rates. Within a few years, it was likely to be a similar size to its Latin America operations. The new investments to be announced this week include a manufacturing and assembly facility in Nigeria and a research facility in South Africa. The continent's infrastructure needs alone presented a $90bn opportunity. *(Financial Times)*

**Banco Privado Atlântico Europe authorised to operate in Namibia**

Banco Privado Atlântico Europa, a bank headquartered in Portugal that operates in Angola, has been granted a licence to operate in Namibia by the country's central bank, according to a statement from the bank.

The decision from the Bank of Namibia provides a provisional six-month license to Banco Privado Atlântico Europa.

"After this period the bank can request a certificate of authorisation for banking provided that it meets requirements satisfactorily before launching banking operations," said the Bank of Namibia.

Angola's Banco Privado Atlântico, which is a shareholder of Portugal's largest private bank Banco Comercial Português (BCP) and owns almost half of the Millennium Angola bank, is majority-owned by Global Pactum, Gestão de Activos, a company whose main shareholder is Angolan state oil company Sociedade Nacional de Combustíveis de Angola (Sonangol). According to information on the Banco Privado Atlântico Europa website the bank is 100 %-owned by Atlântico Europa, SGPS, which in its turn is owned by Global Pactum, Gestão de Activos (89.50 %), Banco Privado Atlântico (7 %) and Gestão (3.5 %). *(Macauhub)*

**Sovereign Trust Q1 2014 gross premium written surges 21 %**

Sovereign Trust Plc, the Nigeria insurer's gross premium written surged 21 %buoyed by savvy management of financial resources by the board of directors.

For the first three months of the year, the Nigeria insurer's gross premium written surged by 21% to N2.93 billion from N2.31 billion the same period of the corresponding year (Q1) 2013.

Sovereign Trust underwriting capacity improved as net underwriting income spiked by 14.8% to N1.89 billion compared with N1.61 billion as at Q1 2013, while gross premium income rose by 24.4 %to N2.57 billion in the review period.

Net premium earned increased by 19.9% to N1.70 billion in Q1 2014 compared with N1.36 billion as at Q1 2013, while reinsurance expenses spiked by 33.1% to N872.25 million in the period under review.

Profit before tax (PBT) for the first quarter of 2014 reduced by 92.3% to N160.46 million in Q1 2014 from N308.63 million as at Q1 2013.

Profit after tax (PAT) also fell by 84.6% to N140.04 million as against N259.25 million as at Q1 2013.

Claims and underwriting expenses were up by 54.48% to N1.30 billion in Q1 2014 as against N845.54 million as at Q1 2013.

The Nigeria insurer can tap into the Nigeria population of 170 million and rising middle class to bolster performer and increase its share of the market.

In other to expand its portfolio of financial services, the company has initiated moves to enter into under writing life business by acquiring a life insurance operator in the country.

This will open an array of investment opportunities and also strengthen its underwriting capacity.

Sovereign Trust Insurance Plc commenced business in January 1995 following the restructuring and recapitalization of the then Grand Union assurances Limited.

In recognition of the insurer’s expertise in Oil and Gas, Sovereign trust was appointed into the Oil and Energy Insurance Pool of the African insurance market.

Return on Average Equity (ROaE) was 6.55% while the Return on Average Assets stood at 2.82% in the review period.

Total assets were down by 3.22% to N7.95 billion in Q1 2014 from N8.22 billion as at Q1 2013.

The Nigeria insurer’s share price closed at N0.50 on July 22nd 2014 on the floor of the Nigeria stock exchange, while market capitalization was N3.35 billion. *(Business Day)*

## Barclays Africa duo deliver gains

“We have done such a good job,” Maria Ramos, the chief executive of Barclays Africa Group, said to her deputy, David Hodnett, after a presentation of the lender’s half-year results on Wednesday.

The duo then waited patiently to answer questions from a room full of shareholders and analysts, who have generally been critical of their leadership of the bank.

Only two queries were raised and neither of the interrogators lambasted them, as the two have recently become accustomed to.

Barclays Africa, which operates Absa, has been the worst-performing stock of the country’s big four banks in the recent past, seems to be making its way out of the woods. The share price of Barclays Africa more than 25% this year, beating rival FirstRand’s 20% advance, Standard Bank’s 11% gain and Nedbank’s rise of just over 10%.

The group’s first-half profit rose 10% to R6.1-billion while credit impairments fell 7% to R3.6-billion after a significant push to reduce bad loans, which plagued most of the local banks following their overindulgence in the unsecured loans sector. Revenue grew 7% to R30.7-billion as net interest income rose 10% to R17.5-billion.

After burning its fingers with microlender Unifer, Absa had the sense not to play in that market even though it meant losing retail customers and market share.Shareholders and analysts were not happy. But the subsequent fallout from excessive unsecured lending by other banks has perhaps proved the bank’s wisdom.

Another strategic move was the group’s push into the rest of Africa through a deal with its UK parent.

The interim results included, for the first time, earnings from its operations outside South Africa -which were also under scrutiny after the R18.3-billion deal. Some experts still think Ramos paid too much for the operations.

The wholly owned African operations, which include markets such as Ghana, Nigeria, Mauritius, Kenya and Uganda, accounted for 20% of the group’s profit. The volatile Egyptian and Zimbabwean operations are still owned by the British parent company, Barclays, but are managed by Ramos’s team.

The deal is seen as one of Ramos’s highlights since taking over from Steve Booysen in 2009, according to Hodnett. “I’m still surprised at how [the market] underestimated the impact of that deal that completely transformed this operation,” Hodnett said.

Hodnett, who stood by Ramos when the bank was going through a rough patch, lauds her for turning the energy within the bank around. The group had been losing an increasing number of key executives after Ramos took over, the latest being Kennedy Bungane, the chief executive of regional management and head of strategy for the group.

But now executives seem to be rallying behind Ramos more than ever before. “The mood is so different to 12 months ago,” said a visibly jubilant Hodnett.

A year ago, some analysts were expecting Ramos to step down. And when Hodnett was appointed in December as deputy chief executive, in addition to being the financial director, some saw it as her telegraphing her intent to the market. But Ramos still sees herself very much in the bank’s future. In fact, she has recommitted herself and her team to seeing the bank become one of the top three banks by revenue in five of the large markets — South Africa, Botswana, Kenya, Ghana and Zambia — it operates in.

She has pledged to bring down the cost-to-income ratio to the low 50% range and lift return on equity to 18%-20% by 2016.

However, some analysts still have reservations about her leadership. They regard Ramos as distant from the South African operations, and see Hodnett as in charge of the local business. “She is closer to the Barclays team than to South Africa,” one analyst said. Vestact portfolio manager Byron Lotter said Ramos’s performance had been below par, but that if Barclays did not have confidence in her she would not still be in charge of the group. *( Business Time)*

### BNI and IFC set up credit line for Angola

Angolan bank Banco de Negócios Internacional (BNI) and the International Finance Corporation (IFC), of the World Bank group have signed an agreement to set up a US$25 million credit line to finance businesses in Angola, Angolan news agency Angop reported.

The Global Trade Finance Program, is intended to increase manufacturing, trade and distribution businesses in Angola and contribute to diversification of the Angolan economy.

According to the agreement BNI may expand its Trade Finance activities and support small and medium-sized companies as well as corporate clients whilst the IFC will better serve the clients that add value to the Angolan economy, thus complementing BNI and offering it the possibility of setting up partnerships with more international banks.

The IFC, which is part of the World Bank Group, is the world’s largest development institution focused on the private sector in developing countries. The IFC was founded in 1956 and has offices in over 100 developing nations. It assists companies and financial institutions in emerging markets to create jobs, generate tax revenues, improve corporate governance and environmental performance. *(Macauhub)*

## *Markets*

### Angola is the third-largest sub-Saharan financial market

Angola is the third largest sub-Saharan financial market, with assets of US$70 billion, behind Nigeria and South Africa, Angola’s Economy Minister Abraão Gourgel said Tuesday in Luanda.

The minister, who was speaking at the opening ceremony of the 31st edition of the Luanda International Fair (Filda), noted that Angola posted yearly growth of around 3% and had a growing middle class, as well as a rise in use of financial services and rise in consumer demand in general.

Outlining the positive factors of the Angolan economy, Gourgel noted that Angola had a fast growing business sector that was open to partnerships with foreign investors, according to Angolan news agency Angop.

The economy minister said that peace in Angola had allowed the country to take advantage of the rise in oil prices in the first decade of the 21st century, as shown by gross domestic product, which increased 5.5 times between 2000 and 2007.

The minister noted that, even in crisis years, Angola posted rates of growth that were not far off the rate of growth of the country’s population, and thus per capita GDP reached US$6,000 in 2013, making Angola a middle-income country according to the World Bank’s classification.

Filda is a multi-sector exhibition and business fair that, since 1983, has gathered together businesspeople from Africa, America, Europe and Asia to exhibit their products and services and make contacts for potential partnerships. *(Macauhub)*

### Senegal Selling Dollar Bond as Emerging-Market Yields Retreat

Senegal is selling a benchmark-sized dollar bond today as borrowing costs fell and investors snapped up African assets.

The second-largest economy in the eight-nation West African Economic and Monetary Union is offering a 10-year bond at about 6.625 %, according to a person familiar with the deal who asked not to be identified because they’re not authorized to speak publicly about it.

Senegal, which earns much of its foreign currency from exports of fish and peanuts, is joining African countries from Kenya to South Africa tapping debt markets. Yields on African sovereign debt fell 84 basis points this year, according to a JPMorgan Chase & Co. index. The government may sell more than $500 million, according to Mark Baker at Standard Life Investments Ltd. in London.

“I expect they will have ample demand as long as they don’t tighten pricing too aggressively which happened with the Ivory Coast last week,” Baker, who helps oversee about $1.5 billion in emerging-market debt and attended an investor meeting in London yesterday, said by phone.

Yields on Senegal’s 8.75% bonds due May 2021 fell four basis points to 6.01% by 9:49 a.m. in Dakar, the capital. Ivory Coast raised $750 million in 10-year bonds on July 16, priced to yield 5.625% and lower than the original offer of about 5.875%. *(Bloomberg)*

### Angola raises US$2 billion for national reconstruction

The Angolan government has hired two Angolan banks to set up a financial operation to raise US$2 billion to fund the National Reconstruction Programme, according to a statement from the Finance Ministry.

The statement issued Tuesday said that the government hired Banco Angolano de Investimentos (BAI) and Banco de Fomento Angola (BFA) as "financial consultants" to "structure, set up and intermediate" this financial operation.

Some of the funds will be raised in Angolan currency (kwanzas) to the value of US$1.5 billion, in the form of a "short term loan in that amount, which when it matures in June 2015, will be converted into Treasury Bonds issued specifically for this purpose."

The second component of the operation is a contract worth US$500 million to be raised in US dollars.

In order to provide the kwanza denominated loan the two banks, which subscribed two thirds of the operation, will head up a banking syndicate that also includes – for the remaining funding – BIC (14.4 %), Banco Totta e Açores (7.17 %), Banco Espírito Santo Angola (4.8 %), Millennium Angola (3.83 %), Banco Privado Atlântico (2.4 %) and Banco Comercial Angolano (0.73 %).

By contracting these loans "at higher rates of interest" than those that "could be found on the international market," the Finance Ministry noted, "the National Treasury is contributing to the creation of local financial instruments," using Angolan savings. *(Macauhub)*

### Ghana Prepares $117m Bond To Support Budget

Ghana's head of treasury, Yao Abalo has announced Monday, that the Bank of Ghana will issue a 400 million-cedi ($117 million) three-year domestic bond on July 31 to support the government's budget.

Abalo explained that the issue is to support government finances, adding that another transaction of the same maturity and value will be issued in October to roll over maturing debts. Ghana's apex bank issued similar auction in May which attracted a yield of 24.44%, and analysts forecast the new issue could attract between 23 % and 25 %. The current auction is open to foreign investors and is the first of two domestic bonds planned for the second half of 2014. Reuters reports that "Yields on Ghana's government debt have risen above the average in sub-Saharan Africa since January, reflecting the government's battle to bring down a stubbornly high budget deficit and widening debt, while the local cedi currency has slumped around 30 %". The yield on Bank of Ghana's 91-day bill rose to a fresh three-year high of 24.8385% at the weekly auction on 1st of August, from 24.3109% previously. *(Ventures Africa)*

### Ghana to Start Marketing $1.5 Billion of Eurobonds Next Month

Ghana will start investor meetings by the end of next month as it seeks to sell its third Eurobond and plug a budget deficit that helped push the cedi to the world's worst-performing currency.

A study on whether to go ahead with the offer of about $1.5 billion has been completed, Deputy Finance Minister Mona Quartey said in an interview in the capital, Accra today. The world's second-biggest cocoa producer is still considering seeking a loan from the International Monetary Fund, she said.

The Eurobond "money will basically be used for the budget programs," Quartey said. "It will also help to stabilize the currency."

The cedi slumped 38% this year in the world's worst performance among global currencies tracked by Bloomberg, pushing inflation to 15% in June and prompting the central bank to raise its key rate to a 10-year high this month. Ghanaian dollar debt returned 5% this year, the lowest in Africa and less than the 9.3% emerging-market return, according to Bloomberg indexes.

On July 16, Finance Minister Seth Terkper raised the 2014 budget deficit target to 8.8% of gross domestic product from a previous estimate of 8.5% as the nation increased spending by 3.2 billion cedis ($831 million). Moody's Investors Service cut Ghana's credit rating one level last month, saying the fiscal gap may exceed 10% of GDP for a third year.

The second-biggest economy in West Africa is considering an IMF loan as part of measures being looked at to stabilize the cedi, Quartey said. The possibility of seeking aid from the Washington-based lender was raised by former deputy central bank governor and opposition politician Mahamudu Bawumia in March. *(Bloomberg)*

### Ghana seeks IMF help after currency falls 40%

Ghana, the country that epitomised the 'Africa rising' narrative of strong economic growth and improved governance, is to seek help from the International Monetary Fund.

The reversal of fortunes underlines the challenges the continent still faces. The west African nation will turn to the fund for financial assistance after its currency plunged roughly 40 % this year against the US dollar, making the cedi the worst performing currency in the world in 2014. Ghana is the second sub-Saharan African country to turn to the IMF for help this year, after Zambia announced in June that it would seek talks with the Washington-based multilateral body.

Accra's request for a bailout is likely to shake some investors, as Ghana was seen as a model of economic and political development in the continent. In 2007, it becomes the first country in sub Saharan Africa, apart from South Africa, to tap the sovereign bond market, raising $750m through a 10-year bond.

The IMF warned African countries this year that economic mismanagement risked "spoiling" the virtuous circle of rising growth and better governance that became known enthusiastically as "Africa rising". Although the continent is still home of some of the world's fastest-growing economies, issues including conflict, strikes, overspending and the slow pace of reforms have put a brake to expansion.

The opening of talks with the fund about a financial rescue is a volte-face for John Mahama, Ghana’s president, who has long insisted that his country would resolve its economic problems using homegrown solutions. Critics said Mr Mahama’s government has been slow to cut public spending to bring down the double-deficit fiscal deficit, although some of its policies have also been praised.

Seth Terkper, Ghana’s finance minister, said the prime minister had “directed [the government] to open discussion with the IMF” to support the country’s growth programme, adding that the most immediate concern was “to stabilise the cedi and reduce the [fiscal] deficit”.

The Ghanaian currency has sunk nearly 40% this year to 3.7 against the US dollar, a bigger slide than even the war-ravaged Ukrainian hryvnia and the Syrian pound.

Nearly three years after the start of oil production in Ghana, which was meant to strengthen the country’s fiscal position, the country faces a double-digit fiscal deficit after a 75 % increase in public salaries over two years. Inflation is rising rapidly as the cedi plunges.

Ghana ran a fiscal deficit equal to 10.1 % of gross domestic product in 2013. The government has promised to cut the deficit to 8.5 % this year but observers believe it would struggle to reduce it below 10 %.

The IMF warned, In its annual review of the Ghanaian economy in May, that under current policies, the fiscal deficit would stay at about 10.2 % this year and 9.3 % in 2015, far above the official target.

Mr Terkper said: “We would like to have a complementary plan with the World Bank and the African Development Bank [on top of the IMF programme] to achieve our objective to become an upper middle-income economy.” .

Ghana has this year repeatedly postponed a return to the bond market. But Mr Terkper said the country still planned a $1bn, 10-year bond in the next few weeks. “The market will take a better view of our policies when we are talking with IMF,” he said. *(Financial Times)*

## First Bank’s $450m Eurobond Raises Sectors Total To $1.5bn

First Bank of Nigeria Limited has issued a $450 million tier-2 Eurobond increasing the amount of funds raised by Nigerian banks from the Eurobond market this year to $1.55 billion.

Nigerian banks; Zenith ($500 million), Diamond ($200 million) and Access ($400 million), had raised a total of $1.1 billion from the dollar-denominated debt market in the first half of the year.

The debt instrument, which has a seven-year tenure and call option after five years, is expected to continue to extend the tenure of First Bank’s dollar funding profile and support the bank’s continued lending to the corporate sector. It will also raise the bank’s capital base.

First Bank issued a similar $300 million Eurobond in 2013.

Analysts say that with the increase in both foreign direct investments and portfolio flows, banks are tapping Eurobonds to bolster their capital bases and also to finance big-ticket deals in the oil and gas and the newly privatised power sector.

The MD/CEO of Citibank Nigeria, Mr Omar Hafeez told Thisday Newspaper that the security challenge in the north-eastern part of Nigeria has not deterred foreign investors from buying debt instruments issued by Nigerian banks.

“The investment community is very well informed. Nigeria is a loan market and financial investors have been tapping into treasury bills and bonds for a very long time,” the paper quotes Hafeez is quoted as saying. *(Ventures Africa)*

## Are exchange controls a benefit or detriment to African business?

Foreign exchange control regulations are not uncommon in Africa and with increasing foreign and regional investment on the continent the pros and cons for their existence has been a source of debate

These regulations essentially exist as a means for a country to maintain the stability of its own currency by enforcing restrictions on foreign exchange trading and international settlement (money transfers via banks to settle accounts, debts and claims among different countries).

For weaker, more volatile economies, exchange controls can be necessary for the stability of the local market and help prevent the flight of capital out of the economy. According to Robin Bryan Smither, head of regional corporate banking at Mauritius-based AfrAsia Bank, whether exchange controls are a benefit or detriment to an African country is situational.

“If you look at a country like Mozambique… it does not have access to significant foreign currency. So we are talking about access to the likes of US dollars, and in order to protect that it has to impose exchange controls to manage that monetary system. In that case it actually plays a very positive role and in many senses [these weaker economies] don’t have a choice but to do that,” Smither told How we made it in Africa.

However, he noted while exchange controls do have benefits for volatile economies, it can also be a hindrance to investment.

Most countries on the continent have varying degrees of exchange controls, but there are a few examples where there are little or no restrictions, such as Botswana, Mauritius, Rwanda, Uganda and Zambia. Smither argues that these economies are taking a proactive approach to promoting their economies to investors in an effort to become regionally competitive.

"There has been so much attention on Africa over the past five years and a huge amount of focus in foreign investment globally coming into Africa," he highlighted, adding that some countries have abolished stringent exchange controls to create a more welcoming and investor-friendly environment.

"Those countries are the ones in my view that are probably the more proactive in terms of opening up their borders to foreign investment. One way of doing that is obviously abolishing exchange controls."

The case of South Africa: becoming less competitive?

Last year, South African entrepreneur, investor and multi-millionaire Mark Shuttleworth said it cost him less to travel to outer space than move his money out of South Africa.

Shuttleworth reportedly had to pay a 10% exit levy of R250m (more than US$30m at the time) to move his fortune out of the country. Forbes contributor Richard Grant noted the irony that the exchange control laws that were meant to keep money in South Africa, played a role in Shuttleworth's decision to move his wealth out of the country.

"In other words, had exchange controls not existed, Mark Shuttleworth might still be living in South Africa," said Grant.

While South Africa has seen considerable relaxation in its exchange controls over the last 20 years, it still exercises regulations that are particularly restrictive in terms of promoting offshore investment.

Smither noted that this can be limiting for South African companies who want to expand into Africa or internationally by using their South African capital or assets. To move large amounts of this capital offshore requires exchange control approval from the South African Reserve Bank, which can take weeks and be subject to red tape.

"For South African companies who want to invest internationally it becomes incredibly restrictive to support that international growth without support from their holding company or their head office within South Africa, because that is essentially where the main business lies and they require that business to support that growth," noted Smither. "So this is where we find exchange controls become a huge restriction."

Currently South African companies (excluding close corporations and trusts) can make foreign investments into companies outside the Common Monetary Area (Lesotho, Swaziland and Namibia) of up to R500m (U$47m) per annum. However exchange control regulations were relaxed last year for South African groups listed on the Johannesburg Stock Exchange (JSE). These entities can now establish one subsidiary to facilitate African and offshore investments of up to R750m, without having to establish an offshore treasury company.

Another relaxation has been the removal of exchange control restrictions on foreign-listed entities that inwardly list on the JSE.

A key argument for exchange controls is that by limiting the flow of capital out of the country, and the ability to invest offshore, local investment is encouraged instead.

"People can't invest offshore so therefore they continue to invest in the local market and with that there is not this flight of capital offshore that affects, for example, the South African rand. And that is a counter-argument for people who are pro exchange controls who say as soon as you abolish exchange controls there are going to be this huge amounts of capital offshore," said Smither.

However, Smither added that with the South African economy under pressure, the country needs to look at new ways to become more competitive.

"How is South Africa going to become a dominating country on this continent that is competing with the likes of other countries and its neighbours on a sustainable basis? The reality is that the more we continue to have exchange controls, and the more that we restrict the ability of South African companies to invest offshore, the more that we are actually just containing ourselves and we are not promoting that growth."

In a Business Day opinion piece published this year, Jasson Urbach, director of the Free Market Foundation, argued that foreign exchange controls do not instil a sense of confidence in local or foreign investors.

"Foreign exchange controls make investors nervous and doubtful of whether a government believes in itself or its country's future. They imply the need for greater than usual foreign currency 'insurance'," wrote Urbach.

African regional headquarters: South Africa vs Mauritius

South Africa has been viewed historically by foreign companies as a springboard into Africa. Many multinationals have headquartered their African operations in South Africa, because of the country's good infrastructure and supporting business services.

However, foreign companies using their South African generated capital to support their regional African expansion will have to factor in exchange controls. Smither said that this comes down to the argument of whether capital generated in South Africa should be moved to fund investments in another country without benefiting South Africa (for example through taxation).

"In my view there is a huge tie between exchange controls and the tax system because exchange controls very often protect the local tax base because as soon as profits are generated offshore and they are retained offshore (and they are not being brought back into South Africa) then obviously all those tax benefits are being retained offshore and it's not for the benefit of South Africa. Exchange controls in a way can be seen as a form of tax. It's a way of retaining income in South Africa, which is obviously taxable."

Meanwhile, Mauritius has been promoting itself as a favourable jurisdiction for facilitating growth aspirations across the continent.

The small island state, with limited natural resources, has positioned itself as an offshore investment hub. In addition to having no exchange controls, the country also has a favourable tax regime, with no capital gains tax or withholding tax.

"You can go set up an intermediate or a holding company in Mauritius that holds your African operations, and the flow of capital into Mauritius and into those African operations is absolutely free. Not only that, but when that capital comes back out of Africa, there is no capital gains tax for example in Mauritius, so there is no withholding tax," noted Smither. *(How we made it in Africa)*

### Angola Delays Stock Market to 2017 to Fix Company Accounting

Angola, sub-Saharan Africa's third-largest economy, won't start equities trading until at least 2017 because companies need to improve their accounting records, the country's markets regulator said.

Inadequate corporate-governance practices and a lack of an educated financial culture and proper negotiation systems are delaying the development of the shares market, Patricio Vilar, executive administrator of the Capital Markets Commission, said at a conference today in the capital, Luanda. Government bond trading will begin this year, corporate debt in 2015 and futures trading will follow the stock market, he said.

"Companies are not prepared and they have to organize their accounting," Vilar said. "Some need to be privatized and to be more transparent to go public."

African markets from Johannesburg to Nairobi rallied this year as investors sought returns in emerging markets. Angolan equities trading was slated for 2016 after an earlier target of next year, Archer Mangueira, chairman of the CMC, said in a June 2013 interview. Officials have discussed plans for a stock market since before the 2002 end of the 27-year civil war.

The southwest African country, the continent's second-largest crude-oil producer, expects its stock exchange to have a market value of 10 %of gross domestic product within 18 months of its start up, Mangueira said last year.

Oil Economy

Angola's $122 billion economy is forecast to expand 5.3 %this year, according to the International Monetary Fund. The country will earn $68.4 billion this year from petroleum exports based on a Brent price of $100 per barrel, the IMF said in March. "The start-up of the shares market depends not only on us but also on the preparation of companies," Pedro Pitta Groz, executive administrator of the Angolan exchange known as Bolsa de Divida e Valores de Angola, said at the conference. "Companies need to apply best practices in their operations."

The country's largest banks, which include Banco Angolano de Investimentos SA and Banco de Poupanca e Credito SA, as well as mobile-phone companies Movicel Telecomunicacoes Lda. and Unitel SA are expected to list shares on the exchange.

Angola is placed 153rd of 177 countries on Transparency International's 2013 Corruption Perceptions Index. The largest sub-Saharan economies are South Africa and Nigeria, while the latter also produces the most oil on the continent. *(Bloomberg)*

### Renaissance Capital OKs Diamond Bank's $310m Rights Issue

Financial solutions firm Renaissance Capital (RenCap) has recommended Diamond Bank's rights issue to qualifying investors citing the bank's steady rising growth that the firm says makes Diamond bank the potential next tier 1 bank.

The details of the rights issue, expected to open on 30 July and close 26 August, was released by Diamond Bank on 13 June. The bank is looking to issue 8,685,145,863 ordinary shares of 50 kobo each at NGN5.80/share with which it plans to raise NGN50.4bn ($310mn) to improve its capital adequacy ratio and support business growth.

RenCap described the shares issue as "a step in the right direction" by Diamond (bank) which it called the fastest-growing Nigerian bank over the past three years. "(we) recommend qualifying investors should take up their (the bank's) rights" the financial services firm said. According to RenCap's research, Diamond bank grew total assets by 155 %between FY10 and FY13 and is now the largest tier 2 bank by assets with a 6.1 %market share, vs 3.7 %in FY10, and potentially the next tier 1 bank.

The firm applauded the bank for such impressive growth despite its capital constraints and recording two consecutive years of 23% RoE in FY12 and FY13. "What this bank needs at this stage in its cycle is capital to support the next phase of its strategic growth plan, in our view" RenCap added.

**Deal dynamics**

As explained by RenCap, Diamond Bank seeks to issue 60% of current shares (50% if convertibles are included). The rights issue is at a 14% discount to the current market price, a 9% discount to RenCap's computed theoretical ex-rights price of NGN6.36 using the qualification price (NGN6.7), and 30% discount to their revised TP. The firm estimated the post-money P/B using the theoretical ex-rights price, at 0.72x. The issue is at a ratio of three for every five shares currently held. At the rights price, the deal is priced at 0.65x fully diluted FY13 BVPS, which is a 63 %premium to tier 2 peers trading at an average FY13 P/B of 0.4x.

**Forecast changes**

Forecast changes by RenCap, which it said it carried out following discussions with management, has a loan growth of 20% in FY14E expected to be maintained over the next two years to 2016E. Diamond Bank's deposit growth will also be coming in higher at 25-30 % over the same period. We think Diamond can sustainably deliver 20% RoE (Return on Equity) in three-to-five years, RenCap stated.

Renaissance Capital is a leading emerging and frontier markets investment bank with operations in Russia, Central and Eastern Europe, Asia and Africa. *(Ventures Africa)*

### Rawbank May Use First Moody's Rating for Congo Bank to Sell Bond

Rawbank, Democratic Republic of Congo's biggest lender, said it may use the credit rating it received last week from Moody's Investor's Service to sell an international bond.

"The conditions seem ripe for Rawbank to consider conducting its first international bond issue, which would be a first for a corporation based in the Democratic Republic of Congo," co-founder and Chief Executive Officer Thierry Taeymans said in an e-mail to Bloomberg News on July 25. Rawbank was assigned a B3 local-currency deposit rating and a b3 standalone baseline credit assessment, Moody's said on July 24. That was in line with the B3 sovereign rating given to Congo last September, the ratings company said. Rawbank, founded in 2002 by Taeymans and India's Rawji family, is the first bank in Congo to receive a credit rating from Moody's. The lender, with 36 branches in a nation the size of Western Europe, will tap increasing foreign investor interest, said Director of Corporate Strategy Mustafa Rawji.

"With an increase of foreign direct investment into Congo, on the back of strong economics growth, a rating provides us with a tool to access longer-term funding in international capital markets," Rawji said in a phone interview from the capital, Kinshasa.

The International Finance Corp. said in May that it would offer a $15 million loan to Rawbank to support lending to small and medium-sized businesses and female entrepreneurs in Congo. The country's biggest bank by deposits and assets last year became the first lender to make Congolese francs available at automated teller machines and introduced a debit card for clients doing business in China.

**Elevated Risks**

Congo is the world's sixth-largest producer of copper and the biggest of cobalt. The central African nation has been ruled by President Joseph Kabila since he took office 10 days after his father, Laurent Kabila, died in January 2001. The country is scheduled to hold presidential elections in 2016 and opposition parties have said Kabila may change the constitution to secure a third term, which is currently illegal.

Congolese security forces last week repelled an attack by about 20 men, some armed with guns and others with machetes, at the main military barracks in Kinshasa, and deployed tanks to secure the installation, the government said. At least seven attackers and one soldier died in the assault on Camp Tshatshi on July 22, while the city's N'djili Airport was evacuated. "The primary driver for Rawbank's ratings is Moody's assessment that the bank's credit profile is closely linked to that of the sovereign as a result of the bank's high credit concentration to government and public-sector exposures," Moody's said. "Rawbank also displays elevated credit risks stemming from the bank's high corporate loan concentrations and the fragile domestic operating environment." *(Bloomberg)*

## *Funds*

### West Africa Trumps Southern Africa To Emerge Top Private Equity Destination

The 2014 Deloitte's East Africa Private Equity Confidence Survey shows that West Africa raked in more private equity deals than Southern Africa and Eastern Africa. This is happening for the third time in three years. As can be expected, most of the Western African deals were in Nigeria while most of the Southern African deals were in a South Africa.

The statistics showed that private equity deals, in 2012, reached $298.45 million in West Africa and $241.9 million in Southern Africa. The 2013 private equity transactions were valued at $545 million for West Africa and $491 million for Southern Africa. This could corroborate the claims by Euromonitor International that consumer spending in sub-Saharan Africa equaled nearly $600 billion in 2010.

Nicholas Plant, who heads the private the equity practice for the UK & Africa at Dentons, had the following to say on this topic: "I think the great sectors for private equity are those where you can back an entrepreneur or a really good management team so they tend to be businesses that offer services, restaurants, shops and manufacturing perhaps."

Nigeria raked in the highest number of private equity deals in West Africa. The economy is the largest in Africa and is projected to grow at 7% yearly. Mr Plant made some remarks on the Nigerian economy: "Manufacturing is just about 4% of the economy here, so that's something that you expect to expand as the economy becomes more mature and that's what private equity is all about. It's about taking a small company and taking it to the next stage. So for instance, if you had a chain of restaurants that just had two shops, private equity will back it and take it to like 50 shops in the country where it originated and then ideally, expand it into countries." *(Ventures Africa)*

### Pension Funds Hold Cash for Private-Equity Investment in Africa

**Report Sees $29 Billion That Could Be Funneled Into Companies Across the Continent**

LONDON—African pension funds have $29 billion available to invest in private-equity firms that are seeking to buy stakes in companies across the continent, according to a new report.

The African pensions industry is expanding as populations and incomes grow. Private equity is well-suited to Africa, where many closely-held companies need longer-term financing to expand, according to the report from a group of organizations including Washington's Emerging Markets Private Equity Association.

"The majority of African businesses aren't listed on the public markets, so private equity is an ideal way for pension funds to tap into growth," EMPEA's Nadiya Satyamurthy said in an interview.

The survey of pension funds in 10 countries from South Africa to Rwanda and Nigeria estimated they have total assets of $379 billion. About $35 billion of that is for private equity, though just $5.7 billion is currently invested in the asset class, leaving about $29 billion available, according to the report.

Private-equity investment in Africa increased to $1.8 billion in 2013 from $1.5 billion the previous year, with Sub-Saharan Africa ranked as the most-attractive emerging market for global institutional investors for the first time in 2013, according to the EMPEA.

But much of the interest has yet to translate into capital commitments, with investors who visit Africa bringing "their notebooks, not their cheque books," the report said.

Private-equity firms in New York and London are increasingly prospecting for African deals on behalf of their North American and European pension-fund investors. Earlier this year, New York-based KKR KKR -5.96% & Co. made its first African investment when it bought into an Ethiopian rose farm.

One private-equity firm is even investing in African pension funds. In June, London-based Helios Investment Partners LLP bought a stake in Nigeria's ARM Pension Managers, after the pension market in the West African nation grew by 30% a year since 2006.

North American and European institutions would welcome more investment in African private equity by local pension funds, Ms. Satyamurthy said. "Western investors want to see African investors investing in their own markets," she said.

One of the main challenges is developing regulation that enables the funds to invest in private equity, she added. "The relatively small number of fund managers and resulting limited track records in the region remain key hurdles for greater participation from local investors." *(Wall Street Journal)*

## *Tech*

### Mobile Money Continues to Penetrate Africa

The GSM Association has released a state of the industry report under the umbrella of the Mobile Money for the Unbanked (MMU) programme. The report tracks the progress of the mobile money industry each year and provides historical context. This year's report indicates some interesting information on the success of mobile money in Africa.

Globally, the industry is growing and expanding across more regions. At the beginning of 2014, nine markets already had more mobile money accounts than bank accounts compared to just four markets a year before. At the end of 2013, mobile money was available in most developing and emerging markets with the majority of services remaining in Sub-Saharan Africa. In this region, mobile money is available in 36 out of the 47 countries that make up the region; this could be easily estimated at a 77% penetration.

Kenya is a household name as far as mobile money is concerned but the success of mobile money in Africa transcends Kenya. In Tanzania, for instance, 90% of the population had access to mobile financial services by September, 2013 all the way from 1% in 2008. 43% of the adult population was actively using the service in September, 2013. According to the report, the National Bank in Tanzania played a key role in working with mobile operators to expand mobile financial services.

Mobile Money has proven to be a veritable driver of Financial Inclusion in Africa as it extends access to payments and financial services beyond the reach of traditional financial institutions. As more mobile financial services develop, service providers will be able to deepen financial inclusion by offering financial services beyond mobile money transfer and payment. Such emerging mobile financial services include mobile insurance, mobile credit and savings. *(Ventures Africa)*

### FirstBank Strikes Gold In Strategic Payment Partnership With Paypal

As the ecommerce space in Nigeria continues to experience tremendous growth, global payments service provider, PayPal and FirstBank have partnered to bring their service even closer to the people, with First Bank Cards now acceptable for PayPal payments and increased transaction limits just one of the benefits offered.

"We really like the huge potential of this market; 180 million people, 65 million internet consumers," Paypal's Regional director of Sub-Saharan Africa and Israel, Efi Dahan told VENTURES AFRICA.

Dahan added that the company had also learnt about how large and fast-growing the e-commerce sector in Nigeria is, which made it imperative for PayPal to ensure it offers the best services in the market and seek the kind of partnership it now has with FirstBank.

FirstBank spokesperson, Folake Ani-Mumuney described the acceptance of FirstBank Cards for PayPal payments as "a significant boost to our continuous initiative to drive innovation in banking services and our promise to always put customers at the heart of our business."

Reiterating the focus on e-commerce, Ani-Mumuney said the new partnership will make shopping online more convenient, with FirstBank cards accepted in more than 200 countries.

She also expressed delight at the bank's ability to make PayPal services available to its customers in Nigeria in a partnership Dahan said would not be replicated with any other bank in the country.

FirstBank GMD, Bisi Onasanya also described PayPal as a worthy partner as the bank seeks to expand its scope in e-commerce and money transfer subsector.

With online purchases expected to increase to over $1 billion in 2014, FirstBank has staked a claim to penetrate the e-commerce market with its PayPal partnership and it is expected to become one of the biggest beneficiaries of the sector boom.

Millions of Nigerians already shop on websites in the US, UK or China, noted Dahan, “but many find their cards rejected or have concerns about entering their credit card details on the website of a seller based overseas.”

PayPal has however built a reputation of not sharing customers’ financial details with anyone, making it an easy choice for international retailers, as a major payment option.

PayPal has also ensured that their offerings are mobile friendly, an excellent tool to succeed in Nigeria, which ranks first in mobile subscription in Africa and 7th globally.

The new partnership is expected to foster the growth of the already robust e-commerce sector in Nigeria as fears associated with security of card details are minimised with a trusted local brand involved and customers can fund their PayPal accounts using FirstBank’s online banking platform.

FirstBank has the largest base of payment cards in Nigeria, with over 7.5 million subscribers. The bank also processes 34 %of the banking industry’s electronic transactions. This is set to increase exponentially as the partnership with a globally trusted payment service provider has positioned FirstBank for further growth. *(Ventures Africa)*

### Solar computer is a product of Africa

CAPSULE Technologies, a Cape Town-based technology firm, has designed Africa’s first solar-powered desktop computer running on Android.

Recognised as a World Design Capital project, the device, called the IMPI Mk1, is highly energy-efficient and can operate on 20W, compared with other desktop computers which can burn an average of 200W to 400W.

Capsule Technologies founder Megan Verkuil said on Friday the computer was built in response to Africa’s energy crisis.

The computer can be plugged into a solar panel, has WiFi capability, a 500GB hard drive and up to 4GB of RAM (random-access memory). It retails for R3,300.

Ms Verkuil said the company had chosen to use Android as the operating system because "it is less intimidating since most young people in Africa are using Android-powered smartphones".

The computer also uses open-source applications, meaning it is cheap to run.

Ms Verkuil said that even though the computer was not "aesthetically pleasing", it was durable and able to withstand the dusty African terrain. "It is an African computer and is targeted at communities that don’t have power."

Capsule Technologies is only five months old and has 10 staff members focusing on research and development. The company hopes to expand into Africa, and is in talks about taking its product to other countries on the continent.

Ms Verkuil said the company was committed to creating more jobs, and would be hiring more people in the coming months.

Information and communications technology (ICT) is one of the Western Cape’s priority sectors, employing 30,000 people in the province and contributing R3bn to gross domestic product.

The province has long been regarded as an attractive destination for information technology companies and start-ups. This has been attributed to the provincial government’s support for entrepreneurial activity. Last year, the provincial government announced that more than R50m would be allocated to developing the ICT industry during the next three years. The provincial government also believes that its broadband access plan will boost the growth of ICT companies.

In her state of the province address last month, Western Cape Premier Helen Zille said that the province would spend more than R14.5bn on maintenance, and new and replacement infrastructure, over the next three years and would prioritise access to broadband. Western Cape economic opportunities MEC Alan Winde on Friday visited Capsule Technologies to congratulate the company. Mr Winde commended the company for its contribution to the local ICT sector. He said Capsule Technologies was an "excellent advertisement" for technological innovation in the province.

"This is an example of the talented entrepreneurs in the Western Cape … their invention is playing a role positioning the Western Cape as the continent’s innovation hub," Mr Winde said. "It also demonstrates unique solutions for African challenges." *(BDLive)*

## M&A

### Woolworths Receives AFIRB’s Approval For Country Road Takeover

Woolworths had received an approval from the Australian Foreign Investment Review Board (AFIRB) for its takeover offer for the remaining shares of Australian homeware and fashion retailer, Country Road, the JSE-listed food and clothing retailer said. AFIRB’s duties involve probing offers by foreign concerns who take on direct interest in Australia. “Accordingly, the final outstanding condition to the offer has been satisfied and the offer is now unconditional,” Woolworths said on Friday. Earlier this week, Woolworths’ relevant interest in Country Road was 87.9%.

However, Woolworths intends to continue with the obligatory acquisition of remaining Country Road shares, obtaining at least 90 % of relevant interest in Country Road shares. Relevant interest refers to the legal status held by stock investors who can legally dispose of or influence the disposal of stocks. It is likely that the Australian Securities Exchange will bring to a halt the quotation of Country Road shares in five business days after "compulsory acquisition notices are sent."

Earlier this year, Woolworths said it planned to acquire the shares it did not already own in Country Road for R2.1 billion ($199 million at the time). Woolworths' plans to pay for the acquisition through new debt facilities that would be raised by Woolworths International (Australia), Woolworths' unit which is expected to formally make the offer for Country Road. Woolworths said it wanted to acquire the remaining shares in Country Road because this move seemed like a sound one after Woolworths announced its plan to buy David Jones, Australia's department store.

The acquisition of the remaining shares in Country Road, which will become a subsidiary of Woolworths once the purchase is complete, is also in keeping with Woolworths's age old wish to buy 100 %of Country Road. *(Ventures Africa)*

## ENERGY

### Indian Conglomerate Pours $14m On Zambian Electric Cable Plant

India based conglomerate Neelkanth Group has poured $14 million for the construction of a giant electric cable plant in Zambia's Copperbelt province. "The plant will be built in three phases with the first phase expected to roll out household cables by December.Once the high tension plant is complete, there will be an extra $40 million investment injection in the project," said Neelkanth Cable Zambia Limited project development consultant Barnabas Zulu. "We are fitting steel and as we start full construction we will employ about 250 more people. In the operation phase, when the three phases are done, 700 people will be employed here," Zulu added.

Neelkanth Group is one of the fastest growing business conglomerates with a strong presence in businesses like Salt Manufacturing, Civil Construction, Water Supply, Transportation, Coke Manufacturing among others. Indian businessman Shri Sadhabhai Ramji started a small salt manufacturing business by the name of Neelkanth Salt Works in the year 1968.

The company says due to Ramji hard-working and far sightedness this small company has now turned into a Multi-Crore turnover Neelkanth Group and is now being handled by his three most dynamic and well educated sons Arjanbhai, Tejabhai and Shamjibhai. *(Ventures Africa)*

### World Bank to Support Construction of Congo's Inga 3 Hydro Plant

The World Bank will support the Democratic Republic of Congo's plans to build the Inga 3 hydroelectric dam to narrow the power shortage in Africa's largest copper producer.

"It's good for growth and good for climate change," Mahktar Diop, World Bank vice president for Africa, told reporters in Kinshasa yesterday. "I think it's a project that will transform Congo."

The Washington-based lender approved $73 million in March to finance environmental- and social-impact studies for the project on the Congo River. South Africa and Congo agreed to develop the $12 billion dam that would produce about 4,800 megawatts and supply electricity to both nations.

Congo can produce only about half the 900 megawatts mining companies demand in the province of Katanga, where the majority of copper mines are located. Advocacy groups including Berkeley, California-based International Rivers have criticized the project's potential environmental and social impact. Congo wants to start construction by October 2015. *(Bloomberg)*

### City of Cape Town gets energy boost with new 1.2 MW private rooftop solar plant

A 1.2 MW solar photovoltaic (PV) plant, positioned on the rooftop of a Cape Town office block, would feed excess electricity into the City of Cape Town's electrical distribution network.

The Black River Park solar project would sell electricity back to the city for 49.72c/kWh – lower than the rate at which the office park buys electricity from the municipality.

"The approval from the City of Cape Town marks a considerable breakthrough in the pursuit of electricity users who invest in independent power production to sell energy back to the distributors during periods where it is not needed on site," South African PV Industry Association spokesperson and Sola Future Energy MD Chris Haw said in a statement this week.

South Africa-based Sola was responsible for the design, construction and operation of the project, as well as the procurement of all regulatory approvals. The roof-mounted solar PV system, in Observatory, was able to generate just under two-million kilowatt-hours a year from about 5 500 modules.

The solar plant formed part of a multifaceted approach to reducing the carbon footprint of the 74 000 m2 office park as it moved to become more "self-reliant and efficient".

The office park, which hosted more than 100 companies, including the Green Building Council of South Africa, had several greening initiatives on site, including a car-pooling network, reverse osmosis plant for landscaping irrigation and on-site sorting for recycling, explained developer and Black River Park co-shareholder Joubert Rabie.

The park boasted "forward-thinking, environmentally conscious" green lease agreements, which saw landlord and tenant sharing responsibility for the effective running of the building and committing the parties to adopting environment-friendly principles.

The second phase of the project, which comprised a further 500 kW of solar power, was approved after the initial 700 kW plant began operating above expectations in August 2013. *(Engineering News)*

### StanChart Raises Power Africa Initiative Commitment To $5bn

British multinational bank, Standard Chartered PLC has, on Tuesday, announced a pledge of $3 billion that would raise its investment in Africa power projects to $5 billion after it met its initial commitment of $2 billion in the US-driven Power Africa initiative.

The US initiative, tagged Power Africa, was initiated by US President Barack Obama in June 2013 to deliver electricity to more than 20 million African households and companies in Nigeria, Ghana, Liberia, Ethiopia, Kenya and Tanzania by 2018.

The CEO of Standard Chartered, Peter Sands says he expects the further investment to add around 7500 MW to Africa's power grid which he gave as equivalent of the combined power production capacity of Nigeria and Ivory Coast.

Standard Chartered Plc, which has a wholly owned subsidiary – Standard Chartered Nigeria – says its investment will help fund two power projects in Nigeria, the 450 MW Azura-Edo power plant and the 495 MW Okija plant, both projects are expected to be completed in 2015. The bank is also involved in the Zambian Energy Corporation where its Private Equity Africa division has invested $57 million.

The US through Power Africa aims to add to add more than 10,000 megawatts (MW) of electricity to sub-sahara African countries towards which it says it has committed more than $7 billion as well as the expertise of 12 U.S. government agencies. Power Africa's financial partners, among them Standard Chartered, have committed to providing over $14 billion in project finance through direct loans, guarantee facilities, and equity investments. *(Ventures Africa)*

## MINING

### Angolan diamond sales rise 20 pct in June

The sale of Angolan diamonds in June totaled US$117 million, which was a rise of 20 %against May, according to figures form Angola's Geology and Mining Ministry.

The ministry said Angola sold "over 780,000 carats" or an additional 156,000 carats compared to May.

According to the ministry the rise in sales was the result of a 32% increase in diamond production at the Catoca mines, which is considered to be one of the world's largest diamond mines.

The rise in production led to a drop in prices from US$156 per carat in May to US$150 in June.

Angolan diamond production is valued at around 8.3 million carats per year, or gross income of around US$1.1 billion.

The Angolan government plans to increase diamond production by 5% per year until 2015. *(Macauhub)*

### Mozambican government concerned about drop in coal prices

The Mozambican government is analysing solutions with companies to overcome the drop in price of a number of raw materials, such as coal, but does not plan to reduce taxes for the sector, the Mining Resources Minister said Monday.

Speaking to financial news agency Reuters, Minister Esperança Bias said she understood that companies such as Brazil's Vale and Rio Tinto, which have put Mozambique on the coal export map, had been affected by a drop in world prices of both coking and thermal coal.

Vale Moçambique recently announced a loss of US$44 million in the first quarter, and its director, Pedro Gutemberg, said that the company would have to reduce costs in the short term in order to remain competitive.

On the sidelines of a coal conference in Maputo the minister said the government was aware of the problem, "we are analysing what our contribution can be," but added she did not agree that reducing taxes would resolve the issue.

"I think the tax system does not need to be modified in order to reduce taxes on the mining sector," she said.

At the conference Pedro Gutemberg said that Vale remained focused on Mozambique and announced that the first train linking Moatize, the capital of Tete province, to the port of Nacala, in Nampula province, would start running by the end of the year. *(Macauhub)*

### Kinross Says BNP Paribas Helping on Tasiast Mine Funding

Kinross Gold Corp. (K), the gold company with the cheapest shares among large producers, is working with BNP Paribas SA to arrange financing this year for a $1.6 billion expansion project in Mauritania.

The third-largest Canadian gold miner has taken more than $5.5 billion of writedowns on its Tasiast operation since its acquisition as part of an C$8.2 billion ($7.6 billion) purchase in 2010 of Red Back Mining Inc. Chief Executive Officer Paul Rollinson, who took over from Tye Burt two years ago, is trying to get funding to justify making Tasiast the company's biggest mine.

"We think we'll get pretty good terms," Rollinson, 52, said last week in an interview at the company's Toronto headquarters. "It just takes longer to structure when you're working through government agencies and their systems and approval processes."

The company expects to finalize the Tasiast financing toward the end of the year, Rollinson said. The lenders may include multilateral credit agencies, such as the World Bank's International Finance Corp., and the funding may total about $700 million to $750 million, he said.

The company won't make a final decision on the expansion until early 2015, he said. The project was delayed after Rollinson ordered fresh studies to reassess the design.

"My theme there is, take the time to get it right," he said. "Bigger isn't always better."

**Underperforming Index**

The company was the third-worst performer this year on the 30-company Philadelphia Stock Exchange Gold and Silver Index amid the perceived risks related to its operations in Russia, where Kinross gets about a quarter of its production. Russia's relations with the rest of the world are deteriorating four months after its annexation of Ukraine's Crimea region sparked Europe's biggest geopolitical crisis since the end of the Cold War.

Rollinson is among CEOs at the world's largest producers seeking to restore discipline after years of commodity-price increases. In addition to sending Tasiast back to the drawing board, Rollinson has suspended the dividend, halted a higher-cost mine and slashed annual spending plans by 69 %since he took over.

The latest design for Tasiast is for a smaller project with an estimated cost of $1.6 billion, although Rollinson is hoping he can make further cuts to costs. The company will fund the rest of the expansion itself, he said.

**'Opportunity to Transform'**

The company, which also operates mines in the U.S., Brazil, Chile and Ghana, has a lot riding on the expansion.

"It has the opportunity to transform Tasiast from what's a smaller, higher-cost producer currently in the portfolio, to our largest producer at close to the lowest cost," Rollinson said.

The CEO said he wants to eliminate as much risk as possible before officially approving the expansion. The company is negotiating a few smaller issues with the government in the meantime, such as labor regulations, Rollinson said.

Tasiast project financing would be an important milestone for Kinross, said Pawel Rajszel, a Toronto-based analyst at Veritas Investment Research Corp., who has a sell rating on the shares.

"If they do get this project financing going, depending on the terms and depending on how much capital Kinross would still have to put at risk, that could make the project significantly more appealing and potentially boost their valuation," Rajszel said in a telephone interview.

**Meeting Forecasts**

Cesaltine Gregorio, a BNP Paribas spokeswoman, said by phone yesterday she wasn't immediately able to comment on the Paris-based bank's involvement in the financing talks.

While Rollinson says he's pleased with the company's progress after meeting operational forecasts for seven straight quarters, investors haven't shown the same enthusiasm. Kinross had the lowest price to book value ratio among 20 global gold producers bigger than $3 billion through yesterday.

Kinross fell 1.3 %to C$4.42 at the close in Toronto. The shares have declined 4.9 %this year.

The company has "excellent" relations with the Russian government and has been working in the country for almost 20 years, he said, pointing out that its eastern Russian mines -- Kupol and Dvoinoye -- are closer to Toronto than Moscow. The mining operations haven't been affected by the political tensions, he said.

**'Good News'**

Still, with about 27 %of the company's 2014 output forecast to come from Russia, the geopolitical risk has been an issue for investors and has hurt its share price, Rollinson said. When Kinross unveiled its new plan for the Tasiast expansion this year, Rollinson found he couldn't get through a conversation without getting questions about Russia.

"What we felt we had was good news, a lot of hard work, millions of man hours, and all people wanted to do was talk about Russia," he said, three days before the July 17 downing of Malaysian Flight 17 in eastern Ukraine exacerbated tensions between Russia and the rest of the world.

Canada has imposed financial sanctions and travel bans on Russian officials. The government also recalled its ambassador to Moscow, suspended military cooperation and pledged financial aid to Ukraine.

The company has had a "constructive" dialogue with the Canadian government, Rollinson said. He attended the St. Petersburg Economic Forum in May even after Canadian Minister of International Trade Ed Fast asked business executives not to go. "We just said look, we are miners, we hope there's a peaceful solution to the situation," Rollinson said. "We just ask for caution, please consider unintended consequences if you were to proceed with more sanctions, and think about who you might really be hurting." *(Bloomberg)*

## The Gold Miner That Contributed $850m To Tanzanian Economy In 2013

London Stock Exchange (LSE)-listed miner, African Barrick Gold (ABG) says it contributed $850 million to Tanzania's economy in 2013. Joseph Sheffu, Ernest & Young's Country Managing Partner, who prepared ABG's total economic and tax contributions report for 2013, told Uganda's East African Business Week that about 61,784 wage employees earned $531 million labour income. The report noted that the mining company's entities in Tanzania altogether paid a tax of $71 million. “Indirect and induced economic activity from ABG’s operations resulted in an estimated $60 million in taxes,” Sheffu said.

The company, which is also listed on the Dar es Salaam Stock Exchange (DSE) supported social projects in communities near its mines, with over $15 million in 2013, an amount the report stated was the highest in the Tanzanian mining industry.

Chief Executive Officer of ABG, Brad Gordon described 2013 as a year the company recorded significant achievements. According to him, the company has produced more than seven millions ounces of gold in just over ten years of operating in Tanzania, making it one of the top five gold producers in Africa.

The company said it produced 641,931 ounces of gold from its three mines in Buzwagi, Bulyanhulu and North Mara; northwest Tanzania in 2013. Gordon noted that the ABG’s clear strategy, solid growth opportunities and robust asset base, would help it optimise, expand and grow the business. *(Ventures Africa)*

### India Coal Group to Buy Rio Tinto's Mozambique Mines

NEW DELHI—A group of Indian state-run metal and mining companies is planning to buy three of Rio Tinto's coal mines in Mozambique for around $108 million, said people familiar with the negotiations.

If the deal goes through, it will be the first acquisition by India's International Coal Ventures Pvt., which was set up in 2009 to buy assets abroad by government-run companies including Steel Authority of India Ltd, Coal India Ltd. and power producer NTPC Ltd. "We expect the deal to be signed over the next three to four days," said a government official involved with the negotiations who asked not to be named. A Rio Tinto spokesman declined to comment Thursday.

The proposed deal will help provide coking coal for the steelmakers in the group. India imports around 40 million metric tons of coking coal a year. The sources said ICVL has moved on to buy the 65% stake Rio Tinto Coal Mozambique holds in the Benga Mining project as well as its 100% ownership in two other mines called the Zambeze Project and Tete East Project. In the first half of this year, the mines produced 733,000 tons of coking and thermal coal, according to Rio Tinto Coal's latest quarterly report. Rio Tinto got the mines in 2011 when it acquired Riversdale Mining Ltd. for $3.7 billion. Rio Tinto has been seeking to raise money by selling noncore and poorly performing assets. *(Wall Street Journal)*

## OIL & GAS

### Will East African Oil And Gas Discoveries Save Economic Transformation?

Discoveries of East African oil and gas are well set to fundamentally transform the economies of the region as the fuel resources usher in new investment in road, rail, power and industrial infrastructure, according to Standard Bank. This however begs the argument that this could have happened earlier in our history – but to date has not transformed more than a fragment of African society.

To date, Uganda, Kenya, South Sudan, Ethiopia, Tanzania and Mozambique have emerged as key players as oil and gas exploration regions in the world over the last 10 years, says Mr Simon Ashby-Rudd, the London-based global head of oil and gas at Standard Bank, Africa’s biggest lender. These discoveries will establish the region as a major hydrocarbon province in the decades to come and drive wider economic growth throughout East Africa.

“Over and above the traditional oil and gas regions in Africa, notably West Africa, East Africa has essentially been a forgotten desert in terms of upstream oil and gas exploration over the last 40 years,” said Mr Ashby-Rudd.

Oil exploration in East Africa was sparked off by the discovery of between 1.5 and 2 billion barrels of commercially viable oil reserves in northern Uganda in the last decade with a total known oil reserves in the country estimated at 3.5 billion barrels.

The discovery of oil in Uganda coupled with the fact that exploration licences in East Africa were comparatively cheap due to the fact that the region was not regarded as an oil rich area, ushered in further exploration activity in other countries along the Rift Valley. As a result, further oil discoveries were made in southern Ethiopia and Kenya with additional gas finds in Tanzania and Mozambique.

This brings to light the exploration rate of oil being too cheap for foreign companies. Over the years as discovered and regularly highlighted by the Progress panel, most of profits from natural resources in Africa leave the continent. This also highlights the fact that economic growth remains “cheap talk” for the continent.

One of the biggest indicators that the region is likely to experience an oil- and gas-led boom in the next half decade is the fact that several projects in East Africa are likely to come on stream at similar times. We have yet to determine who the real custodians of profits will be and how these profits or gains will be injected into development nodes of economic revenue.

Plans are now underway to construct an oil pipeline linking Uganda’s oil fields to the coastal port of Lamu in Kenya. In February this year Uganda signed a memorandum of understanding (MOU) with oil companies operating in the country to facilitate the development of an oil refinery in the country as well as a pipeline that enables crude reserves to be exported. This brings to light the reality that PPP's are not reality in creating jobs or a solid injection into local economic development growth.

"A pipeline would really kick-start economic growth in the region as it would usher in additional investments, the necessary infrastructure which in turn will enable further investment in industrial operations," said Mr Ashby-Rudd. "Oil thus becomes the catalyst for an economic transformation across the region. An oil pipeline could become the backbone on which an entire infrastructure corridor could be constructed."

In contrary to speculation that Africa's resources will yield strong economic growth – we need to define the terms for such economic growth. Africa is a prime example of strong economic growth trends in terms of outputs with a growing poor-class – the largest of its kind.

Burgeoning economic growth in East Africa is also likely to result in increasing demand for fuel within that region, which imported a collective $10 billion of fuel and petroleum products in 2012.

Standard Bank expects total demand for petroleum products in East Africa to treble by 2030 with Kenya likely to remain the largest market in the region, which the bank estimates will record compound annual growth rates of between 5% and 7% over the next half decade.

We need to move away from terms of the rich countries and bring in spectacular reference to household income generation and growth. These indicators are long overdue in Africa and seems to the BRICS Development Bank will bring new solutions for the financial sector, away from the control of the IMF. *(Ventures Africa)*

### Japan and Mozambique to collaborate on LNG legislative reform

Japan and Mozambique are reportedly set to collaborate on legislation to support the development of the Mozambique's natural gas fields. Japan's Ministry of Economy, Trade and Industry is set to work with with the Mozambique Government on reforming laws related to LNG investment in the country. Current uncertainty in existing laws is hampering investments in the LNG space. Japan's Mitsui holds a 20% stake in Area-1 in Mozambique. *(Nikkei Asian review)*

### Scottish Multinational Lands $170m Oil Drilling Contract in Angola

A Scottish based international oil and gas services company, KCA Deutag's has been awarded $170 million oil drilling contract by Angola state owned oil company, Sonangol to provide drilling and completion services, in various offshore blocks in the southern African nation.

"The two-year agreement, which comes with a two-year extension option, will see KCA Deutag's offshore division provide drilling and completion services, in various offshore locations in Angola. The contract will employ around one hundred people, the majority of whom will be Angolan nationals," said KCA Deutag in a statement.

Rune Lorentzen, President of KCA Deutag's offshore division said: "We are extremely proud to partner with Angola's national oil company. This award is a reflection of the quality and strength of our operations across the globe, and our approach to working with our customers to understand their needs and provide them with drilling solutions for the future." KCA Deutag is an international oil and gas services company with headquarters in Aberdeen in Scotland United Kingdom. It has approximately 9,000 employees and operates in more than 20 countries worldwide.

The oil company is a merger of KCA Drilling and Deutag AG in 2001. The company has regional offices in Germany, Russia, the Middle East, the Caspian region, North and West Africa, Asia, Norway and across its wider operations. It has 61 land rigs and 39 offshore platforms with a long-established history across its operations. *(Ventures Africa)*

### Angola's Goal to Rival Nigerian Oil Output Aided by Eni

Eni SpA (ENI) crews in Angola, Africa's second-largest crude oil producer, upgraded a production vessel for new pumping this year as the southwest African country targets output rivaling its bigger competitor, Nigeria.

Eni plans to start production within five months as operator of Block 15-06's West Hub fields, estimated to hold reserves of 200 million barrels, and boost flows to 80,000 barrels a day, documents on the Rome-based company's website show. The block's East Hub development is due to pump about 49,000 barrels a day after starting in 2016, the documents say.

The block, 350 kilometers (217 miles) northwest of Luanda, the capital, is one of eight offshore projects Petroleum Minister Jose Maria Botelho de Vasconcelos is counting on to help raise production to 2 million barrels a day by next year from 1.66 million last month. That compares with Nigeria's 2.15 million barrels daily.

One of the largest developments, Total SA (FP)'s Clov in Block 17, started last month and targets output of 160,000 barrels a day. Analysts such as Wood Mackenzie Ltd. said the projects will be too late to boost declining flows by 2015.

"We should think about the need to shorten the time between declaration of oil discoveries and the beginning of production," Vasconcelos said at the inauguration of the N'Goma, a floating production, storage and offloading vessel for Eni's West Hub project, the state-run Jornal de Angola reported July 21. Eni is on track to cut in half the eight years it usually takes for output to begin after a discovery, the newspaper said, citing the minister.

**Eni Discoveries**

Eni declined to comment, Domenico Spina, a spokesman based in Milan for the explorer, said in an e-mailed reply to questions. "Eni has made 12 discoveries out of 15 exploration wells, and there is still potential remaining and drilling continuing," David Thomson, a Wood Mackenzie analyst in Edinburgh, said in an e-mailed response to questions July 21. "The success is certainly evidence of the continued prospectivity of the deep water Lower Congo basin."

Aside from boosting the country's output, the West Hub development is important for setting up infrastructure for the block's other discoveries and showing that smaller cluster developments can work even in a high cost deep water environment such as Angola, Thomson said. The West Hub reserves are less than half of other projects such as Total's Clov and Pazflor and BP Plc (BP/)'s PSVM, he said.

**Rig Refurbishment**

Eni will finish the refurbishment this month of the N'Goma, known as an FPSO and owned by Sonasing, said Paula Farquharson-Blengino, a spokeswoman for SBM Offshore NV. (SBMO) SBM is a Dutch company that has a stake in Sonasing along with the Angolan state oil company, Sonangol EP, and Schiedam, the Netherlands-based SBM Offshore NV. The upgrading and 12-year lease of N'Goma costs $1.6 billion, Farquharson-Blengino said. The 100,000 barrel a day capacity FPSO, formerly named Xikomba, was used by Exxon Mobil Corp. (XOM) in Block 15, she said. New sulphate removal and oil hot-pump modules, weighing as many as 541 metric tons, will be lifted into place at the Porto Amboim Paenal Fabrication Yard 262 kilometers south of Luanda, the capital, she said.

N'Goma will be operated on behalf of Eni by Luanda-based Servicos de Producao de Petroleos, Ltd., a joint venture of Sonangol and SBM, Farquharson-Blengino said. The operator, known as OPS, also runs two FPSOs for Exxon.

Eni's share of output in Angola was about 87,000 barrels of oil per day last year from fields covering 21,489 square kilometers, according to company documents. The Block 15-06 hubs would add 42,000 barrels a day to Eni's share, the documents show. *(Bloomberg)*

## Gabon picks seven companies for final oil block talks

Gabon has selected seven companies for a final round of negotiations as part of an offshore licensing round the government hopes will reverse a chronic decline in output, the country's oil ministry said.

The new blocks are located in deep offshore waters - an exploration play that is expensive and uncertain but potentially very rewarding given the similarity of geological structures to oil-rich Brazil, where billions of barrels of oil have been discovered. Former OPEC member Gabon produces about 230 000 barrels per day (bpd), down from a peak of close to 400 000 bpd in the 1990s. An oil ministry statement said that Impact Oil & Gas, Repsol, Perenco, ExxonMobil, Marathon, Petronas and Ophir were ranked highest for the nine blocks due to be allocated.

"These companies listed are invited to finalise negotiations for the signature of the relevant CEPPs (exploration and production-sharing contracts) as soon as possible," according to a statement signed by Minister for Oil and Hydrocarbons Etienne Dieudonne Ngoubou.

The statement showed that Cobalt, Noble, Royal Dutch Shell and Total were ranked lower down the pecking order for the blocks. The ministry said it had the right to open negotiations with the lower-ranking contenders if talks with the first-choice companies were unsuccessful.

Bids for another eight blocks offered "did not reach the expectations of the Gabonese Republic", the statement added.

A spokesman for Total, one of the largest producers in the former French colony, said it planned to enter talks with the government for one of these blocks, named F15.

The deals end nearly nine months of arduous negotiations involving multiple contract revisions, with some prospective investors complaining privately of tough terms. "It is a very aggressive production-sharing contract. Some of the terms were trending towards a lack of certainty over assets," said a source involved in the negotiations. The ministry said that it had ranked companies based on a range of criteria including social and environmental responsibility as well as companies' capacity to help to fight piracy and to involve Gabonese companies.

Another source familiar with the talks said that the high number of companies involved in negotiations showed the appeal of Gabon for explorers, despite high-profile disputes with Total and Sinopec's Addax. "It's not an easy place to do business, but they are still attracting quite a few companies," the source said.

One of the contested points during negotiations has been the participation of the Gabon Oil Company, created in 2011, sources familiar with the talks said. During exploration, the Gabon Oil Company has the right to acquire a 15% stake at market price, according to a draft contract seen by Reuters.

The state has a right to a 20% stake from the start of oil output and must contribute to production costs, the same contract showed. It was not clear if these articles had been subsequently revised during negotiations. *(Ventures Africa)*

## Delta International eyes $250m acquisition pipeline in Africa

Delta International has embarked on a programme that would see the recently reverse-listed property fund potentially acquire $250-million of assets across Africa.

The Africa-focused group raised more than $87-million through a private placement to kick-start its growth ambitions and people were already on the ground in Morocco and Mozambique as Delta moved to "bulk up" its portfolio.

A potential pipeline of mostly office and dominant retail assets had been identified across North and sub-Saharan Africa, excluding South Africa, and negotiations and due diligence were under way with regard to some of the targeted buy-outs.

The group would also potentially branch out into strategically placed hotels, distribution centres and some residential acquisitions. Delta International CEO designate Louis Schnetler, who was set to take the reins on August 1, explained that there was a demand/supply gap, with a burgeoning middle-class with nowhere to spend their earnings and retailers seeking good quality space to service this growing market.

Further, Africa-focused multinationals, particularly those involved in the oil and gas sectors, were increasingly seeking A-grade office and industrial space.

The first phase of the fund's expansion included Morocco, Mozambique, Ghana and Nigeria.

Once critical mass had been established within these markets, the medium- to long-term second phase would involve expansion into Angola, Gabon, Tanzania, Tunisia, Zambia and Zimbabwe.

Delta Property Fund owns a 25% interest in Delta International, which was formerly Osiris Properties International and has a primary listing on the Bermuda Stock Exchange and a secondary listing on the AltX. The JSE listing offered South African investors access to a dollar-hedged investment. Delta International's portfolio currently comprised properties in Casablanca, Morocco, and Maputo, Mozambique, with blue-chip tenants such as Marks & Spencer, Virgin Megastores, H&M, British Petroleum, KPMG and Hollard Insurance, under long leases.

The assets included a modern, dominant shopping mall and new office complexes, which were 92.68% tenanted, with 66.1% of the leases extending beyond 2021. The weighted-average rental per square metre across the portfolio was $28.50 at a weighted-average escalation rate of 5.47% a year. *(Engineering News)*

### Exxaro to acquire Total's South African coal mines for $472m

Black-controlled mining company Exxaro is to acquire the South African coal mines of French petroleum giant Total to create 100% black-owned coal assets. The JSE-listed Exxaro, headed by CEO Sipho Nkosi, has entered into a binding sale and purchase agreement with Total South Africa, the majority shareholder of the Dorstfontein and Forzando coal mines, and South Africa's fifth largest coal producer. Exxaro will fund the dollar-based acquisition by making use of its existing corporate debt facilities. "The consolidation of ownership of coal assets within South Africa is a welcome opportunity," said Nkosi. The mines and undeveloped coal assets, which will be bought for $472-million, are all located in the Witbank coal basin in Mpumalanga.

Last year Total sold 4.5-million tons of coal to India and China from the Richards Bay Coal Terminal (RBCT) as well as into South Africa's domestic market.

While Exxaro will be buying 74% of Dorstfontein and Forzando, the remaining 26% is owned by the black-controlled Mmakau Mining, which will render the mines 100% black controlled should the deal be ratified. Total also owns 49% of the currently non-operative Tumelo coal mine, with the remaining shareholding also held by Mmakau.

In the mix, too, is 51% of the undeveloped Eloff thermal coal resource.

Total's mines have lives of more than 20 years and a resource base of 1 498-million tons of coal in the ground and 395-million tons of of run-of-mine coal resources, all close to Exxaro's existing Witbank operations.

Exxaro sees its investment in coal assets as a core part of its diversified mining portfolio and believes that it will be able to leverage its extensive experience in coal mining to unlock additional value from the existing Total operations and the Eloff greenfield project.

Exxaro is currently the fourth-largest exporter of coal from South Africa and the acquisition will provide it with access to an additional 4.09-million tons a year of primary phase one-to-three RBCT entitlement. Exxaro currently leases entitlement from other operators in the industry in order to meet its export requirements.

Access to additional allocation could enable Exxaro to reconfigure and expedite its development plans for current brownfield and greenfield projects in the Waterberg region by either increasing the scale of existing operations or changing planned projects to multi-product mines. It is anticipated that coal from the Waterberg can be used to replace the rapidly diminishing thermal coal being supplied to Eskom from existing Mpumalanga coal mines.

Exxaro currently owns the only operating coal mine in the Waterberg region, Grootegeluk, and has various other potential greenfield projects that it plans to develop in the region, including its large-scale Thabametsi project.

Having access to additional primary RBCT export allocation will facilitate Exxaro's commitment to the development of these projects, potentially as multi-product mines. All risk and reward will transfer to Exxaro retroactively from January 1 this year. Exxaro has agreed to pay $386.5-million for the issued share capital with the equity consideration increased 3% a year from January 1 next year until the closing date of the acquisition. Implementation is subject to the Competition Authorities' and Mineral Resources Ministry's consent in terms of Section 11 of the Mineral and Petroleum Resources Development Act, No 28 of 2002. The South African Reserve Bank must okay the foreign exchange and the RBCT board approve the changed port allocation. The drop-dead date of six months after the date of signature can be extended twice. Rand Merchant Bank, legal adviser Norton Rose Fulbright South Africa and Deutsche Securities are facilitating the transaction. *(Mining Weekly)*

### Ten African Governments Secretly Sell Oil Worth $55m To Swiss Traders – Report

National Oil Companies (NOCs) in sub-Saharan Africa are selling oil in shadowy deals, according to a report by Natural Resource Governance Institute (NRGI).

"A handful of companies are buying public oil that's worth 10, 15 or 20 %of government revenue and only a very small circle of insiders know about the transactions," said Alexandra Gillies, head of governance programs at NRGI and one of the authors of Big Spenders: Swiss Traders, African Oil and the Risks of Opacity.

Ten countries in sub-Saharan Africa, including Nigeria, Ghana, Cameroon, and Angola were considered in the research by NRGI, the Berne Declaration and SWISSAID.

Swiss traders like Glencore, Arcadia, Mercuria, Gunvor, Trafigura, Vitol and Socar Trading bought oil worth approximately $55 billion from NOCs in the top ten sub-Saharan oil-producing countries from 2011 to 2013. The sum is equal to over 10 %of the combined government revenues of the countries considered, and double what they received in foreign aid. Oil worth $37 billion was bought from Nigeria by Swiss companies over the three years considered in the report. The amount is equal to over 18 %of the country's revenues. "We knew Swiss traders did big business in Africa, but the scale of these deals still came as a surprise," said Gillies. The report added that health expenditures of the government across the ten countries from 2011 – 2013 were less than half the amount the Swiss traders paid.

The authors of the research however aired their concerns about "Africa's producers' lack of many of the checks and balances needed to safeguard the public interest, citing the 2013 Resource Governance Index, which ranks Nigeria, Cameroon, Angola, Equatorial Guinea and South Sudan in the bottom third of the 58 resource-rich countries assessed.

Sadly, the Swiss traders are also involved in broader poor governance and corruption. Gunvor is currently being investigated for money laundering in relation to its purchase of crude worth $2 billion from the Republic of Congo's NOC at a discounted price of $4 per barrel.

In Nigeria, Africa's largest economy, government and independent reports suggest that the country's state-owned operator, Nigeria National Petroleum Corporation (NNPC) has sold crude below market value to its subsidiary based in Bermuda, Calson, where Swiss firm Vitol holds 49 %stake.

According to the report, NNPC also sells to some entities referred to as "briefcase traders," some of which are controlled by politically exposed individuals. Other Swiss traders listed in the research have also been indicted in one 'shady' deal or the other.

A development that however cast a shadow of doubt on a stop to the opaque deals anytime soon is that the Swiss government last month indicated that trading activities that dominate the Swiss commodities sector would be exempted in its forthcoming legislation on transparency.

"The Swiss government has acknowledged the risks that the sector poses for Switzerland's reputation and the importance of transparency," said co-author of the report, Marc Guéniat, Berne Declaration senior researcher.

Guéniat laments that instead of working to stop the opaque dealings, Switzerland is proposing a bill that does little to guard against its trading companies' contribution to the 'resource curse'.

The researcher stressed that Africans need to know about how much of their resources is being sold by the government and how much the government earns in return.

Another co-author of the report, Lorenz Kummer, who is a policy advisor with SWISSAID therefore urged Switzerland to as a matter of urgency take steps to ensure all trading-related payments to governments by Swiss traders are disclosed. "This should include, among other aspects, the volume, grade, date and amount paid for each individual purchase. Otherwise, huge revenue flows like the ones discussed in our report will remain secret," said Kummer.

While the report recommends that oil-producing governments and NOCs should shun favoritism in the selection of buyers and determination of the selling price, and also disclose how the state's share of production is allocated and sold, it maintains that the transactions between African governments and Swiss companies deserve attention "because they are vulnerable to governance risks." *(Venures Africa)*

### BP Stakes Claim In Angola's Oil Sector With $15bn Investment

Multinational oil and gas company, BP group says it plans to invest $15 billion in new Angola oil fields and also in the country's education sector.

BP has to date invested more than $25 billion in its Angola assets and intends to invest another $15 billion in exploration and development in Angola over the next 10 years.

"We have a long-term commitment in Angola and that in order to have a sustainable business we continue investing in education and other projects to support business, social inclusion and combatting poverty by offering training to people," BP marketing director, Amílcar da Costa said.

BP currently supports various educational projects in Angola, including strategic partnerships with universities, schools and local NGOs. It also employs 1,000 staff based in Angola, of whom more than 70 %are locals.

In the same southern African nation BP operates oil blocks 18 and 31 in the deep and ultra-deep waters of the Congo basin and blocks 19 and 24 in the Kwanza and Benguela basins; It also holds non-operating participation in blocks 15, 17, 20, 25 and 26, as well as the Angola LNG project in Soyo. BP is also the operator of the deep water blocks 19 and 24 and a participant in deep water blocks 20, 25 and 26, also in the Kwanza and Benguela basins.

BP Angola's net average production is around 200,000 barrels of oil per day, from blocks 18 and 31 and in blocks 15 and 17. *(Ventures Africa)*

### Investors shift focus to adequate infrastructure, higher-grade deposits

The upsurge in iron-ore exports from South Africa and Africa in the past five years, largely driven by Chinese demand, has not only gradually diminished in the past year but has also caused a slowdown in African exploration and project development activities, says Hennie Theart, corporate consultant and partner of SRK Consulting South Africa (SA), a multidisciplinary firm of engineers and scientists. “With the iron-ore market shrinking, owing to Chinese demand constrictions and uncertainty as to when and if the market will recover, the emphasis is expected to shift back to higher-grade deposits,” Theart tells *Mining Weekly*.

Investors’ initial focus will, therefore, be on projects located in regions with established rail and port infrastructure, or on deposits located close to the coast, which will reduce the required investment in infrastructure, he notes.

Theart adds that this may favour new projects in South Africa and, to some extent, projects in West Africa. Expansions, however, will be limited to existing and available rail and port capacity. “Large low- to medium-grade deposits in equatorial Africa will only come into play when the infrastructure hurdle has been overcome.”

Further, several large deposits in Africa were identified during the upsurge in exploration activities over the past five years, says Theart, noting that most of these deposits contain shallow higher-grade ores, which can, to varying degrees, deliver a lumpy iron-ore product suitable for direct reduction.

These projects also have lower-grade, deeper ores that will require upgrading to deliver a fines product. These deposits are located in, for example, Guinea, Sierra Leone and Liberia, all in north-west Africa, and Cameroon, Gabon, and the Republic of Congo (Congo), in equatorial West Africa, says Theart.

Lower-grade iron-ore deposits are also being explored in southern Angola and northern Namibia, with the viability of a magnetite deposit in Mozambique also being investigated.

SRK Consulting SA associate partner Andrew van Zyl also cites the good progress made over the past few years on international iron-ore company Sundance Resources’ Mbalam-Nabeba iron-ore project, which spans Cameroon and Congo.

Meanwhile, Australian diversified mining major Rio Tinto’s $20-billion Simandou iron-ore project, in Guinea, also appears to have a greater likelihood of progressing, following the renegotiation of the company’s convention with the Guinea government earlier this year.

Van Zyl adds that some smaller iron-ore projects in the Congo, Mauritania and Liberia may proceed, but with a lower impact on overall supply. The failure of Exxaro to reach agreement on the logistical aspects of the Mayoko project with the government of the Congo, despite substantial progress and investment, highlights that this remains a challenging environment, he notes.

“Nevertheless, projects like Mbalam and Simandou have set valuable precedents and can be used as examples of successful government negotiation of mining and infrastructure conventions for other countries and companies, possibly to expedite their negotiations, devel- opment and financing.”

Van Zyl adds that, while new significant iron-ore supplies are unlikely to come on stream in the next five years – as most significant projects take longer to bring into production – SRK Consulting SA forecasts that Africa will continue to produce iron-ore consistently over the next five years. “While SRK Consulting SA does not expect substantial growth on the continent, several projects will be required to replace mines reaching the end of their productive lives,” says Van Zyl.

Chinese Impact Theart tells *Mining Weekly* that SRK Consulting SA has noted direct interest from China to find, control and dominate its own supply of iron-ore from African countries, thereby easing the country’s dependence on free- market suppliers. He maintains, however, that Africa’s biggest drawback in many regions is its lack of appropriate infrastructure. To construct new rail and port facilities requires significant investment and, with a few exceptions, this has not yet happened.

Nevertheless, Theart highlights that “a careful eye” should be kept on production from Chinese companies subsidised by the Chinese government. “These companies will be able to access lower-grade ores and satisfy a rekindled demand from China, while Japanese and Korean steel producers may also become more active in exploration and mining to secure their own supplies of iron-ore.”

Junior Mining Outlook Van Zyl highlights the probability that junior iron-ore miners are likely to struggle in trying to stay afloat in the current lower-price envi- ronment, adding that there are significant advantages to scale, as larger miners can operate at lower costs.

Theart adds that it is unlikely that junior miners will secure the large investment required for the necessary rail and port facilities, noting the company’s expectation that juniors will try to sell their assets to major mining and steel production companies or, at best, try to piggyback on existing infrastructure established for a larger project in the same vicinity.

Simultaneously, Van Zyl highlights that pressure to deliver and improve shareholder returns can make greenfield projects less attractive, leading to opportunities for junior miners to develop significant assets at competitive costs.

“There is great potential in West Africa to establish a profitable and substantial iron-ore industry, but this will take many years to implement,” he says, noting that bulk mining is almost unknown in most African countries as few major rail or port projects can support these ventures.

“The consequence is that there is very little experience across the majority of the stakeholders and a steep learning curve awaits the mining companies and the countries in which they operate,” Van Zyl concludes. *(Mining Weekly)*

## INFRASTRUCTURE

### Mozambique receives funding of US$32 billion for infrastructure

Mozambique is one of three of the main foreign investment destinations in Africa and over the next few years is expected to be home to infrastructure projects worth an estimated US$32 billion, according to Deutsche Bank.

In a recent report on Mozambique's economy, Claire Schaffnit-Chatterjee, an analyst from Deutsche Bank, said that economic growth in the country would be more than 8 %per year until 2019, benefitting from a positive macroeconomic climate.

"Coal mining, investment in transport infrastructure and development of the natural gas sector should drive growth over the next few years. Financial and construction services will be sectors with high growth," said the analyst. Mozambique, she said, has become an important destination for foreign investment, and over the last two years has attracted US$5 billion, the equivalent of a third of its GDP, for development of natural gas reserves, coal as well as needed roads, railways and port facilities.

Brazilian multinational company Vale is investing US$6.5 billion in a terminal and 900 kilometres of railway to link it coal mine in Moatize to the deep water port of Nacala, and expects to double its exports by next year when coal will become the main export from Mozambique, replacing aluminium.

"Mozambique has the potential to become the biggest coal producer in Africa," with total reserves of 20 billion tons, but also, "one of the main exporters of natural gas in 2020," the analyst said. Natural gas discoveries have already provided income of US$1.3 billion for the Mozambican state, through capital gains taxes.

According to the World Bank, commercial exploration of coal and gas deposits will more than double the country's wealth.

The weight of raw materials exports on the country's economy has led some analysts to question if the country will reduce its efforts to diversify and widen the economy's production base.

Mozambique compares favourably to Angola, with industry accounting for 15 %of GDP, five times more than in Angola, where oil is by far the biggest sector.

Deutsche Bank said that the government's "ambitious policy agenda" was favourable for Mozambique as it included attracting foreign investment as well as a strategic five-year plan to improve the country's business climate.

"Mozambique has an opportunity to strengthen ties upstream and downstream of raw materials, particularly in the natural gas an industrial sectors – for example by developing the food, fertiliser and electricity industries," the analyst said. "If Mozambique is able to invest most of its revenues from natural resources in physical and human capital, its future is promising, even if progress to improve the business climate, infrastructure and government efficiency is slow," she said. *(Macauhub)*

### Mozambique Plans Port City Catering to Offshore Natural-Gas Boom

Mozambique's state petroleum company is building a port city to help develop the largest natural-gas discoveries in a decade offshore the southern African country.

The 18,000-hectare (44,500-acre) Palma development in the country's northern Cabo Delgado province will feature residences, industry, stores, parks, farming and tourist attractions constructed through a unit, Empresa Nacional de Hidrocarbonetos EP, or ENH, said in a statement. Public hearings on the proposal are being held today in Maputo, the capital, after previous sessions in Pemba and Palma, it said.

Mozambique may become the world's third-largest natural gas producer in 2018 after companies such as Eni SpA of Italy and Woodlands, Texas-based Anadarko Petroleum Corp. (APC) begin output from reserves estimated at 250 trillion cubic feet. Proximity to gas-hungry India and the Far East is expected to spur investment and margins.

Tracus, a Maputo-based architectural company, started creating an urban development plan in August and the public consultation will help advance the strategy and draft proposal, ENH said.

A company known as Cabo Delgado Ports will invest $150 million initially and hold 30-year leases on ports in Pemba and Palma, Transport Minister Gabriel Muthisse said in January, according to website Club of Mozambique. The company is a joint venture between Cia Mocambicana de Hidrocarbonetos and Portos & Caminhos de Ferro de Mocambique, which are both state-owned. Sasol Ltd. (SOL), the world's biggest producer of motor fuel from coal, said this month it's considering a gas-to-liquids plant in Mozambique with Eni and ENH. Eni alone will invest $50 billion in the country in the next few months, Italian Premier Matteo Renzi said, according to news agency Ansa. *(Bloomberg)*

### Nigeria gets N311.6 billion infrasturcte investments from AfDB in 42 years

The African Development Bank (AfDB) has invested 1.9 billion dollars (N311.6 billion) in infrastructure development in Nigeria in the last 42 years, according to the Country Director, Dr Ousmane Dore.

Speaking on Thursday in Abuja, Dore said that the bank had committed a cumulative of 6.4 billion dollars (about N1.05 trillion) to different sectors of the country's economy as at December 2013.

According to him, the current public sector portfolio of the bank stands at 921.2 million dollars (about N151 billion) of which 701.5 million (about N115 billion) is allocated to infrastructure projects.

Dore said that the bank had been supporting infrastructure development since it commenced lending operations in Nigeria in 1972.

The country director said that over 70% of the bank's operations were directed at infrastructure development. He said that some of the bank's early support to infrastructure development included the reconstruction of Enugu and Calabar Airports, launched in 1972 and 1974 respectively. Dore said the bank's operations had expanded to include several other projects in water and sanitation; road and energy. "Some of the flagship projects include rural water and sanitation project in Akwa Ibom and Taraba States, while in the transport sector we have the Cross River Rural Access Mobility Project (RAMP) and the Enugu-Bamenda Highway. "This is the hard core infrastructure but on the private sector side, we have many; like our investment in Lekki Toll Road and some other private sector operations."

He said the bank had also been involved in "soft infrastructure" in the form of improving knowledge on the state of infrastructure in the country.

Dore said the bank undertook a detailed assessment of infrastructure needs in Nigeria that culminated in the Nigerian Infrastructure Action Plan (NIAP). He explained that the study recommended 350 billion dollars in Capital Expenditure (CAPEX) investment for the next 10 years, to bridge the existing infrastructure gap in the country. Dore stated that the establishment of 'Africa50 Fund' aimed at accelerating infrastructure delivery in Africa, would work with Nigeria to reduce the country's infrastructure finance gap.

According to him, `Africa50 `Fund' will act as one-stop shop, combining early stage project development work with long-term debt financing, to ensure smooth and efficient path from project inception to realisation.

Dore said that some of the prospective projects that the fund was supporting in Nigeria included the 49.5 km Lekki toll road, the Lekki Port project and the 12 km Lagos Cable Transit project, among others. *(Business Day)*

### Cabo Verde's largest dam inaugurated in Santiago in September or October

The prime minister of Cabo Verde (Cape Verde), José Maria Neves announced that the new Figueira Gorda dam, in the north of Santiago Island, will be inaugurated after the rainy season, in September or October of this year, according to Cape Verdean news agency Inforpress.

The Figueira Gorda dam, in the Santa Cruz area in the interior of Santiago Island, will be Cabo Verde's largest hydraulic facility with a storage capacity of around 1.8 billion cubic metres of rainwater.

The dam, which is being built by Portuguese company Conduril, will be able to irrigate around 150 hectares of land (the equivalent of 150 football pitches).

The dam, construction of which began in February 2012 and is costing 3.7 million euros, will have a storage capacity three times that of the Poilão dam, the first dam built in Cabo Verde and inaugurated in 2006 in the east of Santiago Island. The Poilão dam was funded by China.

As well as the Poilão and Figueira Gorda dams, Santiago Island has three other dams: Salineiro (Ribeira Grande), Saquinho (Santa Catarina) and Faveta (São Salvador do Mundo), which gather around 2.1 billion tons of water for irrigation. *(Macauhub)*

## TELECOM

### Airtel Eyes Bullish Nigerian Market For More Subscribers

Indian's Bharti Airtel is keen to bolster its global subscriber base by targeting an 18 %increase in its Nigerian unit before the end of 2014.

As at March, Airtel had 25.5 million subscribers in Nigeria. It hopes to increase the number to 30 million in its second largest market after India by the end of this year.

Head of the Nigeria unit, Segun Ogunsanya echoed some optimism that the company will achieve the set target in spite of environment and regulatory challenges, giving its "relatively good service" to customers.

The telecom firm plans to spend about $300 million in expanding its network this year. This outlay allowed for an usurp of Globacom – Nigeria's largest indigenous telco – to the position of second biggest network in Nigeria by subscriber base.

Bharti Airtel operates in 17 African nations and has Nigeria as its largest market on the continent.

In its financial report for the fourth quarter (Q4) of last year, the company recorded a slow growth in Africa. It gave the seasonal downturn in parts of Africa and regulatory interventions in Nigeria as the key factors that influenced. In March, Bharti Airtel was fined alongside other telecommunication giants in Nigeria (MTN and Glo) for missing service quality goals in January.

Airtel hopes to control a sizeable market share in Nigeria – a country of about 170 million people despite – its security and power challenges to doing business successfully. *(Ventures Africa)*

### Nigeria Gets First Free-To-Air Digital Tv Platform

Computer Warehouse Group (CWG) has partnered with world-leading satellite operator, SES, to launch Nigeria's first free-to-air (FTA) DTH digital TV platform, to quicken digital migration for local and international broadcasters and allow them to reach millions of homes in West Africa quickly and economically.

The platform was launched on the SES's ASTRA 2F satellite at 28.2° East. It will begin service in the last quarter of the year and should provide growth opportunities to local and international broadcasters across the region. It will also allow for end-to-end contribution, ground and space services to local, regional, national and international TV broadcasters across West Africa.

The launch of the new broadcasting experience via satellite will enhance picture quality and coverage to millions of household, as well as those in remote parts of the region.

SES will deliver the space segment and specific ground services while CWG will provide high operational standards as an SES partner.

The 28.2 degrees East orbital position is SES's prime orbital position for West Africa and its FTA reach is one of the highest in the region. Today, SES already transmits 28 FTA channels at the 28.2 degrees East neighbourhood.

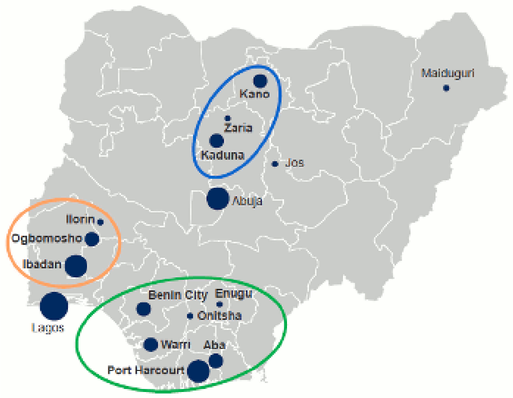
Nigerian-based Computer Warehouse Group Plc was named a World Economic Forum Global Growth Company (WEF-GGC) at the 2014 WEF Africa. *(Ventures Africa)*

## RETAIL

### Consumer potential: Three Nigerian city clusters to compete with Lagos

Nigeria's retail and wholesale trade industry has the potential to grow by 7.1% per year, and by 2030 could be the largest contributor to the country's GDP, according to recent report by McKinsey Global Institute. Sales of packaged food and beverages are expected to grow by 6.8% a year, contributing around 85% of the growth in consumer goods.

The report, Nigeria's renewal: Delivering inclusive growth in Africa's largest economy, estimates that demand for consumer goods could more than triple by 2030. The largest economy in Africa is seeing a rising consumer class, creating a notable opportunity for manufacturers and retailers of fast-moving consumer goods such as food, beverages and personal and health products. Currently consumption is estimated at US$388bn a year but is expected to rise to $1.4tr in 2030, with 35m households earning over $7,500 a year.



"Based on data from other economies on how consumption changes with rising incomes, we see demand in Nigeria poised to accelerate in such categories as fruit juices," illustrates the report.

"Capturing emerging consumer demand, however, will require smart choices about where, when, and how to enter Nigerian markets. It will also require specific capabilities that international companies especially may need to develop."

One strategy for consumer facing companies in Nigeria is to adopt a city and regional approach, as opposed to a nationwide approach where distinct differences in culture, demographics and wealth exist. While Lagos, with an estimate of 15m residents, may be the go-to city for companies targeting consumers, McKinsey suggests three regional clusters of cities that together produce sizable populations to rival Lagos.

"Companies playing in all three of these clusters could target 20% more households earning above $7,500 than in Lagos," notes the research.

**A six city cluster around the Niger Delta in the southeast**

Port Harcourt, Warri, Benin City, Aba, Enugu and Onitsha make up the six city southeast cluster. Its proximity to oil wells has led the region to be a hub of activity for oil companies and foreign investment.

According to the report, total GDP in this cluster alone is $63bn, which is a close rival to Lagos's GDP of $68bn, despite having far fewer households. Both Port Harcourt and Aba have considerably higher consumption per capita than Lagos. Port Harcourt, followed by Benin City, Onitsha and Aba have the largest populations within the cluster.

Companies looking to target the luxury segment might want to especially consider Port Harcourt, the capital of Rivers State, which has the highest consumption per capita in the country ($6,843 in 2013). The city has one of the largest consuming middle classes in Nigeria with household incomes between $20,000 and $70,000 a year. It has access to two of the country's busier ports and is home to the Port Harcourt Airport.

**Ibadan, Ogbomosho and Ilorin, just north of Lagos**

These three cities are within close proximity to Lagos. Ibadan (the capital of Oyo State) is the second largest city after Lagos, and has a fast-growing consumer market. While Lagos has over four times the number of households as Ibadan, consumption per capita of Ibadan in 2013 was $4,562, rivalling Lagos's $4,710. Ibadan also has a large emerging consumer class with annual household incomes of between $7,500 and $20,000, and one of the larger consuming middle classes in the country with incomes between $20,000 and $70,000 a year.

According to a recent African Development Bank (AfDB) report, Tracking Africa's Progress in Figures, Ibadan is one of the top 10 fastest growing cities in Africa.

**Northern corridor cluster of Kano, Zaria and Kaduna**

This cluster holds potential for consumer businesses looking for sizable populations in northern Nigeria. Kano is the fourth largest city in Nigeria, and Kaduna the seventh biggest.

This year, South African retailer Shoprite launched its first outlet in Kano, while Massmart opened a Game store just before June. Despite the potential security risk posed by Islamic militants in the region, Massmart's Africa director Mark Turner said at the Reuters Africa Summit in April: "I always want to be bold enough to say, you can't be in Nigeria without being in Kano." *(How we made it in Africa)*

### KFC Returns To Zimbabwe

US headquartered fast food giant, Kentucky Fried Chicken (KFC) has returned to Zimbabwe seven years after folding operations in the southern African due too economic meltdown.

"After a long wait, our doors are once again opened to the general public in Harare, bringing back our "finger lickin' good" food," said KFC Zimbabwe in a statement.

KFC Zimbabwe opened its first shop in the capital Harare this week. It is also planning to open 25 other outlets across the country.

KFC is a global fast food restaurant chain that specializes in fried chicken and is headquartered in Louisville, Kentucky in the United States.

It is the world's second largest restaurant chain (as measured by sales) after Mac Donald's, with 18,875 outlets in 118 countries and territories as of December 2013. The company is a subsidiary of Yum Brands, a restaurant company that also owns the Pizza Hut and Taco Bell chains. KFC was founded by Harland Sanders, an entrepreneur who began selling fried chicken from his roadside restaurant in Corbin, Kentucky , USA. Businessman Kevin James — owner of Consolidated Farming Investments Limited, a leading investor in the fast food sector in Zimbabwe — is fronting KFC's re-entry into Zimbabwe *(Ventures Africa)*

### Is Africa rich enough for McDonald's?

Three quarters of a century since the opening of the first McDonald's, the fast food chain operates around 34,000 outfits in around 120 countries and territories across all continents. In sub-Saharan Africa, however, – a region of 48 countries and almost a billion people – only South Africa and Mauritius have been able to attract this global food chain

This peculiarity cannot be explained only by the fact that the region is poor. The company has found a market in about 30 countries with GDPs per capita of less than US$3,000 (in constant 2005 US$) at the time of their first McDonald's opening. Hamburgers, Cheeseburgers, and Big Macs are also on offer in a dozen of low-income countries as well.

When the first McDonald's opened in Shenzhen in 1990, China's GDP per capita was less than $500 per person. Of course, Shenzhen's per capita income was several times higher, but the company has also found a market in Moldova since 1998 when the GDP per capita of the 3m person country was less than $600 per capita.

There are many cities in sub-Saharan Africa today that have higher income, population concentration, and tourists than what Chisinau had in 1998; yet they do not have a McDonald's. As a matter of fact, 22 sub-Saharan Africa countries today have higher incomes per capita than what Moldova or Pakistan had when the first McDonald's opened there, and 15 of them have higher incomes per capita even than what Indonesia or Egypt had at their McDonald's openings.

What then explains sub-Saharan Africa's inability to create a favourable environment for global food chains? It is hard to imagine that an entire continent is disinterested in Big Macs and fries. Actually, South Africans seem to love it as the chain has opened more than 150 outlets since it established itself in 1995. The investment decision to open a McDonald's, as for any other business, rests on the feasibility and profitability of the product offering. Three factors, beyond the market's buying power (income), are likely to be found decisive.

First, it is an issue of access to finance: local investors would need hundreds of thousands of dollars to bring the McDonald's (or any other global fast food chain) brand – not an easy sell in the region with the least developed banking sector. Then, there is the question of security of investment which depends on crime levels, state intrusion (including governments' openness to foreign investors) and corruption. Finally, ingredients have to be imported in an efficient manner through participation in global supply chains, thus infrastructure, logistics and trade regulations come into play. When McDonald's opened in Moscow in 1990, it had to import 90% of the around 300 ingredients that go into the menu. The sub-Saharan Africa countries seem to be missing one or more ingredients to have the red neon sign with a golden yellow “M”.

Having the above ingredients may mean more to a developing country beyond the taste that comes with the burgers. In almost 60% of cases, developing countries grew faster in the five years, compared to the previous five, following the opening of the first McDonald’s. Moreover, the acceleration of growth is substantial (from 1.7% to 6.3% annual growth for those countries that had GDPs per capita of less than $1,000 at time of opening).

What this means is that McDonald’s may be viewed as one of the tipping points for when a country has amassed sufficient urban middle-class, investment security and supply chains for economic take off. In the case of sub-Saharan Africa, the ingredients are not there yet, but the recent economic trends and reform advancements may bring more red and yellow neon lights across the continent’s capitals.

Borko Handjiski is working as a senior World Bank economist in the Africa department. This article was first published on the World Bank’s blog network. *(How we made it in Africa)*

## AGRIBUSINESS

### Africa in China: New Knowledge-sharing Effort Kick-starts Collaboration in Agricultural Productivity

- Yields on African farms are one-third those achieved by Asian and Latin American farmers
- African farmers, policymakers, scientists and others recently visited China to learn from that country’s successes in the agriculture sector
- China’s transformation is due to political commitment, investments in capacity building and technology generation, and land tenure reform

Stories about “China in Africa” abound, and regularly make headlines. Now, thanks to a new push, an “Africa in China” narrative has begun to take root with a group of 40 African farmers, equipment producers, policymakers, scientists and researchers visiting China. Their objective: see first-hand that nation’s legendary successes in transforming its agriculture sector, including attaining food self-sufficiency, for adaptation back home in Africa.

The numbers are compelling, and speak both to the severity of the challenge facing the agriculture sector in Sub-Saharan Africa (SSA) as well as the opportunity for transformational change.

Currently, because of low technology, lack of irrigation and power, African farmers are able to provide only 5% of all cereals consumed on the continent. Yields on African farms are one-third those achieved by Asian and Latin American farmers. Thailand exports more food products than all SSA countries combined. In comparison, China is a remarkable success story: it feeds over 20% of the world’s population using only seven percent of the arable area. To unlock the untapped potential of African agriculture, greater Africa-China cooperation is vital.

The knowledge exchange, billed as a “South-South” sharing of experiences, brought the African visitors to the Chinese Academy of Agricultural Sciences (CAAS), China’s pre-eminent agricultural research and development agency.

“We came to see, to listen and to learn from China’s remarkable success story in meeting the food needs of its people,” said Francis Wachira, Deputy Executive Director, Association for Strengthening Agricultural Research in Eastern and Central Africa (ASARECA). “What became clear to me and my fellow visitors is that China’s achievement did not come from a single intervention or overnight results. Rather, it is the result of decades-long commitment to bringing the benefits of modern science to the rural economy and clear recognition at the highest levels of government about the potential of agriculture to alleviate poverty and improve people’s lives.”

China’s dramatic experience in scaling up agricultural technologies along the value chain – with a focus on rice, wheat, maize, vegetable production as well as conservation agriculture technologies – and the associated use of small scale mechanization is a remarkable achievement. The African visitors were impressed by the rapid evolution of the agriculture sector in China which experienced a profound transformation in less than 30 years due to strong and sustained political commitment, significant investments in capacity building and technology generation, and land tenure reform.

The tour featured visit to research fields, in-depth discussions with CAAS scientists and researchers, many of whom are grappling with the same set of issues as the African visitors. All the visitors are involved in implementing the three regional agricultural productivity programs financed by the World Bank -- WAAPP, EAAPP and APPSA – which support agricultural research and technology dissemination across 19 African countries.

**Toward Transformational Change**

The study trip grew out of a series of discussions on possible Africa–China partnerships. An earlier visit to China in 2013 by Makhtar Diop, Africa Region Vice President led to discussions between the Bank, sub-regional African agriculture R&D organizations and project counterparts about possible areas of collaboration. Chinese and African partners thought China’s experience in technology development and adaptation within smallholder agricultural systems would be particularly well suited for sharing lessons of experience.

Following the signing of agreements between the Chinese Academy of Agricultural Sciences and ASARECA, Center for the Coordination of Agricultural Research and Development in Southern Africa (CCARDESA) and West and Central African Council for Agricultural Research and Development (known by its French acronym, CORAF) – the three sub-regional organizations that facilitate implementation of the regional Bank projects – the first 10 day South-South learning and knowledge-sharing sharing event was launched.

"We are taking a continental approach to achieving transformational change in Africa's agriculture sector," said Severin L. Kodderitzsch, Practice Manager for Southern Africa in the new Agriculture Global Practice. "We were delighted that representatives from the three sub-regional organizations leading the agriculture-for-development charge in Sub-Saharan Africa took part in the study visit which will be helpful for a new push to disseminate knowledge and ideas gleaned on the trip."

Participants identified a large stock of technologies which can be adapted and transferred to Africa and discussed the way forward for collaboration with China. In his closing remarks, Professor Zhang Lubiao, Director of the Department of International Cooperation of CAAS commented on China's strong interest in seeing this collaboration continue through different ways. He said that, as one example, a concrete next step would be to implement a capacity-building program to train young African scientists in agronomy at the Graduate School of CAAS.

"The study visit turned out to be a two-way exchange benefiting both parties," said Abdoulaye Toure, Lead Agriculture Economist, Agriculture Global Practice and Task Team Leader of the West Africa Agricultural Productivity Program. "It helped Africa to learn from China and for China to learn from Africa." *(World Bank)*

### Ghana's Biggest Cocoa Buyer Delays French Loan on Cedi Slide

Produce Buying Co., Ghana's largest purchaser of cocoa from farmers, delayed plans to borrow $30 million from France's development agency as Africa's worst-performing currency threatened to raise repayment costs.

PBC, which planned to use the Agence Francaise de Developpement funds to buy cocoa beans and build sheds and depots for the current season, expects to conclude a deal in the next harvest, Joseph Osei Manu, deputy managing director responsible for finance and administration, said in an interview in the capital, Accra, yesterday. The cedi has fallen 31% this year against the dollar, the biggest drop among 24 African currencies tracked by Bloomberg.

"We needed to guard against the higher cost of repayment that comes with the depreciation of the exchange rate," Manu said. "We are still discussing. We will see how the exchange rate moves in the coming year."

Companies in the world's second-biggest cocoa-producing nation are battling the weaker currency that pushed the inflation rate to 15 %in June, a 10th straight month of increases. Accra-based PBC is looking to cut repayment costs on the loans it needs to buy the chocolate ingredient as profit after tax in the six months through March dropped 45 %to 3.9 million cedis ($1.1 million), it said April 29. PBC increased its borrowing from industry regulator Ghana Cocoa Board to 450 million cedis from 400 million cedis because of the delayed French loan, Manu said. This season's harvest ends in September and the next one begins the following month.

**Cheaper Rates**

Borrowing from the board, known as Cocobod, is still cheaper than rates at local commercial lenders, he said. The company was charged 18% by Cocobod, while a supplementary loan of 250 million cedis that it took from banks attracted an average annual interest rate of 25 %, he said. The French development agency loan would have had a lower rate than Cocobod, Manu said.

The company bought 285,000 metric tons of cocoa beans in the main crop season through June 12 from 265,000 tons a year ago, Manu said. It's targeting purchases of 35,000 tons in the light crop season that started July 4 and expected to end Sept. 30, from 30,000 tons a year earlier, he said. PBC has fallen 18% this year on the Ghana Stock Exchange (GGSECI) and was unchanged at 14 pesewas as of 10:28 a.m. in Accra. The company, which is 74.8 %owned by the state pension fund Social Security and National Insurance Trust and the government, is still discussing plans with its largest shareholders to raise at least 150 million cedis through a rights offer to ease debt costs, Manu said. "We're hoping to be given the go-ahead in the coming year." *(Bloomberg)*

### Irrigation area in Mozambique to be re-activated using investment from South Korea

The Ngúri irrigation area, disused since the 1980s, is due to be re-activated soon with a view to producing grains on a large scale, said the spokesman for the Cabo government of Mozambique's Cabo Delgado province.

During a provincial government session João Motim announced that negotiations were underway with a company from South Korea that is interested in investing in repairing the irrigation area, which is currently in a significant state of disrepair.

The Ngúri irrigation area, which covers 3,000 hectares, is an agricultural complex that used to produce large amounts of rice. The area was irrigated with water collected at the Ngúri dam 13 kilometres away.

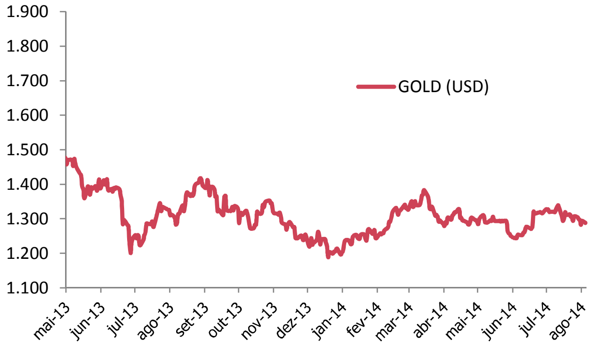
According to Mozambican daily newspaper Notícias Motim did not specify the amount of investment to be made in the project, which was previously supported with funds from North Korea, but said that he would provide figures once the studies underway were completed, which is expected to be by September of this year.

The provincial government spokesman said that a small section of the Ngúri irrigation area – around 60 hectares – is being used by the local population to grow a variety of crops, which the provincial government wants to bring to an end in order for the project to start producing crops industrially. *(Macauhub)*

**MARKET INDICATORS**
04-08-2014

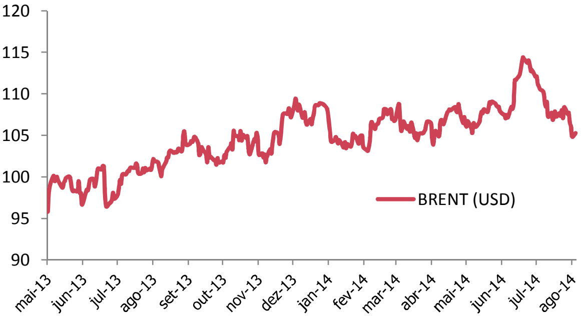
| STOCK EXCHANGES | | |
|---|---|---|
| **Index Name (Country)** | **04-08-2014** | **YTD % Change** |
| Botswana Gaborone Domestic Index (Botswana) | 9.263,02 | 23,34% |
| Bourse Régionale des Valeurs Mobilières (Ivory Coast) | 238,92 | 43,43% |
| Case 30 Index (Egypt) | 8.918,00 | 63,26% |
| FTSE NSE Kenya 15 Index (Kenya) | 201,99 | 60,63% |
| Morocco Casablanca Stock Exchange CFG 25 (Morocco) | 19.307,77 | 0,86% |
| Nigerian Stock Exchange All Share Index (Nigeria) | 41.801,58 | 48,87% |
| FTSE/JSE Africa All Shares Index (South Africa) | 51.239,56 | 30,55% |
| Tunindex (Tunisia) | 4.663,82 | 1,83% |

Source: Bloomberg and Eaglestone Securities



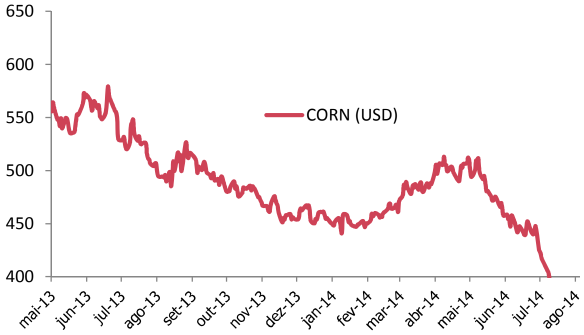
| METALS | | |
|---|---|---|
| | **Spot** | **YTD % Change** |
| Gold | 1.288 | -23,10% |
| Silver | 20 | -33,29% |
| Platinum | 1.462 | -5,08% |
| Copper $/mt | 7.075 | -10,80% |

Source: Bloomberg and Eaglestone Securities



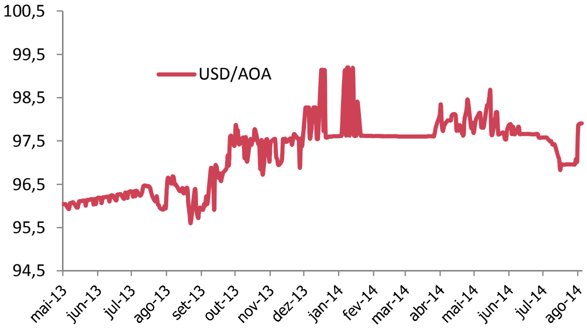
| ENERGY | | |
|---|---|---|
| | **Spot** | **YTD % Change** |
| NYMEX WTI Crude (USD/barril) | 98,1 | 5,29% |
| ICE Brent (USD/barril) | 105,4 | -2,87% |
| ICE Gasoil (USD/cents per tonne) | 886,3 | -3,22% |

Source: Bloomberg and Eaglestone Securities



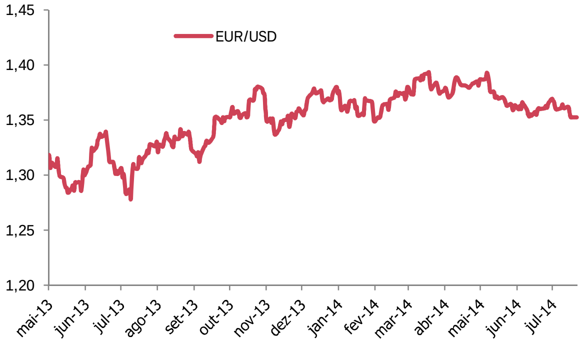
| AGRICULTURE | | |
|---|---|---|
| | **Spot** | **YTD % Change** |
| Corn cents/bu. | 367,3 | -47,55% |
| Wheat cents/bu. | 549,8 | -30,21% |
| Coffee (KC) c/lb | 185,8 | 26,65% |
| Sugar#11 c/lb | 16,4 | -16,82% |
| Cocoa $/mt | 3202,0 | 42,06% |
| Cotton cents/lb | 64,1 | -15,50% |
| Soybeans c/bsh | 1075,3 | -23,16% |

Source: Bloomberg and Eaglestone Securities



| CURRENCIES | |
|---|---|
| | **Spot** |
| **KWANZAS** | |
| USD | 97,905 |
| EUR | 131,286 |
| GBP | 164,782 |
| ZAR | 9,148 |
| BRL | 43,295 |
| **NEW MOZAMBIQUE METICAL** | |
| USD | 30,552 |
| EUR | 40,852 |
| GBP | 51,275 |
| ZAR | 2,847 |
| **SOUTH AFRICAN RAND SPOT** | |
| USD | 10,697 |
| EUR | 14,352 |
| GBP | 18,014 |
| BRL | 4,734 |
| **EUROZONE** | |
| USD | 1,34 |
| GBP | 0,80 |
| CHF | 1,22 |
| JPY | 137,51 |
| GBP / USD | 1,68 |

Source: Bloomberg and Eaglestone Securities



### Aquapesca Expands Agribusiness In Mozambique With $57m

French fish farming company Aquapesca Limited expands its operations in Mozambique by opening a sea food farming plant in Nacala in northern part of the country with a 40 million euros ($57 million) investment.

"In this new clam production line the company now works with four species, the others being tiger prawns, "giga" or Japanese oysters and freshwater tilapia fish, following investment of just over 40 million euros ($57 million)," said Aquapesca laboratory technician Sidónio Juda Chan.

Aquapesca Limited already operates fish farming plants in Zambezia province in central Mozambique where it produces shrimp and crab which are exported to its two new markets in United States and China .

In 2010 Aquapesca exported 200 tonnes of shrimp to the European Union and in 2013 it exported around 25 tonnes of clams to the Japanese market and this year expects to sell over 100 tonnes of shelled clams to that market.

Annual fishing production in the country totals around 160,000 tonnes, and 86 %of this is provided by artisanal fishing mainly from the provinces of Sofala, Zambezia and Nampula. Despite this, overall, production and productivity levels of small-scale fishing needs to increase. *(Ventures Africa)*

## UPCOMING EVENTS

**AFRICA SINGAPORE Forum 27-28 August**

Third edition, this forum is the premier business platform for exchanging business insights and promoting collaboration between Africa and Asia. *www.iesingapore.com/asbf*

**2nd Brazil Africa Forum, Infrastructure, partnerships and development 28-29 August 2014 Fortaleza- Ceará**

Business opportunities in the following opportunities: Power, agribusiness, construction, transport, water management, funding health ICT, capacity development, PPPartnerships. *www.forumbrasilafrica.com*

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

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

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

This one-day conference engages industry thought leaders in discussions about the latest developments in the asset class and emerging economies, leveraging the expertise of the Financial Times's global markets coverage and EMPEA's insight into long-term, growth capital investments. Join your industry peers and a host of expert speakers to gain practical insight into some of private equity's most dynamic markets
http://empea.org/events-education/conferences/private-equity-in-emerging-markets-em-pe-week-in-london/

**Private Equity in Africa | EM PE Week in London**

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

This leadership summit considers the role that the private equity industry – which has been amongst the most active in responding to Africa's commercial opportunity – can play in harnessing Africa's growth for economic transformation.
http://empea.org/events-education/conferences/private-equity-in-africa-em-pe-week-in-london/

**EMPEA Fundraising Masterclass | EM PE Week in London - 16 October 2014**

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

**Angola International Sea, Aquaculture and Fishing Fair - 27 to 30 November at Luanda International Fair (FIL)**

Organised in partnership with FIL, companies from more than 16 countries, including the United States, Germany, Brazil and Norway, with "confirmed experience in the fishing and aquaculture sectors," have confirmed their presence.

Over four days the fair will exhibit fishing equipment and materials such as motors, probes and safety devices, as well as sea resources with a view to ensuring access to biological resources and to introduce new techniques and technologies that can be adapted to the fishing process. Angola's coastline is 1,650 kilometres long and until 1972 the country was one of the world's main producers of fish meal. The sector's current activity is based on industrial, semi-industrial and artisanal fishing.

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## Disclosures

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

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

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

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

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