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15 September 2014

EAGLESTONE SECURITIES

BRIEFS

Africa

- Yara Plans $2.5 Billion Gas-Based Fertilizer Plant in Africa
- FirstRand Targets Africa With $924 Million as Profit Increases
- IFC Provides $17bn Support to Entrepreneurs in Africa

Angola

- Angola's $5 billion sovereign fund nearing African, global private equity-style deals

Egypt

- Egypt's foreign reserves up in August to $16.836 bln
- Foreign investment in Egypt doubles to over $6 bln in 2013/14
- Egypt signs $500 mln World Bank gas loan

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- Ghana To Seek Fiscal Balance, Economic Reforms At IMF Talks
- Ghana bank buys German financial firm

Kenya

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- NIC Bank Boosts Offer as Investors Seek Kenyan Corporate Bonds
- Kenya's Uchumi Supermarkets full year pretax profit falls 7%

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In-depth:

IMF Executive Board Concludes 2014 Article IV Consultation with Angola

Context and outlook: Angola's recent economic developments have been positive, but softening oil revenue and limited proven oil reserves highlight the need to contain emerging fiscal deficits, preserve policy buffers, and continue diversifying the economy.

Focus of consultation: Discussions focused on mitigating the main risks to the macroeconomic framework and, inter alia, policies to return to structural fiscal surpluses over the medium term, and to support economic diversification and inclusive growth, the modernization of the monetary policy framework, and financial stability.

Key policy recommendations:

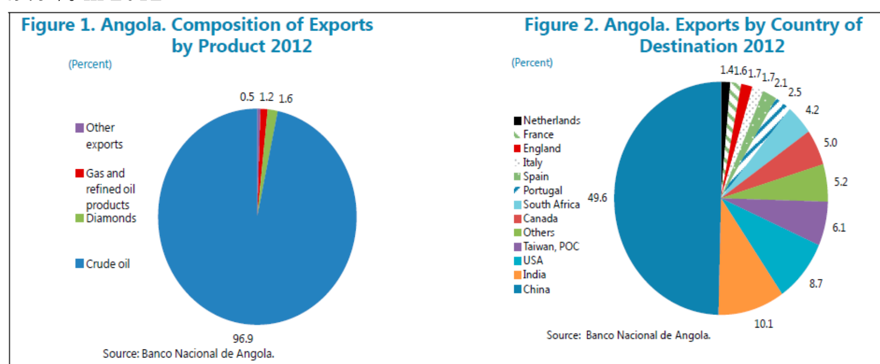
- Return to structural fiscal surpluses in line with the objective set forth in Angola's Sovereign Wealth Fund, by mobilizing additional nonoil tax revenue, improving the efficiency of public investment, and reducing current spending, including by phasing out the costly and regressive fuel subsidies—while mitigating the impact on the poor through well-targeted social assistance.
- Adopt an improved medium-term fiscal framework, focusing on the structural fiscal balance to limit the impact of the oil sector on the nonoil economy.
- Develop a coherent asset-liability management framework, including a well-designed stabilization fund to shield the budget from oil revenue fluctuations.
- Further improve public financial management systems to avoid, inter alia, a recurrence in the future of domestic payments arrears.
- Continue improving the business climate to boost economic development, diversification, and competitiveness.
- In transitioning over the medium-term toward an inflation targeting regime, enhance the central bank's capacity to collect and analyze high-frequency economic data, and continue de-dollarizing the economy.
- Further strengthen the financial system, by continuing to improve the transparency and accountability of banks, and enhancing bank supervision.
- Manage public guarantees transparently and with a view to minimize fiscal costs, as envisaged in the recently-approved law on public guarantees.

Angola's external balance appears sustainable under current assumptions regarding the evolution of oil prices and output/exports, but the economy's lack of diversification implies that it remains highly vulnerable to declines in the oil price and disruptions in oil production. Moreover, to the extent that the commercial viability of future oil production from the pre-salt deposits is still uncertain, risks to oil output are on the downside.

Angola's real exchange rate is overvalued, with the CGER-type approaches suggesting an overvaluation in the range of 10-25 %, although confidence intervals are large and in one method undervaluation cannot be ruled out. Non-price competitiveness indicators, including the World Bank's Ease of Doing Business and the World Economic Forum's Global Competitiveness Index, confirm a lack of competitiveness of the Angolan economy. Given the high pass-through of the nominal exchange rate to prices, improving competitiveness should focus on measures to improve the country's business climate and infrastructure.

The assessment of reserve adequacy shows that international reserves are currently adequate for precautionary purposes, but the high (although declining) level of dollarization in the financial system implies that a higher benchmark is appropriate; staff sees limited scope for drawing down reserves.

Angola's exports remain heavily concentrated in a single commodity, crude oil, which in 2012 accounted for close to 97 % of total exports (see Figure 1). Moreover, this high concentration of exports has remained roughly constant over the past five years. Oil exports are also highly concentrated in terms of trading partners, with China accounting for nearly half of Angola's oil exports (Figure 2). This concentration of exports to China has increased over time, from 23.3% in 2009 to 49.6 % in 2012



Over the past year, a relatively high oil price has helped maintain export revenue despite weak growth in oil production.

The composition of imports by type of good shows that they continue to be dominated by consumption goods, accounting in 2012 for about 58 % of total imports, with intermediate goods accounting for 12 % and capital goods for the remaining 30 % (see Figure 5). Except for the year 2009, when imports fell abruptly and consumption goods decreased their share to only 16 % of the total while capital goods increased their share to 80 %, the shares have remained relatively constant over the past five years (Figures 5 and 6).

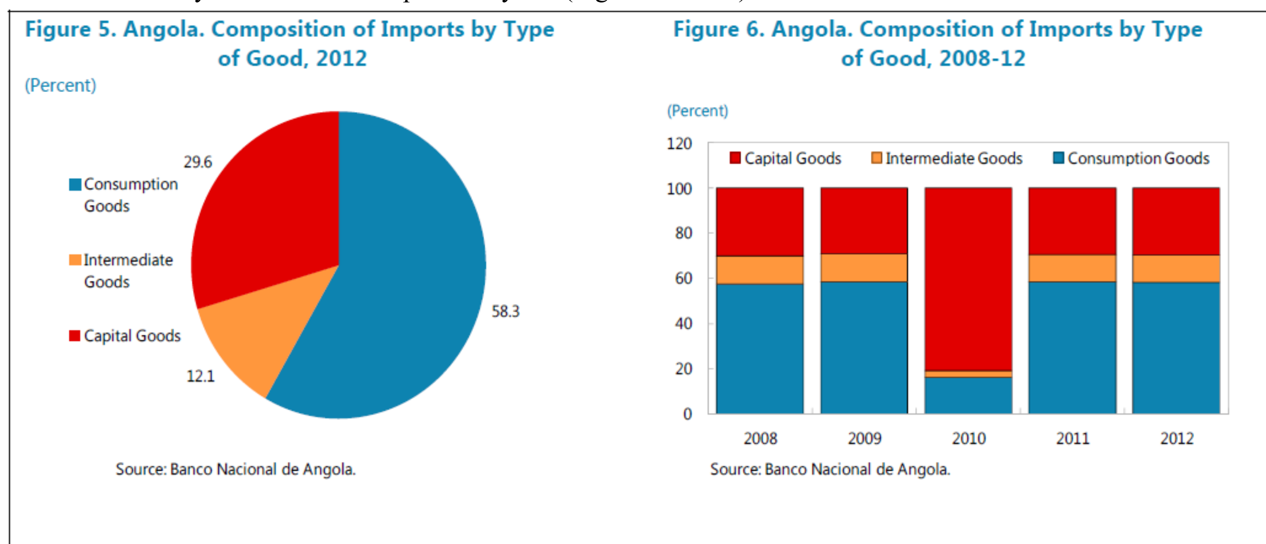


Figure 5. Angola. Composition of Imports by Type of Good, 2012

Source: Banco Nacional de Angola.

Figure 6. Angola. Composition of Imports by Type of Good, 2008-12

Source: Banco Nacional de Angola.

Among the group of countries in sub- Saharan Africa which are classified as resource rich based on both the share of resource exports in total exports and resource revenue as a share of total revenue, Angola has the second lowest investment rate after Nigeria, and invests a significantly lower share of GDP than other resource rich comparator countries.

In terms of the trade balance, the surplus in the goods trade balance is more than sufficient to offset the structural deficit in the services balance and the negative net income, with the result that the current account has remained in surplus since 2003, except for the deficit registered in 2009 as a result of the sharp decline in both oil prices and output. **Relative to the composition of the current account**, the capital and financial account in Angola shows more volatility, with some components contributing positively in some years and negatively in others. Even as the overall capital and financial balance might show relatively small changes from year to year, its components register much larger changes. Despite these changes in the components, they tend to offset each other, with the result of a relatively small capital and financial account surplus or deficit as a share of GDP (Figure 9).

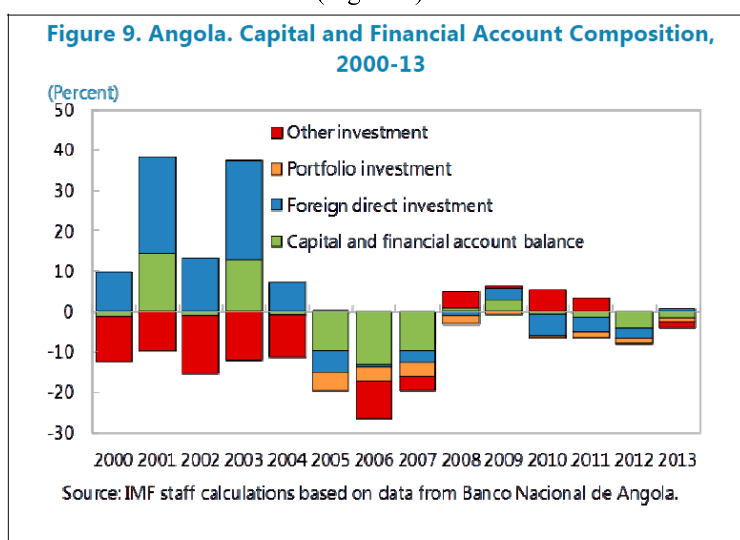


Figure 9. Angola. Capital and Financial Account Composition, 2000-13

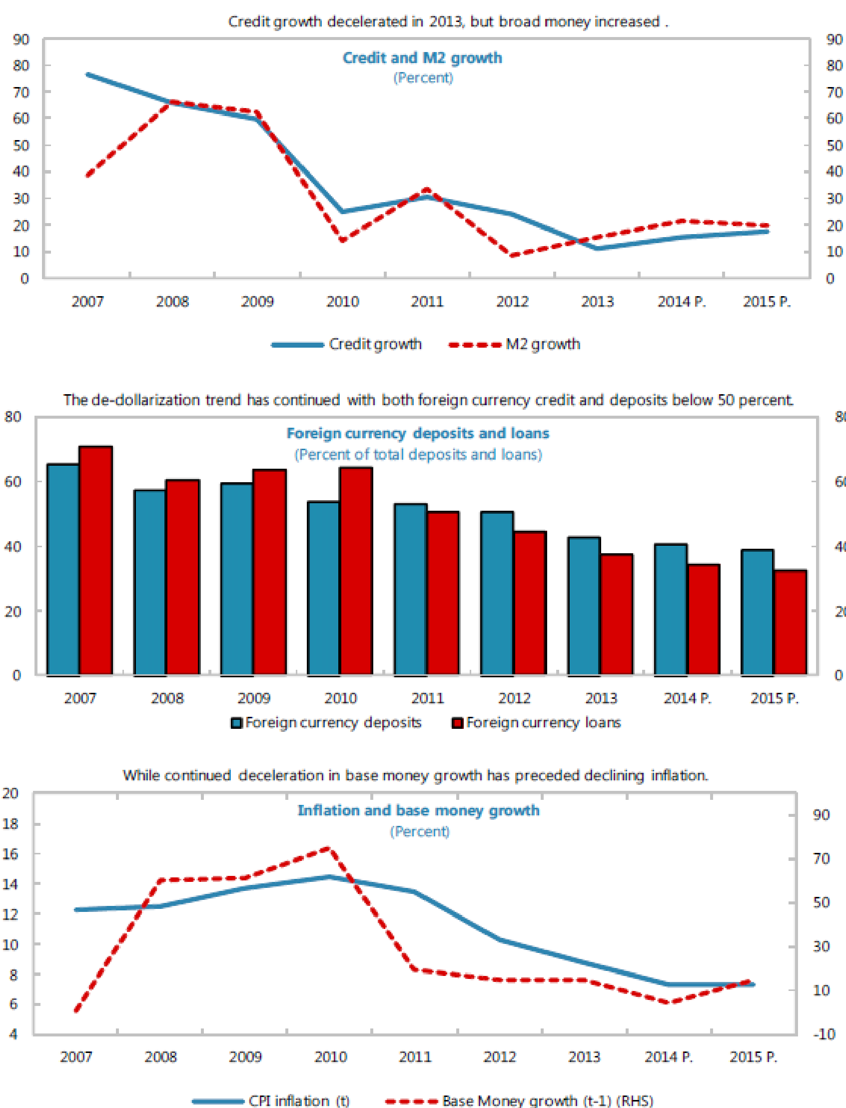
Source: IMF staff calculations based on data from Banco Nacional de Angola.

Thus, for example, whereas positive **Foreign Direct Investment (FDI)** flows as a share of GDP were very large over the period 2000-05, and in fact contributed to financing the current account deficits registered in the period 2003-05, these FDI flows have become negative since 2006 except for the years 2008-09. Similarly, whereas loans, which

together with trade credits constitute the bulk of the other Income category, were negative and very large as a share of GDP over the period 2000-06, they have since reversed signs and become much smaller in magnitude.

Executive Directors agreed with the thrust of the staff appraisal and commended the authorities for the progress made toward macroeconomic stability, having reached a historically low level of inflation and an adequate level of international reserves. Directors welcomed the improved economic outlook, but noted that risks require additional efforts to strengthen policies. In the long run, reducing the dependence on oil is key to containing external vulnerabilities and achieving sustainable and inclusive growth.
Directors emphasized the need for a coherent asset liability management framework, including a fiscal stabilization fund that could improve the management of Angola's natural resource wealth and protect annual budgets against volatile oil revenue. They noted the very low efficiency of public investment and saw merit in developing a system of public investment management that would help meet Angola's infrastructure needs at a lower cost. They welcomed the recent measures to strengthen public financial management and end domestic payment arrears, and looked forward to their steadfast implementation.
Directors saw the current conditions of relative stability and low inflation as an opportunity to introduce some exchange rate flexibility, which would help reduce dollarization and develop more effective monetary instruments. They noted that reserve levels are currently adequate and should be maintained to provide an appropriate buffer against external shocks.

Angola: Monetary Developments, 2007–15



Sources: Angolan authorities and IMF staff calculations.

Angola's $5 billion sovereign fund nearing African, global private equity-style deals

Angola's fledgling sovereign wealth fund has identified direct investments in sub-Saharan Africa, and is poised to start deploying up to a third of the $5 billion it has been endowed by the government, its chairman said. Jose Filomeno dos Santos said the fund had set up a series of special purpose vehicles to identify opportunities in commercial infrastructure, energy, mining, agriculture and real estate. He was speaking to Reuters in London as the Fundo Soberano de Angola (FSDEA), set up in 2012 to invest Angola's oil wealth, announced it now has assets of $5 billion following a final top-up of $1.35 billion made in June. The fund will also deploy another third of its endowments, around $1.66 billion, to "opportunistic" investments around the world, seeking to buy up companies with a focus on sectors that could complement its activities in Angola and elsewhere in Africa. "This is interesting for a fund such as ours because we have a need to attract talent and a need to bring technology to the (African) continent," he said. Such targets might include "companies that maybe are based in saturated markets in Europe and the United States that could be refocused to investing in our region of the world," he said. Another third of the fund's assets are being deployed to liquid financial assets - fixed income and equities - in developed markets, though dos Santos did not disclose what those investments were. According to audited results for 2013 released on 10th September, the fund had total assets of around $3.65 billion prior to the final top-up, and allocated $24 million to set-up costs during the year. Dos Santos said future endowments to the fund would depend on how much was left over from a specific government account fed by oil cash worth roughly $3.65 billion a year aimed at financing fiscal stability measures. The remainder will be transferred to the fund. "We would hope that at least half of that figure would be transferred to us, but it is really what is available," he said. Dos Santos, the eldest son of long-serving President Jose Eduardo dos Santos, declined to identify specific acquisition targets being eyed by the fund or the vehicles it has set up, saying that was commercially sensitive information. However, the fund has signed up to an IMF-backed set of guidelines on best practice and transparency for sovereign wealth funds and investments will be disclosed after they have been made, he said.

Dos Santos said he was approaching the final year of a three-year term as the head of the fund but had no plans to enter politics in Angola, Africa's biggest oil producer after Nigeria, and hoped to remain in finance, either with the fund or in a similar role. He also said the fund had not been involved in Luanda's intervention in the Angolan unit of troubled Portuguese lender Banco Espirito Santo. Angola put the local unit into administration in August as part of a series of "extraordinary overhaul measures" following Portugal's announcement of a 4.9 billion euros rescue plan for the parent company. Shareholders and investors in Banco Espirito Santo and the owner-family's other companies have lost more than 10 billion euros, making this one of Europe's biggest corporate collapses ever. Banco Espirito Santo Angola (BESA) is a major financial player in Angola, with close ties to the ruling elite. "We have not been involved," said dos Santos. As most of FSDEA's funds have not yet been invested, they are being kept at one of the 10 large global custodian banks, he said. He did not disclose the name of the custodian, but a source close to the fund said it was Northern Trust. *(Reuters)*

SOVEREIGN RATINGS

Eurozone

15-09-2014	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-	A-	P-2	A-2	F1
Italy	Baa2	BBB u	BBB+	P-2	A-2	F2
Latvia	Baa1	A-	A-	NR	A-2	F1
Luxembourg	Aaa	AAA	AAA	NR	A-1+	F1+
Malta	A3	BBB+	A	NR	A-2	F1
Neherlands	Aaa	AA+u	AAA	P-1	A-1+u	F1+
Portugal	Ba1	BBu	BB+	NR	Bu	B
Slovakia	A2	A	A+	NR	A-1	F1
Slovenia	Ba1	A-	BBB+	NR	A-2	F2
Spain	Baa2	BBB	BBB +	P-2	A-2	F2
United Kingdom	Aa1	AAAu	AA+	NR	A-1+u	F1+

Sources: Bloomberg, Eaglestone Advisory

North and South America - Asia

15-09-2014	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
ARGENTINA	Ca	Sdu	RD	NR	Sdu	RD
AUSTRALIA	Aaa	AAAu	AAA	NR	A-1+u	F1+
BRAZIL	Baa2	BBB-	BBB	NR	A-3	F2
CANADA	Aaa	AAA	AAA	NR	A-1+	F1+
CHINA	Aa3	AA-	A+	NR	A-1+	F1+
COLOMBIA	Baa2	BBB	BBB	NR	A-2	F2
INDIA	Baa3	BBB-u	BBB-	NR	A-3u	F3
JAPAN	Aa3	AA-u	A+	NR	A-1+u	F1+
MACAU	Aa2	NR	AA-	NR	NR	F1+
MEXICO	A3	BBB+	BBB+	WR	A-2	F2
SINGAPORE	Aaa	AAAu	AAA	NR	A-1+u	F1+
URUGUAY	Baa2	BBB-	BBB-	NR	A-3	F3
VENEZUELA	Caa1	B-	B	NR	B	B
USA	Aaa	AA+u	AAA	NR	A-1+u	F1+

Sources: Bloomberg, Eaglestone Advisory

Region - Africa/Middle East

15-09-2014	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Angola	Ba2	BB-	BB-	NR	B	B
Bahrain	Baa2	BBB	BBB	NR	A-2	F3
Benin	NR	NR	WD	NR	NR	WD
Botswana	A2	A-	NR	NR	A-2	NR
Burkina Faso	NR	B	NR	NR	B	NR
Cameroon	NR	B	B	NR	B	NR
Cape Verde	NR	B	B	NR	B	B
Egypt	Caa1	B-	B-	NR	B	B
Emirate of Abu Dhabi	Aa2	AA	AA	NR	A-1+	F1+
Gabon	NR	BB-	BB-	NR	B	B
Ghana	B2	B	B	NR	B	B
Iran	NR	NR	NR	WR	NR	NR
Israel	A1	A+	A	NR	A-1	F1
Ivory Coast	B1	NR	B	NP	NR	B
Jordan	B1	BB-	NR	NR	B	NR
Kenya	B1	B+	B+	NR	B	B
Kuwait	Aa2	AA	AA	NR	A-1+	F1+
Lebanon	B1	B-	B	NR	B	B
Lesotho	NR	NR	BB-	NR	NR	B
Libya	NR	NR	WD	NR	NR	WD
Mali	NR	NR	WD	NR	NR	NR
Mauritius	Baa1	NR	NR	NR	NR	NR
Morocco	Ba1	BBB-	BBB-	NR	A-3	F3
Mozambique	B1	B	B+	NR	B	B
Namibia	Baa3	NR	BBB-	NR	NR	F3
Nigeria	Ba3	BB-	BB-	NR	B	B
Oman	A1	A	NR	NR	A-1	NR
Qatar	Aa2	AA	NR	NR	A-1+	NR
Republic of Congo	Ba3	B+	B+	NR	B	B
Republic of Zambia	B1	B+	B	NR	B	B
Rwanda	NR	B	B+	NR	B	B
Saudi Arabia	Aa3	AA-	AA	NR	A-1+	F1+
Senegal	B1	B+	NR	NR	B	NR
Seychelles	NR	NR	B+	NR	NR	B
South Africa	Baa1	BBB-	BBB	P-2	A-3	F3
Tunisia	Ba3	NR	BB-	NR	NR	B
Uganda	B1	B	B	NR	B	B
United Arab Emirates	Aa2	NR	NR	NR	NR	NR

Sources: Bloomberg, Eaglestone Advisory

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

AFRICAN DEVELOPMENT BANK

AfDB provides grants for agricultural projects in Mozambique

The African Development Bank (AfDB) has approved two grants worth a total of US$ 1.223 million dollars for preparation of projects in the agricultural sector in Mozambique, the bank said in a statement.

Approved as part of the Agricultural Fast Track Fund, the two grant recipients are Odebrecht and EcoFarm Moçambique, private sector entities that work in the areas of infrastructure and agriculture, respectively.

According to the statement sent to Macauhub, the purpose of the grants is to fund project preparation activities, including feasibility studies and environmental and social impact assessment.

The grant provided to Odebrecht Mozambique will be used to fund investments related to development of a value chain for chicken production, including designing an aviary, as well as processing and distribution of chicken meat in Mozambique.

This project will be carried out in the districts of Lugela and Mocuba, Zambezia province, in an area of 6,000 hectares.

For the case of Mozambique Ecofarm, the donation will fund preparation of a sugar cane production project, including an environmental recovery plan and a social impact assessment, design of an irrigation system and an electrification project for the sugar cane processing plant. This project will be carried out in Chemba, in Mozambique's Sofala province, in an area of 3,500 hectares. *(Macauhub)*

Multilateral Development Banks agree to reinforce climate financing in advance of UN summit

The AfDB is strongly committed to financing climate resilient and low-carbon development in Africa.

The world's six multilateral development banks on Thursday, September 11 reaffirmed their shared commitment to lead by example by continuing to reinforce and further develop climate financing through a joint statement issued in advance of the United Nations Secretary-General's Climate Summit being convened in New York on September 23.

The African Development Bank (AfDB), Asian Development Bank (ADB), European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), Inter-American Development Bank (IDB), and World Bank Group (WBG) together pledged to maintain a strong institutional focus on climate change. This will include leveraging additional private sector investment, continuing to innovate and promote more robust and transparent climate finance tracking and reporting.

AfDB has committed to investing US $10 billion as part of its Climate Change Action Plan covering the period 2011–2015. The Bank's climate finance investment from 2011 to 2013 stands at US $5 billion; therefore it is on target to deliver its commitment.

Since they began jointly tracking climate finance flows in 2011, the six multilateral development banks have delivered nearly US $75 billion in financing to help developing countries and emerging economies respond to the challenges of climate change. On average, about 80% of this lending has supported investment in mitigation activities and 20% to adaptation.

The statement also confirmed the intention of the multilateral development banks to count and track climate finance investments in the same way. This is expected to enable greater cooperation and shared experience between the banks and other financial bodies involved in climate action.

With their ability to catalyze public and private funds, the multilateral development banks have successfully attracted and deployed climate financing to support low-carbon resilient growth in developing countries and emerging economies.

ADB and Japan sign loan agreement of $ 300 million to support the private sector in Africa

The African Development Bank (ADB) and Japan signed September 12, 2014 in Abidjan a concessional loan of 300 million dollars to support the private sector in Africa. ADB was represented by its President, Donald Kaberuka, and Japan through its ambassador in Ivory Coast, Susumu Inove.

This signature was within the framework of the initiative called. EPSA. ESPA is an innovative multi-donor initiative and multi-components to mobilize resources and to establish development partnerships supporting the Bank strategy for private sector development. It was designed in partnership with the Japanese government.

At the G8 Summit in Gleneagles in 2005, the Japanese Government announced a major initiative to support the development of the African continent in the areas of infrastructure and the private sector.

The modalities of implementation of the EPSA Initiative has three components: the accelerated installation co-financing (the public sector), the Fund for African Private Sector Assistance (FAPA), and loans to the private sector. In recent years, major projects were co-financed within this framework.

The signing follows the announcement by Japanese Prime Minister Shinzo Abe, to double his country's commitment to the EPSA account from 1000 to 2000 million over the next three years. It was during his official visit to Abidjan in early 2014.

INVESTMENTS

Japan supports competitiveness of over 200 products from Mozambique

More than 200 Mozambican products are being made more competitive for national and international markets as part of a programme supported by the Japan International Cooperation Agency (JICA), according to Mozambican daily newspaper Notícias.
The director-general of the Institute for Promotion of Small and Medium-sized Enterprises (Ipeme) in Mozambique, Claire Zimba, told the newspaper that after selecting the products and companies for this programme in 2013, work is currently focusing on training producers, particularly in terms of quality, product presentation, business registration and management and development plans.
Speaking to the newspaper at this year's Maputo International Fair, the director-general of Ipeme said the idea was to have at least 200 products of an acceptable quality by 2017 to supply the domestic market and for export.
Zimba said that in terms of promoting the quality of products pilot projects were underway with chilli peppers, copra oil and forest fruits.
"We are working on quality, image, packaging and management so that these goods can be accepted on the domestic market and abroad with a view to creating opportunities and strengthening the competitiveness of our small and medium-sized companies," said the director-general of Ipeme.
The programme initially planned to cover 100 products, but after the work carried out in 2013 the number of products more than doubled. *(Macauhub)*

CcHUB Nigeria To Support Start-ups With $500,000 Investment

Nigeria's leading social innovation centre Co-Creation Hub (CcHUB) has announced that it is to boost its incubation program with the launch of a $500,000 seed investment fund to support early stage start-ups over the next two years.
CcHUB, which leverages software developers, organizations, and a host of thers, said Start-ups will receive sums ranging from $10,000 to $25,000 to support business model experimentation and operations.
It gave the name of initial beneficiaries of the seed program as Vacantboards, Truppr, Traclist, 500 shops and GeniiGames. The announcement comes on the occasion of first anniversary of its incubation office which amongst other services, provides entrepreneurs with mentorship,user testing, access to markets, office space and administration.
In a statement sent to Ventures Africa, CcHUB said the initial beneficiaries of the seed investment went through it's Pre-Incubation program which identifies and supports aspiring technology entrepreneurs looking to address local market problems with relevant solutions.
The company stated that the beneficiaries were given a grant award of $5,000 each, through the $90,000 Tony Elumelu Foundation, to support their ideas, build working prototypes, carry out initial market testing & proof their concepts. It added that the start-ups qualified for further support when their ideas grew, earned revenues, increased their user bases and built partnerships.
Commenting on the incubation program, Bosun Tijani the CEO & Co-founder of CcHUB explained the the launch of the incubation office was in response to the need to provide business development, mentoring and funding support to start-ups that showed traction from the Hub's impactful Pre-incubation program. "Our seed investment ensures start-ups have a sure footing post-Preincubation to concentrate on rapidly executing their plans and learning from the market" he added..
CcHUB's Director of Incubation Tunji Eleso further revealed that discussions with investors were already underway to provide additional funding to two of the centre's initial beneficiaries. *(Ventures Africa)*

China's Hebei Iron & Steel to Build Plant in South Africa

Five Million-Ton Steel Plant Will Be China's Largest Steel Mill Outside Mainland

China's second-biggest steel producer, Hebei Iron & Steel Group Co., plans to build a steel mill in South Africa, a move that underscores how policy pressures are reshaping the world's largest steel industry.
While China has for years sought to acquire more raw mining assets abroad, investments in steel plants overseas are rarer and may now signal a shift as environmental costs pressure steelmakers at home.
State-owned Hebei said it has signed a deal to take a 51% stake in a venture with the Industrial Development Corp. of South Africa and the China-Africa Development Fund to build what would be the country's biggest overseas steel mill.
The plant will produce five million metric tons mostly of construction steel when completed in 2019, the Chinese steelmaker said.
The company plans to start construction next year with first-phase production to begin in 2017. Hebei, which already owns iron-ore and copper mining assets in South Africa, didn't disclose financial details of the deal.
China is home to 43% of the world's steel production, a legacy of sorts of Mao Zedong's drive in the 1960s to modernize the country's economy by encouraging steel smelters in every backyard.
As a wave of stimulus-led loans fueled real-estate development and infrastructure construction in the last six years, China has become awash in steel. Policy makers now complain that there is too much steel made in China, which they say depresses prices and contributes to pervasive pollution.

The government's stance has pushed steelmakers to consolidate, forcing state-owned giants to depart city limits for less populated areas while also complying with tougher rules to clean up their furnaces.
Hebei Iron & Steel itself came under pressure from Beijing early this year for contributing to excessive industrial capacity and environmental pollution.
Locating steel plants overseas would conform with government hopes that state-owned companies will venture more aggressively abroad, which includes Chinese moves in recent years to cultivate a strategic relationship with African nations.
"There's no guarantee that the cost of building steel plants in Africa will be lower than building them in China because of [potentially] a lack of infrastructure and raw material cost," said Huachuang Securities steel analyst Li Bin, "but it makes sense from cutting oversupply, a strategic point of view and in terms of cooperation with Africa,"
China's steel ventures abroad haven't been easy. In 2012, Wuhan Iron & Steel Group Co. halted a $5 billion effort to build a steel plant in Brazil because building rail infrastructure for the site would have made the project prohibitively expensive.
In 2010, Anshan Iron & Steel Group Co. almost backed out of a joint effort to build five mills in Mississippi after the project came under fire from U.S. congressional leaders for potentially threatening national security and jobs. The investment eventually went ahead, but remains controlled by the project's U.S. partners.
Hebei's move into South Africa comes at a time when some Chinese policy groups are pushing to loosen China's restrictions on foreign investment in the steel sector, in part to head off trade tensions that surface every time Chinese steel exports start to rise.
"We have to increase our steel companies' openness to globalization," Zhang Changfu, secretary-general of the state-backed China Iron and Steel Association, said. "Foreign investment isn't allowed. This has to change. If you don't let people in, how do you go out?" *(Wall Street Journal)*

Investors To Review Bankable Projects In Africa

Bankable projects across Africa’s diverse business sectors including agribusiness, natural resources, power and infrastructure sectors worth billions of dollars will be reviewed by investors managing capital in excess of $265 billion at a summit in London this October.
The inaugural Global African Investment Summit (TGAIS), chaired by Nigeria’s former President Olusegun Obasanjo will be held in partnership with four state houses on the continent, as the public and private sectors come together to discuss specific transactions, access to finance and bankable projects in Sub Saharan Africa requiring investment and technology transfer.
“The Global African Investment Summit will see government delegations from Africa present bankable investment opportunities to an audience of institutional investors, fund managers, PE firms and large corporations,” said Paul Sinclair, TGAIS event Director.
He noted that focusing on the bankable projects would trigger deals and investment partnerships, “enabling job creation, technology transfer and economic growth.”
TGAIS seeks to help in the channelling of funds into projects across Ghana, Rwanda, Tanzania, Uganda and Togo, from some of the world’s largest institutional investors.
“We have a number of important projects that will help the Ugandan economy grow substantially. Finding the best investors for these projects is crucial to knowing that they will be undertaken in a way that creates shared value and promotes long-term sustainability,” said Amama Mbabazi, Prime Minister of Uganda, highlighting the significance of finding the right investors for the East African country.
Rwanda’s President Paul Kagame will at the summit, present plans for the development of a new modern international airport at Bugesera and a railway project estimated to cost $5 billion. The country’s power sector, methane gas and geothermal projects will be presented with a generation capacity of 740MW as part of efforts to improve electricity in the growing economy.
African Presidents are expected to attend the event with their Finance ministers, sector specific ministers and CEOs from state owned enterprises to address and hear from the global financial markets, project implementers, consultants and law firms about co-financing and executing their most pressing projects in agribusiness, natural resources, power, and transport infrastructure. *(Ventures Africa)*

BANKING

Banks

Nigeria’s Too Big to Fail Bank Rules Spur Bond Sale Rush

Nigerian lenders are gearing up to sell the most debt in four years to bolster cash reserves, taking advantage of a drop in borrowing costs before the central bank increases how much capital they need to hold.
Banks may raise as much as $2.5 billion this year compared with $2 billion in 2013, according to FBN Capital, the investment-banking unit of Nigeria’s largest bank by assets FBN Holdings Plc. International debt sales are becoming

more common as yields on Nigerian Eurobonds due July 2023 declined 96 basis points this year through 1st September to a record. That compares with an average 35 basis-point drop in emerging-market yields, according to Bloomberg indexes.
Nigeria's central bank last month changed the way lenders calculate capital buffers to align Africa's top oil producer with global standards and increase their ability to withstand losses five years after saving the industry from collapse. The regulator ordered Nigerian banks it considered too big to fail to boost minimum capital ratios to 16 % last year, compared with 10.5 % for South African lenders, which control most of the continent's banking assets.
"Capital adequacy for many of the banks will be close to the minimum" once the changes are taken into account, Mike Nwanolue, an analyst at Lagos-based Greenwich Trust Group Ltd., said by phone on Aug. 28. "The capital adequacy levels for banks are expected to drop by about 3 % across board, which will entail raising core capital."

Capital Buffers

The Abuja-based central bank removed some assets lenders can count as capital in preparation for the implementation of Basel II and III, while limiting Tier 2 capital to 33 % of Tier 1 capital, according to an Aug. 5 circular from the regulator. Minimum capital requirements for lenders with operations outside the country was kept at 15 % and at 10 % for those with interests only in Nigeria.
The changes will shave 100 to 400 basis points off the capital adequacy ratios of most banks, Adesoji Solanke, an analyst at Renaissance Capital in Lagos, said in an Aug. 11 note.
Wema Bank Plc (WEMABANK), which focuses on the country's Delta and Southwest regions, will be most impacted among smaller lenders, and United Bank of Africa Plc of the larger ones, Exotix Africa Equity Research analysts Ronak Gadhia and Kato Mukuru said in an e-mailed note on Aug. 7. Wema's capital adequacy ratio will slip to 17.5 % this year from 26.7 % in 2013, and UBA's to 17 % from 22.6 %, Exotix said.

Absorb Losses

"Banks want to show their capacity to protect depositors and absorb losses," Sewa Wusu, an analyst at Lagos-based Sterling Capital Markets Ltd., said by phone from Lagos on Aug. 29. "A capital adequacy of over 20 % is ideal."
Policy makers in 2010 set up the Asset Management Corp. of Nigeria, which spent 5.6 trillion naira ($35 billion) buying bad loans while taking over three of the eight banks it rescued with a 620 billion-naira bailout. Two of the lenders, Mainstreet Bank Ltd. and Enterprise Bank Ltd., will be sold to new owners by Sept. 15, Amcon Chief Executive Officer Mustafa Chike-Obi said in June. Divestment of Keystone Bank will follow.
Nigerian banks with capital levels too close to the minimum will seek to raise Tier 2 capital rather than equity to avoid diluting shareholders, Oluwatoyin Sanni, chief executive officer of UBA Capital Plc, said in an e-mailed response to questions on Aug. 13. Eurobonds are a cheaper option than local debt as the "Nigerian market currently does not have the required depth and breadth," she said.

Tougher Targets

The Nigerian central bank increased cash-reserve requirements on deposits made by government ministries and agencies and state-owned companies to 75 % from 50 % last year. It also raised requirements on private deposits to 15% from 12 % in March to reduce liquidity and support the naira.
The capital changes are making it "tougher for banks to generate profits to pay as dividends," Richard Segal, head of international credit strategy at Jefferies International Ltd. in London, said in an e-mailed reply to questions.
Higher spending by government and politicians before elections in February may cause foreign outflows at the same time as banks seek to finance power, oil exploration and manufacturing projects to feed an economy forecast to expand 6 % in 2014.

Prudent Rules

"It is sensible for regulations to be prudent close to elections to ensure banks remain sound," Segal said.
Stanbic IBTC Holdings Plc (STANBIC), the local unit of Johannesburg-based Standard Bank Group Ltd., the continent's largest lender, said Aug. 7 it may raise 30 billion naira in bonds to support growth.
Yields on Access Bank's $400 million of seven-year subordinated notes have dropped 78 basis points, or 0.78 %age point, since they were issued in June to 8.72 %. FBN Holdings sold $450 million of securities due 2021 in July, while Ecobank Transnational Inc. last month issued $200 million of notes maturing in 2021.
Rates on Nigeria's government bonds maturing in nine years rose 1 basis point to 4.97 % by 12:32 p.m. in Lagos, the commercial hub, increasing from their lowest level on record. Speculation that the European Central Bank will boost stimulus amid signs of recovery in the U.S. economy is boosting demand for riskier assets. "Banks that are ready will want to do it this year to take advantage of cheaper rates," Sterling's Wusu said. *(Bloomberg)*

State Bank of India outlines R10bn African growth ambitions

India's largest commercial bank, The State Bank of India (SBI), plans to grow its footprint in Africa, retaining focus on corporate business, its South African customers and secured small, medium-sized and microenterprises, SBI international banking MD Krishna Kumar said during a visit to South Africa last week.
He noted that, during the bank's 17-year presence in South Africa, during which it had established eight branches, the focus had been largely on the Indian community and corporate market, offering trade and corporate finance services to companies in the power and energy, infrastructure, automotive, mining, iron and steel, and industrial-related markets.

“We are now looking at expanding into the larger community in South Africa and further into the corporate market. As a result, we will be increasing our asset base from the current R4.5-billion to about R10-billion over the next few years.
“Local return on assets is between 2% and 3%, which is high, based on global standards,” said the bank.
In the rest of Africa, the bank had operations in Botswana, Mauritius, Cairo and Nigeria through SBI’s stake in Sterling Bank.
Kumar was confident in the South African economy and saw significant potential. The bank projected 2% gross domestic growth for South Africa this year. He added that the group’s worldwide growth strategy was based on organic growth by partnering with existing banks rather than by acquisition.
“In the time the bank has been in South Africa, we have never shown a loss. Profits are retained in the country and never taken out. We want to build a solid institution in South Africa and are here for the long term,” he noted.
The Indian government is the single-largest shareholder of the SBI, with 58.6% ownership.
The group has over 21 000 branches in India and another 190 offices in 36 countries across the world.
Group assets are currently around $392-billion, deposits of $299-billion and capital and reserves in excess of $23-billion, while the bank’s market capitalisation is some $30-billion. *(Engineering News)*

Markets

Bond sales in Nigeria rise on new rules

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Ghana Raises $1 Billion in Dollar Bond Sale
Ghana Dollar Bond to Yield 8.25%

Just weeks after Ghana called on the International Monetary Fund for a bailout, the West African country raised $1 billion from a bond sale in a deal that underscores how far investors are willing to go to generate a decent return.
Despite the country's shaky economic fundamentals, demand for Ghana's bond was $3 billion, according to one of the banks working on the deal.
The West African country will pay a yield of 8.25% for the bond maturing January 2026, according to one of the banks on the deal. That is relatively expensive—average yields on African bonds are 5.08%, according to a J.P. Morgan Chase & Co. index.
"Bond yields globally are very low, so for some investors these types of yields are attractive," said Mark Baker, a fund manager at Standard Life Investments.
Loose monetary policies around the world have kept interest rates low, sending investors searching for yield in relatively risky places.
Thursday's Ghana bond sale follows a request last month from the country's government for an IMF bailout to help deal with a ballooning budget deficit, rising inflation and a tumbling currency. The size and terms of the IMF deal have not yet been agreed.
For some investors, the prospect of an IMF deal gives them more confidence to lend to Ghana.
"The discipline the IMF can provide will be a positive for Ghana," said Kevin Daly, a fund manager at Aberdeen Asset Management, which oversees 322.5 billion pounds ($520 billion) of assets. "It won't be an easy road, but it's an important step to get back on a sustainable path."
Mr. Daly said his funds bought some of the Ghana bonds because the yield was attractive.
Some investors struck a more cautious note.
Bryan Carter, a fund manager at Acadian Asset Management in Boston, says Ghana has made a series of poor policy choices over the last 18 months and has shown little urgency in fixing problems, such as reducing its public-sector wage bill. Debt servicing is also a potential problem, he says. Interest costs account for one-fifth of government spending, according to Fitch Ratings.
"In some ways this deal is going back in time to what frontier countries looked like 15 years ago where we were concerned about unsustainable debt," Mr. Carter said.
Others said the bond deal could encourage Ghana to withdraw its request for IMF help.
"It might give them the confidence they can go it alone and that the painful adjustments they need to make can be delayed," said Standard Life's Mr. Baker.
Thursday's deal will take debt sales from African countries this year to about $9 billion, on track to beat last year's record of $10.9 billion, according to data provider Dealogic.
So far this year, almost $1 billion of cash has been invested into emerging-market bond funds that buy, among other things, African debt, according to Bank of America Merrill Lynch. Investors pulled money out of these bond funds in only three of the last 23 weeks, Bank of America said.
Barclays, Deutsche Bank and Standard Chartered were managing Thursday's debt sale. The amortizing bond will start returning the principal to investors in three equal annual installments from January 2024.
Ghana is rated B2 by Moody's Investors Service and B by Standard & Poor's and Fitch, five levels below investment grade. *(Wall Street Journal)*

Funds

Angola Sovereign Fund receives US$5 billion

The transfer of US$1.35 billion in June completed the initial allocation of US$5 billion to the Angola Sovereign Fund (Fsdea), according to the audit report on the accounts for 2013.
The audit conducted by Deloitte & Touche, published Wednesday, noted that in 2013 the existing funds were applied in currencies and cash equivalent financial instruments.
With the initial capital now completely transferred, Fsdea is focused on development of its investment portfolio in line with the policy established by the government, aimed at preserving capital, maximising long-term returns and development of commercial infrastructure.
Thus, in addition to investments in traditional assets based in more developed markets, the portfolio will be increasingly applied in alternative investments in the sectors of infrastructure, agriculture, mining and real estate, in sub-Saharan African markets, said the statement published on the Ministry of Finance website.

Last August, the Angola Sovereign Fund announced it was sending students to the School of Management and Law at Zurich University of Applied Sciences as part of a scholarship programme called "Future Leaders in Angola."
"This initiative will offer young Angolan graduates the opportunity to access a unique and intensive course focused on international business management, investment banking and finance," according to the statement sent to Macauhub. *(Macauhub)*

Dubai's ICD Invests $300 Million in Nigeria's Dangote Cement
Sovereign Wealth Fund Makes its First Major Investment in Africa's Largest Economy
Dubai's sovereign-wealth fund said Monday it is buying a minority stake in Nigeria's Dangote Cement for $300 million as the Gulf emirate makes it first major investment in Africa's largest economy.
Dangote Cement, which is listed on the Nigeria Stock Exchange and has a market value of around $23 billion, was founded and is still controlled by Nigerian business magnate Aliko Dangote. It is a leader in its domestic market and plans to nearly double production capacity by 2018 and expand abroad with new plants scheduled in South Africa, Senegal, Zambia, Cameroon and Sierra Leone.
"We believe sub-Saharan Africa, and particularly Nigeria, provides fantastic long-term investment opportunities," said Mohammed Ibrahim Al Shaibani, chief executive of the Investment Corporation of Dubai. He said the Dangote investment allows ICD to "access and act on growth opportunities across the continent."
Nigeria is Africa's largest economy worth around $510 billion and gross domestic product is set to grow around 7% in the coming years, according to the International Monetary Fund.
ICD controls some of the emirate's crown jewels such as Emirates Airline and Emaar Properties.
Dubai's flagship carrier Emirates has already set up an extensive network across Africa as the emirate seeks to promote its role as the trade intermediary between the continent and the rest of the world.
Last month, ICD said it is teaming up with the Export-Import Bank of Korea to jointly pursue investments in Asia, the Middle East and Africa. *(Wall Street Journal)*

Tech

Unified Payments To Manage Nigeria's e-ID Payment Portal
Payments service provider Unified Payment Services Limited has announced it is partnering with Nigeria's National Identity Management Commission (NIMC) for the processing in the payment application of the new National Electronic ID Card (e-ID).
Announcing the partnership, Unified Payment explained that "with the eID card, citizens will have the ability to deposit funds, receive social benefits, pay for goods and services at Merchant locations within and outside Nigeria as well as draw cash from ATMs around the world.
Under the processing arrangement, citizen's identity data will be hosted and managed exclusively by NIMC while payment data will be hosted and managed by Nigerian banks and Unified Payments, a leading payment transaction processing company owned by Nigerian banks."
Agada Apochi, Managing Director and CEO of Unified Payments, which is owned by a consortium of leading Nigerian banks, described the e-ID as necessary for Nigeria's economic growth stating that the initiative "will no doubt help to drive financial inclusion as well as further stimulate economic activities in the country in line with the Vision 2020 agenda".
Commenting on the partnership with Unified Payments, Director General and CEO of NIMC Chris Onyemenam said the payments provider was chosen as the pilot processor of the payment aspect of the card based on its exceptional track record.
"Being the first Processor in Nigeria certified to process EMV chip cards, the first to achieve the Payment Card Industry Data Security Standard (PCI-DSS) certification as well as its ownership by Nigeria banks, it only made logical sense for us to entrust them with securely processing the payment application in the National Identity Card", he enthused. *(Ventures Africa)*

Visa pushing for electronic payments in sub-Saharan Africa
In most of sub-Saharan Africa cash dominates the payment system and only a small percentage of the population enjoy the convenience of online, card-based, and mobile payments. In Kenya, for instance, it is common for consumers to withdraw money from an ATM or mobile money agent, then walk into a supermarket to make payment in cash.
Jabu Basopo, general manager for Southern and East Africa at payments technology company Visa Inc, says there is a need to create awareness among consumers and merchants on the benefits of electronic payments.
"It is important to educate everyone, especially shop owners who have the responsibility of taking cards. In Europe when you go to a cashier the first payment option they offer you is card. Here what we have is the reverse – cash. And we need to change that mindset," says Basopo.
Visa has rolled out mobile payment options in Rwanda, Kenya and Botswana. He explains this is part of the firm's strategy to encourage electronic payments by offering consumers an additional channel.

Although banks in the region have developed their own mobile banking platforms these products are not inter-operable. Visa's mobile banking solutions do not compete with those offered by banks but simply provide an additional channel for customers to make payments.

"Mobile is not a product, it is a channel. We are enabling the choice of mobile as a payment channel. If you are going to electronify payments you want to make sure that all the possible channels are activated. It is up to the consumer to pull out their card or phone, or go onto the internet to make a transaction," he explains.

Visa plans to generate 50% of its revenue from markets outside the US by 2015. The company is pushing the adoption of EMV chip cards which offer more security and are harder to counterfeit compared with the traditional magnetic strip cards.

"The whole of Europe has migrated to EMV cards, and they have seen reduction in card fraud," says Basopo. "The banks have a lot of bulletproof security systems in their own platforms, and we also have safeguards at Visa to prevent fraud. There are 'risk tools' embedded in every platform to make sure we address the issues of fraud in card payments."

Although many banks have adopted the EMV migration process, most consumers have not collected their new chip-enabled payment cards.

"As you know, in most developed economies they would use the postal service as a way of distributing the cards, but in this market that would not be a recommended solution. So the banks are sitting with the cards in their cabinets waiting for customers to come and collect them."

Each economy is different

Basopo oversees operations in 20 territories and notes that each African country is different. In Ethiopia, for instance, the regulator bars international cards. Visa has been operational in Ethiopia since 2004 working with local banks, but the cards only work within Ethiopia as per the regulator's requirement.

Earlier this year Visa began piloting the country's first international debit card.

"Every economy is different and the levels at which they can absorb certain things depends on what you have in place whether it is platforms, systems and skills. So in some economies you have to appreciate that they are still developing these things… whereas others are well advanced," says Basopo. *(How we made it in Africa)*

Mobile Money: The Battle for Africa

As enthusiasm for mobile-phone-based payments grows in Africa, operators are rushing to get a piece of potentially lucrative and ever-expanding markets and to challenge more popular and established mobile-payment services, such as Kenya's M-Pesa.

Last month Western Union announced an expanded collaboration with MTN, a mobile phone service provider focused on Africa, the Middle East and West Asia, to offer a new mobile money transfer service in the Ivory Coast. This new service will let people using MTN's Mobile Money service receive a money transfer transaction via Western Union directly on their mobile phones, the firms said in a joint press release. The companies have a similar collaboration that is already operating in Uganda.

The announcement, industry experts say, is an example of a growing number of partnerships between operators already cashing in on the market and banks and new players trying to get in on the action.

The market is buoyant. According to a recent report by consultant Analysys Mason, the telecom market will be one of sub-Saharan Africa's key growth sectors in the next five years thanks to an increase in 3G coverage and capacity and the wide penetration of low-cost smartphones.

New players and collaborations are emerging constantly, says David Kleiman, a Nepal-based consultant with PHB Development who has over 15 years' experience on mobile payments in Africa and Asia. "There have been multiple players entering this space," he says. "Many mobile network operators have tried to make offerings—Vodafone, MTN, Orange and Airtel are the big ones—but increasingly even the mobile virtual network operators are offering their own services, competing not only with the larger operators but the banks as well."

So far, most of the talk about mobile money has been about the huge success of M-Pesa in Kenya and other countries since its launch in 2007. The mobile-phone-based money transfer system is now available in seven African countries and it has 16.8 million active customers, of which the vast majority are in Africa. It handles more than $1 billion in transactions per month in Kenya alone and it charges about 1% of the total amount being sent.

Not surprisingly, banks are keen to roll out similar services. Kenya's largest bank in terms of customer numbers, Equity Bank, is entering the fray with a system that enables its customers to access banking services via a specially designed SIM card for their mobile phone.

Other financial services players are setting up partnerships with mobile operators, too. In Egypt, the National Bank of Egypt teamed up with MasterCard and telecom firm Etisalat to launch a mobile payment wallet that enables subscribers to transfer money using their mobile phones. At a later stage, they will also be able to pay their bills and pay for goods using their phones.

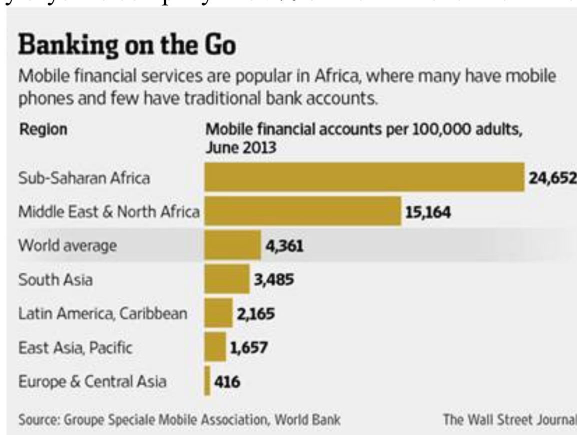
Service providers are also eyeing the more-than-$500-billion-a-year global remittances business hungrily.

Last February, Vodafone and MoneyGram joined forces to create a system to transfer funds directly from roughly 200 countries to M-Pesa's customer base. "We are extremely excited about the growth in Africa," says Pam Patsley, MoneyGram's chief executive.

MasterCard has taken a different tack in Nigeria, providing the capability for holders of the country's new digital ID card to receive payments from abroad electronically. The ID card, officially launched late last month by Nigeria's President Goodluck Jonathan, doubles as a payment card that can be pre-loaded with cash. Although the design of the ID card caused a spirited debate with its inclusion of the MasterCard logo, its dual functionality has been largely well received.

Some critics have also questioned why no mobile-money functionality was included in the new system. But Daniel Monehin, division president for MasterCard in sub-Saharan Africa, believes a card-based payments system may actually be more effective in providing access to financial services to people who are currently unbanked: "The old school of thought was that you would need mobile payments to reach the poor," he says. "But not every individual has a phone so this will be more effective."

Even so, Monehin says his company plans to roll out a mobile wallet product in the future, which will give users more flexibility in making and receiving payments. MoneyGram's Ms. Patsley also doesn't discount getting involved in the mobile payment market even more deeply as African markets develop. "Our business today is consumer-to-consumer," she says "but when you look at the capabilities MoneyGram has, it lends itself to things like consumer-to-business." MoneyGram operates in 52 African countries but doesn't disclose a figure of market share per country or the continent as a whole. However, Ms. Patsley says the company has 5% of the market share in the remittances market globally.



Figures released by GSMA, an international mobile-telecoms association, illustrate the level of excitement over the mobile payment market in Africa. The association says there were 219 mobile money deployments globally as of December last year—52% of those were in Sub-Saharan Africa.

Additionally there were 47 planned deployments in the region, out of 113 planned worldwide. With roughly 2.5 billion people in lower to-middle income countries who have no access to banking services, the potential is clear. Dave Vosburg, former CFO of mobile money operator Zoona, cautions that growth of the market in countries other than Kenya has been choppy. "[We've seen] fits and starts with progress in pockets, but no substantive progress like what we've seen in Kenya," he notes.

Potential customers are also still skeptical in many cases. According to PHB Development's Mr. Kleiman, customers still need to be educated about the benefits of mobile money services—and financial services in general. "The reality is that people who understand the value of savings, or the importance of budgeting, tend to use these services more wisely and more often," he says.

Companies need to broaden their horizons and work together with other firms too for consumers to make full use of the technology's capabilities. "At the moment all of the businesses are walled gardens," says Charles Niehaus, managing director at Circle Payments. "So a theme starting to play out is solving for interoperability so that users can transact between each other."

Regulation is also a concern for companies trying to enter the market. London-based director of mobile money for Vodafone, Michael Joseph, says: "In some [African] countries regulators want to [control] you like a regular bank. They need to understand the potential for mobile money and how it can change people's lives." *(Wall Street Journal)*

ENERGY

Denmark pays for power transmission line in Mozambique

Mozambican state electricity company EdM is building a new power transmission line linking the administrative post of Ressano Garcia, in Maputo province, to the district of Macia, in Gaza province, said the company's chairman.

Augusto Sousa Fernando told Mozambican daily newspaper Notícias, that the work, costing US$70 million funded by the Danish International Development Agency (Danida), "will surely improve the quality of power in Gaza and Inhambane provinces.

According to the chairman of EdM this line is already one of the benefits arising from construction of the Ressano Garcia Power Plant fired by natural gas from the Pande and Temane gas fields.
The choice of Ressano Garcia for the installation of the new power plant was due to the proximity of the gas line that links the Pande and Temane region with South Africa as well as the fact that Ressano Garcia is close to the power grid.
The new power plant diversifies energy sources in Mozambique, which to date has been 99 % dependent on electricity generated by hydroelectric facilities, 94 % of which from the Cahora Bassa dam.
Fernando Sousa also told the newspaper that the new line linking Ressano Garcia to Macia is expected to be operational in 2016. *(Macauhub)*

Brazilian Firm To Build 700 Megawatt Plant In Nigeria

Nigeria has reached an agreement with Brazilian firm, Benco Energy limited, for the construction of a 700MW combined cycle power generating plant in Bayelsa state, Southern Nigeria.
The Nigerian Minister of Power, Prof Chinedu Nebo explained, at the signing of the Memorandum of Understanding (MoU), that the plant was part of an earlier agreement with Brazil which afforded interested Brazilian power firms an opportunity to invest in Nigeria to produce at least 10,000MW of power for Nigerians. The MoU with Benco is the first deal arising from the agreement.
"A couple of years ago, Electrobras of Brazil and the Nigerian government signed an MoU and it was aimed at bringing into Nigeria, Electrobras to help Nigeria develop as much as 10,000MW of power. What we are signing today is the very first takeoff of the implementation of that MoU, bringing Benco to work with the Federal Ministry of Power for their plant. We want to assure Benco that the terms of the MoU that we have signed today; we will do put best to implement them," said Prof Nebo.
Benco's President, Mr Rodrigo Badin indicated a commitment of $800 to $900 million to facilitate the construction of the plant within three years, revealing that the location of Bayelsa was chosen for strategic reasons.
"The location is Bayelsa because it is a terrain which is close to gas supply, transmission line and a river. So, we have all the right infrastructure that we need there and this location is perfect for our investment," he said.
In a related development, Prof Nebo said that Nigeria's electricity generation profile had been boosted to 4500 MW due to increase in gas supply to thermal generation plants in the country and increasing stability in the transmission network. *(Ventures Africa)*

New dams in Mozambique facilitate agricultural development

The construction of the Lupata and Boroma dams, in Mozambique's Tete province, will facilitate the development of agriculture and forestry along the Zambezi River, according to the heads of the companies that recently signed the respective concession agreements.
The officials believe that once they are completed, the two reservoirs will contribute to mitigating the effects of floods that have dramatically affected populations living along the Zambezi River valley and riverside districts, according to Mozambican daily newspaper Notícias .
The two concessions granted by the government are intended to build two dams to produce 800 megawatts (MW) of hydroelectric power, essential to meeting growing domestic demand for electricity.
The companies are part of a Mozambican group and a consortium of companies that it is made up of, namely Sonipal Ltd, Hydroparts, Ruthland and Cazembe Holdings in strategic partnership with state power company Electricidade de Moçambique (EdM). Paul Ratilal, on behalf of the proponent companies, said at the session to sign the concession agreements that Mozambique is a vast country, with an average of 120,000 new electrical connections per year and an energy demand that is growing by about 14 to 16 % per year. "In the coming years, in the city of Maputo alone, approximately 100 new residential and office buildings are due to be built, as well as condominiums and in other urban areas new buildings are also planned, especially in Beira, Nacala and Pemba, in addition to development corridors and special economic zones, development hubs such as Nacala, Beluluane, Manga, Dondo, Tete, and Palma, amongst others," said Paul Ratilal. *(Macauhub)*

Angola economy: Powering up

Angola has set out ambitious targets for electricity and water provision in a bid to boost its non-oil economy as well as placate a population frustrated by poor service delivery and power shortages. However, significant private investment will be needed to fund new energy generation and supply, while wholesale sectoral reform is required to improve efficiency.
Speaking at the conclusion of the fourth Consultative Council of the Ministry of Energy and Water, Angola's energy and water minister, João Baptista Borges, announced that the country would be producing 5 gw of power by 2017, and 9.9 gw by 2025, when he says more than 60% of Angolans will have access to electricity. At present the country produces just over 3 gw and only one-third of the population has access to electricity. The minister added that by 2017 all provincial capitals would have piped water, and urban sanitation coverage would reach 85%.

Energy shortages are constraining manufacturing development

Even wealthy families have poor water access, using private water tanks filled at great expense, and in urban slum areas communal taps and pipelines are badly maintained and supplies are sketchy.

Meanwhile, the lack of reliable grid electricity and the reliance on diesel generators mean that producing anything in Angola is expensive. This high cost and inconvenience is undermining efforts to diversify the economy away from oil, efforts that are required to generate new income streams and employment for a growing population. The government wants to foster a manufacturing sector so it can cut back on high-priced imports and create jobs, but because of the electricity shortfalls it still remains cheaper and more reliable to bring goods in than produce them domestically.

Angola's lack of electricity also impedes social development. Schools are over-subscribed but cannot operate at night because they have no lights; hospitals cannot run basic life-saving machinery, and subsistence farmers and fishermen cannot store their produce for more than a few days because of the heat. Poor sanitation and a lack of clean drinking water also mean that the country has some of worst social indicators in Africa, despite the country's vast oil wealth. The shortfall in water and electricity is also a daily complaint among the country's population, which wants to share in the fruits of peace so visibly enjoyed by urban elite in the capital, Luanda, who have links to the ruling party and the state-owned oil company, Sonangol. Failure to address this in the short to medium term is sowing the seeds for social upheaval.

Not the first time such pledges have been made

The government's commitment to boost Angola's power supplies is positive, but it is not the first time that such an announcement has been made. In September 2010, for example, Carlos Feijo-then minister of state and presidential chief of staff-told reporters at a news conference in Luanda that the government would be spending US$18bn to end all power cuts by 2016. This pledge was repeated by the president, José Eduardo dos Santos, in the run-up to Angola's general election in 2012. A new and longer timeline has now been announced, along with a call for outside investment to help to make it happen.

Privatisation of utilities possible

Earlier this year the African Development Bank (AfDB) announced a US$1bn "strategic partnership" with Angola's Ministry of Finance to overhaul the energy sector, increase efficiency and create opportunities for private-sector investment. At the time the AfDB's president, Donald Kaberuka, stressed the need for institutional reform. There are some signs that this may be happening. Although Angola has many problems with the transmission and management of its power supplies, owing to bloated and ineffective parastatals, legislation is being prepared to facilitate privatisation of the utility companies in a bid to increase efficiency and value for money. Devolving power to a regional level should also improve service delivery and make the firms more accountable.

It is clear that Angola needs significant private investment if it is to meet its energy supply targets. According to the AfDB, the country is currently spending US$5bn a year on public investment on its power sector. This is not sustainable, however, especially as oil production and hydrocarbons revenue have fallen this year.

According to Mr Baptista Borges, Angola plans to use private investment to generate 3.2 gw of new supplies, out of the 9.9 gw it hopes to have available by 2025. A number of hydroelectric and transmission projects are already under way, with investment from Brazil, China, Portugal and other European countries. Some are public-private partnerships, while others are being funded by bilateral credit lines or other international financing such as that provided by the World Bank's Multilateral Investment Guarantee Agency.

There are also plans under way to convert existing diesel-fired power plants, which currently produce over 40% of the country's electricity, to be run on gas. Two facilities are already in the process of being upgraded, and several more, including recently built plants, have also been earmarked for conversion. Using gas will be cleaner than diesel, but it is still a fossil fuel and therefore comes with an environmental cost. Angola has a US$10bn liquefied natural gas (LNG) plant and in theory has access to gas to make liquefaction viable. However, the newly opened plant has been dogged by problems since its launch, and is currently expected to be closed until mid-2015 for repair works.

Green options

The government has also made a commitment to alternative energy and says that of the 9.9 gw it plans to be producing by 2025, 800 mw will come from renewable sources such as biomass, solar and wind. Mr Baptista Borges announced that the country would be creating a renewable energy centre to promote research and knowledge about alternative energy sources.

If all of the planned projects come to fruition, Angola could end up with surplus electricity and be in a position to export to neighbouring countries, such as the Democratic Republic of Congo and Zambia, both of which have their own energy challenges.

However, given the growth of domestic demand and how long it takes the government to deliver on its commitments, energy exports are unlikely in the short to medium term. *(Economist Intelligence Unit)*

South Africa unveils support package for struggling power utility

South Africa announced a support package for Eskom, the struggling state utility that will see it raise about $4bn in additional debt and also receive an equity injection from the government.

The package comes as Eskom – Africa’s biggest electricity producer – has been battling to keep the lights on as its grapples with wafer-thin reserve margins, ageing infrastructure and a funding deficit.

A lack of electricity capacity has been blamed for stymieing new investment and growth in Africa's most developed economy. South Africa barely managed to avoid a technical recession in the second quarter, when gross domestic product growth came in at 0.6 per cent.
A statement from the finance ministry said the cabinet had approved a "package to support a strong and sustainable Eskom to ensure that the energy security of the country is maintained, as well as supporting GDP growth".
The treasury said the size of the capital injection would be revealed during budget announcements, adding that Eskom would increase its debt-raising plans by R50bn ($4.5bn) above the original R200bn medium-term plan.
Eskom's funding gap has been estimated at about R225bn for the next four to five years.
This year, Eskom has been forced to implement scheduled power outages during the winter as it can no longer put off vital maintenance on its equipment.
The problems stem from years of poor planning and under-investment, which came to the fore when rolling blackouts in 2008 sent platinum and gold prices soaring and cost the country billions of dollars.
Eskom is spending more than R260bn on three new power plants, and renovating older ones, to try to avoid a repeat of the 2008 crisis. But the plants have suffered significant delays, while their construction costs have gone way above budget.
The group has insisted it needs to raise tariffs, which have already been increased by more than 100 per cent over the past five years. South African businesses, which have traditionally enjoyed some of the world's cheapest rates for electricity – thanks to the country's coal wealth – complain that price rises are hurting their competitiveness.
Razia Khan, head of Africa research at Standard Chartered bank, said it was "difficult to see any alternative for the South African government other than to support Eskom", given its strategic importance.
But she pointed out that this could add to pressure on South Africa's sovereign rating, which has already been downgraded this year by Standard & Poor's.
"Both the direct and indirect effect on government finances will probably be seen by the rating agencies as a negative for the balance sheet of the South African government," said Ms Khan.
"With South Africa's rating already threatened by its weak growth outlook, and an almost across-the-board deterioration in a number of credit metrics, the decision of cabinet to approve an equity injection for Eskom – although expected – adds to potential downgrade pressure."*(Financial Times)*

MINING

Kenmare Resources posts loss at heavy minerals project in Mozambique

Irish company Kenmare Resources posted a loss of US$17.9 million in the first half, after a profit of US$6.9 million in the same period of 2013, the company said in a statement.
According to the statement production of heavy mineral concentrate (HMC) and ilmenite increased by 26 % and 47 %, respectively, compared to the same period last year, "a record" and production is expected to continue to rise in the second half of the year. According to the statement, in the period at its heavy minerals project in Moma, Nampula province, Kenmare Resources extracted 604,200 tons of HMC, 445,600 tons of ilmenite and 21,400 tons of zircon.
The losses incurred, according to Michael Carvill, the CEO of the Irish firm, were due to prices in the international markets for the minerals extracted by the company falling 23 % for ilmenite and 7 % for primary zircon.
In the first six months of the year Kenmare Resources exported 399,000 tons of finished products, an additional 36 %, and posted revenues of US$81.2 million, compared to US$79.3 million in the same period of 2013. *(Macauhub)*

Angola: Over 40 New Suspected Mined Areas Identified

Forty-two new suspected mined areas have been identified this month, announced the National Demining Institute (INAD). The areas are based in the eastern corridor of the central Huambo province, comprising the municipalities of Catchiungo and Chicala-Choloanga as far as in the border with Bie province.
The head of brigade of INAD, Victor Jorge, disclosed the information to Angop, explaining that the discovery is the result of action research conducted by sappers. He said that technical surveys are in progress in respective localities.
Technical and human conditions have been created in Huambo to ensure land mine clearance in the 42 identified zones, concluded the INAD official. *(Angop)*

AngloGold Ashanti abandons plans to break up

AngloGold Ashanti has abandoned its proposed corporate break-up only days after announcing the plan, following a backlash from investors. The South African gold miner had wanted to spin its international assets into a UK-listed company, supported by a $2.1bn rights issue.
But it said that investors were unhappy with the size of the rights issue needed to implement the demerger plan. It said it had consulted holders of almost two-thirds of its shares. John Paulson, the billionaire hedge fund investor whose fund is one of the largest investors in AngloGold, excoriated the plan last week, saying it would destroy value for investors and vowing to oppose its implementation.

"There has been broad support for the strategic logic of the restructuring, but a number of shareholders have expressed concerns about certain aspects of the proposed transactions, in particular the quantum of the equity capital raising needed to enable the restructuring to be implemented in accordance with regulatory and other requirements," the miner said. "AngloGold Ashanti has, therefore, decided not to proceed with the restructuring and capital raising, as currently proposed." South Africa's central bank had insisted that AngoGold be debt-free before implementing the break-up. The miner said it continued to see reducing its debt as a priority. *(Financial Times)*

AngloGold Ashanti to Split Off International Assets
South African Mining Company to Separate Americas, Africa and Australia Properties, Raise $2.1 Billion

South Africa's AngloGold Ashanti Ltd. plans to raise $2.1 billion in a rights issue and spin its international assets into a new London-listed company. The news comes amid a slump in gold prices, which have fallen a third in the past three years and helped drive the miner to a $2.2 billion net loss last year. AngloGold, the world's third-largest gold producer by volume, also has struggled with rising energy and labor costs in South Africa, where the company produces about one-third of its gold. "It has become increasingly clear that the two distinct parts of our portfolio require different strategies, focused management and should be appropriately capitalized," said AngloGold Chairman Sipho Pityana. The move follows BHP Billiton's recent decision to split some of its less profitable assets into an Australian-listed company. Miner Gold Fields Ltd. in 2013 split its South African assets into a new company called Sibanye Gold Ltd. AngloGold will retain a 65% stake in the new company, which will have 14 gold mines in the Americas, Africa and Australia that generated nearly $4 billion in revenue last year.

The company, likely to be included in London's benchmark FTSE100 index, will have a market value of about $6 billion to $7 billion, according to its chief executive-designate, Charles Carter. It will have secondary listings in New York and Johannesburg. The remaining AngloGold Ashanti, which will focus on South Africa, will retain its Johannesburg and New York listings. The company plans to use the proceeds of the rights issue to pay off its net debt, as required by South African regulators for the restructuring. The split is expected to take place in the first half of next year, and the rights issue beforehand, AngloGold said. Both steps will need shareholder approval. *(Wall Street Journal)*

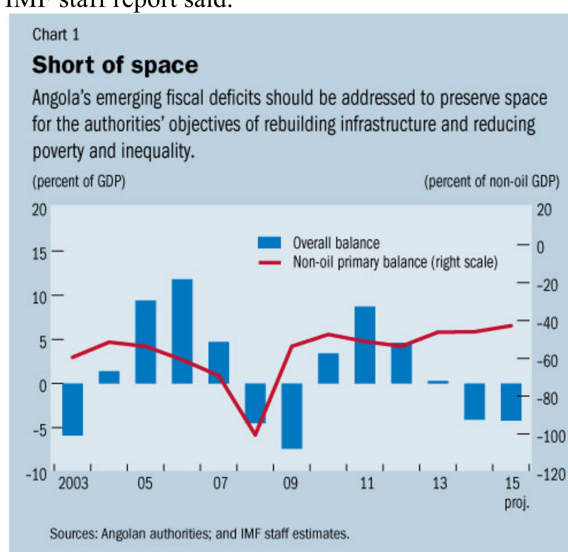
OIL & GAS

Angola's Growth Set to Rally after Dip in Oil Output

- Lower oil production offset by robust growth in non-oil economy
- Disconnect between decade of high growth, modest welfare gains
- Social safety net program should be strengthened

Lower oil production is set to cut Angola's economic growth in 2014, before a rebound in the oil industry boosts growth next year.

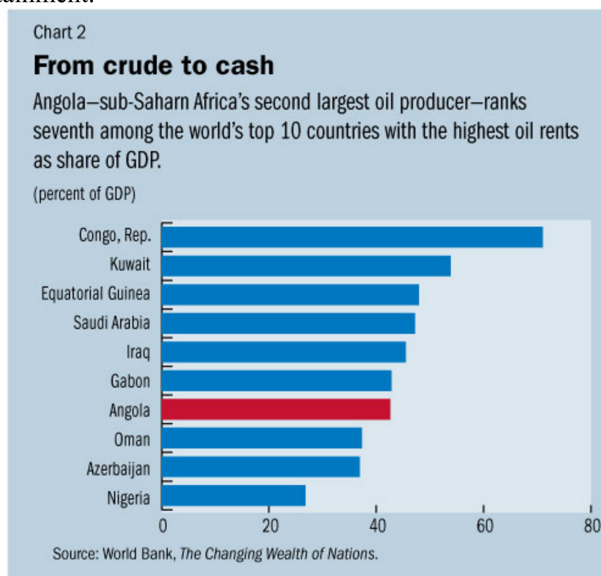
In its regular assessment of the southern African nation's economy, IMF staff said the authorities had restored macroeconomic stability after the country was hit hard by the global economic crisis. Inflation is at historic lows, international reserves are adequate, and the country has started to save part of its oil wealth for future generations through Angola's Sovereign Wealth Fund. But emerging fiscal deficits (see Chart 1) should be addressed to preserve space for the authorities' objectives of rebuilding infrastructure and reducing poverty and inequality while continuing to save part of the oil revenues, the IMF staff report said.



IMF staff projected that Angola's economic growth would slow to 3.9 % in 2014, and then rally to 5.9 % in 2015. Oil production fell in the first half of 2014, reflecting unscheduled maintenance and repair work in some fields. But the drop in oil output was offset by robust growth in the nonoil economy, supported by the agricultural sector and the manufacturing and services sectors.

Slow decline in poverty

Despite Angola's significant oil wealth—the country is sub-Saharan Africa's second-largest oil producer—income inequality remains high and poverty has been declining only slowly, the IMF staff report said. Angola has been successful in capturing a large share of the rents from its oil resources (see Chart 2) and generating robust economic growth, but this has yet to translate into significant improvements in its welfare indicators such as poverty, life expectancy, and educational attainment.



To accelerate the reduction in poverty and inequality, Angola could benefit from the experience of other countries in sub-Saharan Africa and other regions that have implemented well-targeted safety nets for the poor, including conditional cash transfer programs, the IMF staff report said. Evidence shows that such programs are

• Highly efficient—almost all the expenditure reaches the poor;
• Affordable and sustainable—their costs as a share of national income are modest; and
• Among the most progressive forms of public expenditure—they cut out as beneficiaries become wealthier.

The IMF staff report urged the authorities to phase out costly and regressive fuel subsidies, while mitigating the impact on the poor through well-targeted social assistance. Noting that Angola is one of the world's largest fuel price subsidizers, IMF staff stressed that the fiscal cost of the country's fuel subsidies has been increasing in recent years due to higher international fuel prices.

Fuel subsidies should be reviewed and gradually reduced. International experience indicates that a public campaign and open consultations with key stakeholders to explain the move can ease the process.

The analysis in the IMF staff report also showed that there is significant room to improve the efficiency of public capital spending. An increase in efficiency could help to increase the amount of infrastructure available without the need to allocate additional resources to capital spending.

Favorable growth prospects

Angola's medium-term economic growth prospects are favorable, the IMF staff report said, projecting that the oil sector will grow by more than 2 % each year on average over the next five years. Declining production in some oil fields would be more than compensated by the commissioning of new fields.

Large investments in the nonoil sector as well as the authorities' policies to improve the business environment are expected to generate much-needed diversification and job creation, mainly in agriculture but also in electricity, manufacturing, and services.

The report said that economic diversification is not only imperative to reduce oil dependency, but also to increase employment and reduce poverty. A sustainable reduction in poverty should be achieved through job creation, mainly by developing small and medium-sized enterprises in the nonoil sector that provide the bulk of national employment.

The report cautioned, however, that the country's medium-term fiscal outlook is challenging, as oil revenues are expected to decline as a share of GDP while there is high demand for increased spending on infrastructure and poverty alleviation. Efforts to improve the fiscal position could start already this year, IMF staff said, by moderating growth in the wage bill and spending on goods and services.

Prospecting begins on nine oil blocks in Angola

Prospecting for oil and gas has begun at nine Angolan blocks, according to a report by the Oil Ministry on prospecting activities in Angola.
The document indicates that operators such as ENI (Italy), Repsol (Spain), Total (France), Petrobras (Brazil) and Statoil (Norway) have ongoing prospecting operations in the Angolan sea, with a global investment of US$630 million so far.
Of the nine operations underway on 30 July, the one run by Cobalt (United States) in block 21/09, in deep waters, it at the most advanced stage.
The American oil company has invested US$164 million in this operation, of an estimated total of just over US$179 million and has achieved its initial production targets, at a depth of 1,633 metres and is now under "review".
Also under review is the activity of the Associação de Cabinda operator, with drilling underway, as is Total, in block 32, in ultra-deep waters.
The remaining six drilling operations identified by the Oil Ministry on the same date, are at the stage of preparation, drilling or testing.
Angola is the second largest oil producer in sub-Saharan Africa and reached a daily production of around 1.6 million barrels per day in the first half of the year. *(Macauhub)*

Avoiding the Resource Curse in Mozambique

The discovery of huge reserves of natural gas, coal deposits and rare earth minerals could be a game changer for the southern African country of Mozambique. With natural resource wealth estimated to generate annual revenues reaching $9 billion dollars or approximately 7% of GDP by 2032, the question then becomes "how will the country manage this revenue boom?"
Mozambique faces the paradox of having one of the fastest sustained growth rates in Africa and one of the lowest ranking human development index (HDI). However, achieving shared prosperity and ending extreme poverty could now be a reality. Realizing this potential will require concerted efforts and sound management to avoid succumbing to the dreaded resource curse.
The last few years have seen significant increases in public spending (well above regional peers), rising debt levels, and a widespread perception that governance efforts are stalling. To reverse these trends and anticipate a projected surge in resource revenues, set to occur toward the end of the decade, Mozambique needs to use the next several years to strengthen fiscal management and improve the institutional environment.

Based on experiences in other resource rich countries, Mozambique could take the following six steps to steer the country on the path of inclusive growth and development:
1. Design a fiscal policy framework adapted to Mozambique's context. For too long the mainstream advice for developing countries was to save resource revenues and invest them abroad. Given Mozambique's urgent development needs, scaling up public investment and spending on health and education in line with absorptive capacity constraints seems more appropriate. Fiscal targets can be introduced to support this – such as Botswana's expenditure growth target or Chile's non-resource primary balance target. These targets can be supported by a fiscal rule, but this will only be credible if policy-makers stick to it.
2. Establish a resource fund. A fund could serve a number of objectives. A stabilization fund would address revenue volatility while a savings fund would help address absorptive capacity concerns while preserving wealth for future generations. The fund should focus on investing abroad to diversify risks – investing domestically could contribute to overheating and boom-and-bust cycles.
3. Consider adopting a broader sovereign asset and liabilities strategy. The discovery of natural resources has facilitated access to more complex financing mechanisms such as public-private partnerships (PPPs) and non-concessional loans to finance public investments, which can generate significant contingent liabilities and fiscal risks. To avoid jeopardizing an otherwise prudent fiscal policy, these risks need to be managed, starting with greater disclosure of assets and liabilities in budget documentation.
4. Ensure the fiscal policy framework is well integrated in the budget. All public spending must be done through the national budget and parallel processes should be avoided. In particular, simple and transparent rules should guide how revenues from the resources fund(s) are spent through the budget.
5. Invest in institutions – in particular the country's capacity to manage a larger public investment portfolio. Countries with strong governance have translated natural resource wealth into other forms of physical and human capital. This involves strengthening public financial management systems, prioritizing the transparency of public spending, and improving public investment management capacity.
6. Manage expectations. Unmet expectations could lead to widespread dissatisfaction, social unrest or even outright conflict. To avoid this, the government of Mozambique must engage in building an enduring consensus which requires a high degree of transparency and accountability, explaining to the country how the resources are being utilized.
The extent to which Mozambique will be able to capitalize on its considerable natural resource wealth depends on how it prepares for its future. The time is ripe to start engaging the public to manage expectations and to strengthen institutions, setting the foundations for the considerable changes ahead. *(World Bank)*

Marracuene and Maputo, Mozambique, get natural gas distribution network

The Gas Distribution Project of Maputo and Marracuene (PDGM), which is intended to supply natural gas to households and businesses in those areas, was inaugurated Thursday, according to Mozambican daily newspaper Notícias.
A concession for distribution and marketing of natural gas in those two regions was granted in November 2009 to state company ENH, which established the ENH-Kogas partnership with Kogas, of South Korea, the company that funded the entire project costing US$38.2 million.
Construction of the PDGM network began on 24 April, 2013, with an expected duration of one year, and was completed on 30 May, 2014. The project is expected to consume 6 million gigajoules of natural gas extracted in the Pande and Temane fields, operated by South African company Sasol.
The gas arrives through the pipeline of the Maputo Matola Gas Company (MGC), which is connected in Ressano Garcia to the pipeline that runs from Pande to Secunda in South Africa.
The MGC pipeline transports natural gas from to the Belulane industrial zone and the Matola industrial zone.
At the project's inauguration, the President of Mozambique stressed that the distribution of natural gas will allow the State to save on fuel imports, which will obviously have an impact on the balance of payments and on gross domestic product (GDP).
With the inauguration of PDGM, President Armando Guebuza said, Mozambique now has another 50 MW of electricity available, which will help save about US$25 million on imports. *(Macauhub)*

Sinopec sells $17.5 bln stake in retail unit to investors

Sinopec Corp will sell a 107.1 billion yuan ($17.5 billion) stake in its retail unit to a group of 25 Chinese and foreign investors, Asia's top oil refiner said in a statement on Sunday.
The sale, the country's biggest privatisation since president Xi Jinping came to power, comes as China's government pushes to restructure its state-owned enterprises by bringing in private capital and expertise.
Leading investors on the deal to buy a combined 29.99 % of Sinopec include one of China's biggest asset managers Harvest Fund Management Co Ltd taking 15 billion yuan with its subsidiary Harvest Capital Management. China Life Insurance and a consortium that includes People's Insurance Group of China Co Ltd and Tencent Holdings Ltd are each taking 10 billion yuan stakes. Other investors include Fosun International, China gas supplier ENN Energy Holdings Ltd and white goods maker Haier Electronics Group Co Ltd.
Asia private equity firm RRJ Capital, founded by former Goldman Sachs and Hopu Investment Management dealmaker Richard Ong, is among foreign investors in the deal with a 3.6 billion yuan stake. Sinopec's marketing and distribution unit, which includes a wholesale business, has more than 30,000 petrol stations, over 23,000 convenience stores, as well as oil-product pipelines and storage facilities.
The deal will boost the value of the low-margin marketing business, bolster the group's finances and reinforce investment in exploration and production. Sinopec's chairman, Fu Chengyu, has previously said the investors are expected to bring in expertise and ideas to improve non-fuel sales at its petrol stations. Unlike in Western markets, where non-fuel businesses - convenience stores and things like fast food or car washing - can account for more than half of a station's profits, more than 99 % of Sinopec's retail sales come from petrol.
In the past few months Sinopec has signed agreements with multiple Chinese companies to make more use of its petrol stations and provide more services to consumers. In August the company signed a preliminary deal with internet giant Tencent to introduce digital commerce to the retail arm. *(Reuters)*

INFRASTRUCTURE

Completion of Benguela Railroad will boost economic growth in Angola

Completion of reconstruction work on the Benguela Railroad in Angola will have a positive effect on the economy, by stimulating sectors such as agriculture and diamond mining in that area of the country, said the Economist Intelligence Unit (EIU).
The project, which is being carried out by China Railway Construction, one of China's largest construction group, involved reconstruction of 1,344 kilometres of the railway and took around 10 years and repairs or construction of 67 stations costing US$1.83 billion.
In its latest report on Angola, the EIU said that economic growth forecasts for Angola should be revised upwards to accommodate the impact of the railway.
The next step could even be privatisation, as it is "essential that these potentially valuable assets are not transferred too cheaply or to companies with insufficient capacity to be successful."
In the case of Luanda, over the past 18 months railway company Caminhos de Ferro de Luanda (CFL) has operated the 400 kilometres of railway linking the capital to Malange, the centre of agricultural production in the country, but has faced high operating costs which "being heavily subsidised," the EIU said.
The EIU also noted that a private investor is sought to start operating the railroad on a commercial basis.

The Benguela Railroad links the port of Lobito to the border with the Democratic Republic of Congo and plans are underway to strengthen links to the Congolese border, which would provide an alternative route for mineral exports from the neighbouring country, which are currently limited to South Africa.
The Angolan government has been studying the merger of the management companies of the country's main railway line, rebuilt using credit lines from China, and is expected to hand over their management while maintaining a controlling stake in a new company, Caminhos de Ferro de Angola, which would keep the rail infrastructure.
The new company will result from the merger of management companies Caminho de Ferro de Benguela (CFB), Caminho de Ferro de Luanda (CFL) and Caminho de Ferro de Moçâmedes (CFM).
The development plan of the Integrated Railroad System, approved by the Angolan government, provides for connection of the three railway lines to the rail networks of neighbouring countries – the Democratic Republic of Congo, Zambia and Namibia.
The way Benguela Railroad (CFB) will therefore be connected to Zambian Railways, through a special extension between the station at Luacano in Moxico province, and the Lumwana line, which is under construction in Zambia.
The Namibe Railroad (formerly Moçâmedes) will connect to the Namibian railway system, starting at Cuvango station, over a distance of 343 kilometres, to Oshikango in Namibia close to the border with the Angolan province of Cunene.
Studies are underway for construction of the Congo Railroad, which will link Luanda to the provinces of Bengo, Uige, Zaire and Cabinda, over a distance of 950 kilometres and then on to the Chemin de Fer Congo Ocean, in Congo Brazzaville. *(Macauhub)*

Sao Tome and Principe takes on loan for work on water supply network

The government of Sao Tome and Principe has taken on a loan of US$7.5 million from the Arab Bank for Economic Development in Africa (BADEA) to finance the construction of the drinking water supply network.
The loan agreement was signed by the Sao Tome Minister for Planning and Finance, Hélio de Almeida, and the Director-General of BADEA, Habdelaziz Kelef, who arrived Monday for a 48-hour working visit to the archipelago, Portuguese news agency Lusa reported.
Construction work is intended to improve access to drinking water in the city of Santana and the community in the centre of Água Izé as well as to meet the needs of the current and future population until 2030.
The BADEA loan is due to be repaid over 30 years, has a grace period of ten years and an interest rate of 1 %.
BADEA's financial support for Sao Tome and Principe totals US$42 million to date.
As part of his visit to Sao Tome and Principe, Kelef met with the ministers for Planning and Finance, Hélio Almeida, and Public Works, Infrastructure and Natural Resources, Fernando Maquengo and is due to be received by Prime Minister Gabriel Costa, before leaving the country Wednesday. *(Macauhub)*

China funds reconstruction of fishing port in Mozambique

The government of Mozambique Wednesday in Maputo signed a framework agreement with China with a view to granting a loan of US$120 million for reconstruction of the fishing port of Beira, in Mozambique's Sofala province.
Mozambique's finance minister, Manuel Chang, highlighting the importance of infrastructure for development of the central region of the country, said that framework agreement precedes a funding agreement with the Export and Import Bank (ExIm) of China, which is expected to grant the subsidised loan by the end of the year.
Chang said that the initiative is part of a portfolio of 11 projects for the 2013-2015 period, for which the Mozambican government has requested funding from China, and that is mainly focused on building infrastructure, with an overall budget of US$1.4 billion. With this reconstruction and expansion work, Chang said, the fishing port of Beira will handle about 70,000 tons of fish per year, generating more trade and jobs in the region, as well as adding to equipment for "handling, refrigeration and storage," at the port.
The Chinese ambassador to Mozambique, Li Chunhua, noted the success of similar initiatives funded with Chinese capital, which "offers good prospects" for the agreement and further noted China's interest in, "expanding cooperation with the country and deepening the traditional friendship between the two peoples."
China has been playing an increasingly important role in lending to Mozambique for infrastructure, including the construction projects of the international and domestic terminals at Maputo International Airport and Zimpeto National Stadium (completed), as well as the Maputo Ring Road and the Maputo/Catembe bridge, to a total value of over US$1 billion. Figures on the Mozambican Ministry of Finance website show that in 2013 China funded construction projects to build the Presidency building and rebuild National Road 6 between Beira and Machipanda, in the amount of US$71.9 million and US$416.5 million, respectively. Between 2012 and 2013 the loans granted by China to Mozambique rose from US$342.52 million to US$672.01 million, according to the Ministry of Finance. *(Macauhub)*

Gulf Companies Commit $19 Billion to West Africa Infrastructure Projects
Trojan General Contracting to Invest $16 Billion in Roads, Railways

African countries secured commitments from companies in the Persian Gulf totaling $19 billion to invest in roads, railways and airports at the first West Africa Investment Forum held in Dubai on Tuesday.

Construction firm Trojan General Contracting LLC, owned by Abu Dhabi's Sheikh Tahnoon Bin Zayed Al Nahyan, committed to invest up to $16 billion in roads and railway projects across the West African Economic & Monetary Union, a group of eight African countries that organized the event in the U.A.E.
Officials from the union, which includes Benin, Burkina Faso, Guinea Bissau, Ivory Coast, Mali, Niger, Senegal and Togo, were in Dubai canvassing investment for 17 public-private partnership infrastructure projects in West Africa. The group said it also had received a $1.98 billion commitment from Essar Projects, the U.A.E. subsidiary of India's Essar Group, to co-invest in road, bridge, airport and thermal-power-plant projects in Benin, Guinea Bissau and Niger.
A further $700 million was committed by Oman's Hasan Juma Backer Trading & Contracting LLC in a dry-port project in the Ivory Coast, the union said. No additional financial details of any deal were disclosed. The union added that each party had six months to sign a firm deal based on their commitments.
On Monday, one of the Dubai government's major investment arms, Investment Corporation of Dubai, said it would buy a minority stake in Nigeria's Dangote Cement for $300 million, as Gulf entities ties to West Africa deepen. *(Wall Street Journal)*

TELECOM

MTN in Nigeria mobile tower venture with IHS

DUBAI — South Africa’s MTN has agreed to form a joint venture with specialist tower company IHS that will own and operate MTN’s 9,151 transmitter towers in Nigeria, IHS said on Thursday.
The deal was expected to close in the fourth quarter, subject to regulatory approvals, IHS said.
IHS did not reveal the deal’s value, but a source familiar with the matter told Reuters it was worth about $1.8bn.
MTN has a 46% share of Nigeria’s mobile subscribers, according to the industry regulator, while India’s Bharti Airtel has 20%, Globacom 19% and Etisalat Nigeria 15%.
Building and maintaining mobile communications towers in Africa is typically more expensive than in other regions because of security costs and electricity shortages, while revenue per user is often lower.
That has prompted many operators to sell or lease towers to specialist firms, which can reduce building and maintenance costs. It also allows operators to focus more on marketing and customer service, which become more important as differences in network quality between rival operators diminish.
"The new towers company will market independent infrastructure sharing services to other mobile operators and internet service providers in Nigeria," IHS said.
The new firm would invest more than $500m over four years to upgrade towers, boost maintenance and improve service quality, it said.
On completion, Lagos-based IHS will manage more than 20,000 towers in Africa. This tower deal is the fifth between IHS and MTN following transactions in Côte d’Ivoire, Cameroon, Rwanda and Zambia in 2012 and 2013.
IHS aimed to manage more than 25,000 towers by the end of 2015, it said. *(BDLive)*

ZTE Moves To Block Sale Of Kenya’s YuMobile

Chinese multinational telecommunications equipment and systems company, ZTE has filed a suit before a Kenyan court to block the sale of yuMobile to Safaricom and Airtel.
India’s Essar Telecom, Saturday confirmed it had agreed to sell yuMobile to Kenya’s larger operators, Safaricom and Airtel for Sh10.5 billion ($120 million), pending the fulfillment of pre-conditions set by the Kenya’s Communication Authority (CA) and approval by the Competition Authority of Kenya (CAK). ZTE chose the legal route by heading to court to block the deal as it demands to be paid over Sh568 million ($6.4 million) before the deal is concluded. The companies involved however went on to announce the completion of talks and that the deal would be finalized once CAK grants approval.
According to papers filed before the court, ZTE says it entered into a deal to supply Essar Telecom Kenya Ltd (which operates as yuMobile), telecommunication equipment for the development and implementation of its GSM network in Kenya in May 2009.
It was revealed further that ZTE and Essar on June 2, 2009 entered into a financial agreement that would see Essar pay 20 % of the total cost of the equipment in advance, while ZTE provides Essar a vendor financing facility to cover the balance. The financial agreement was said to have been amended on April 1, 2011.
Essar was however unable to pay after ZTE had supplied the equipment, making the two companies agreed on December 21, 2011 to a debt restructuring plan, which made the Indian firm committed to paying the outstanding sum instalmentally by March 31, 2012, an obligation the company failed to meet.
It later paid part of the outstanding sum after a December 27, 2013 proposal to offset the debt June 2014 ends was accepted by ZTE. According to the Chinese firm, Essar now owes it $6,424,904. The sale of yuMobile to Safaricom and Airtel, which is expected to be finalized once the CAK approves it may now stall until the debt which Essar later agreed to offset by July 31, but failed again, is paid.
ZTE there want the debt paid or a “bank guarantee issued” before the sale of yuMobile is finalized as the Chinese company’s interest was not protected in the deal.

Essar had recently told a local media outfit in Kenya that it was exiting at a loss. Madhur Taneja, yuMobile chief executive disclosed that the Indian firm had invested $550 million since it started operations in 2007. "… yes I can say we are exiting at a loss," he affirmed. *(Ventures Africa)*

Namibia's Largest Mobile Operator Slashes Data Cost by 90%

MTC Namibia, the country's largest mobile phone and internet services provider has slashed its prices for data by 90 percent from N$1 to 10 cents per megabyte. "The campaign is available to all MTC customers, pre-paid and post-paid on all packages except Netman Unlimited packages or Netman Time, which does not have out of bundle charges,"MTC said.
MTC says the campaign promotion which began on September 08 is a thank you to its customers and it will run until October 02. MTC is the largest mobile operator in Namibia with over two million active subscribers.
It was established in 1994 and was the only cellular provider in Namibia at that time. Today its competitors in Namibia are TN Mobile and Telecom.
The mobile company used to have a monopoly on mobile telecommunications and 3G Internet access. MTC is owned 66 percent by Namibia Telecommunications Holdings (NPTH), which in turn is fully owned by the Namibian Government. A further 34 percent of MTC is owned by Portugal Telecom (PT).
MTC launched Netman 3G on 23 June 2010 and on 16 May 2012, the company launched Netman 4G/LTE, making Namibia the second African country to provide 4G services. Netman 4G provides download speeds of up to 100 Mbit/s. *(Ventures Africa)*

AGRIBUSINESS

Olam Cedes Dairy Business To Dutch FrieslandCampina For $18m

Dutch dairy giant, Royal FrieslandCampina has signed an agreement to buy Olam International's dairy businesses in Côte d'Ivoire for $18.7 million.
According to a statement released by Olam, FrieslandCampina will pay an additional $6.3 million for the right to use its "Pearl" trademark in certain African countries. The deal is expected to be finalised before the end of the year.
FrieslandCampina CEO, Cees 't Hart said the acquisition will further strengthen its presence in West Africa. It will allow the diary company expand its business and operations in the West African country, while exploiting the regional economic alliance to grow .
The newly acquired facility processes local fresh milk and milk powder into sweetened condensed and evaporated milk.
FrieslandCampina is one of the world's largest dairy producers with presence in Europe, Middle East & Africa. Its African markets include Nigeria, Ghana and Ivory Coast. *(Ventures Africa)*

Number of farmers growing cassava for brewing rises five-fold in Mozambique

The number of farmers growing cassava specifically to produce beer in Mozambique rose five-fold between 2011 and 2014, rising from 2000 to around 10,000, the chief executive of beer maker Cervejas de Moçambique said recently.
In a meeting organised by the company to demonstrate the importance of the agricultural sector for the development of Mozambique, CEO José Moreira presented the case of Impala, the first beer in the world based (60 %) on cassava.
Outlining the advantages of producing Impala Moreira noted that "using locally produced cassava reduces the costs of importing malt, hops and other ingredients in beer production, by avoiding costs related to import and bureaucratic processes."
According to Mozambican newspaper Correio da Manhã, the Mozambican Government, through a special tax regime, which charges about a quarter of the taxes applied to other malt-based beers, supports production of Impala beer.
Moreira also noted that in three years farmers produced over 10,000 tons of cassava, which earned them over 14 million meticals and produced 30 million small bottles of beer. *(Macauhub)*

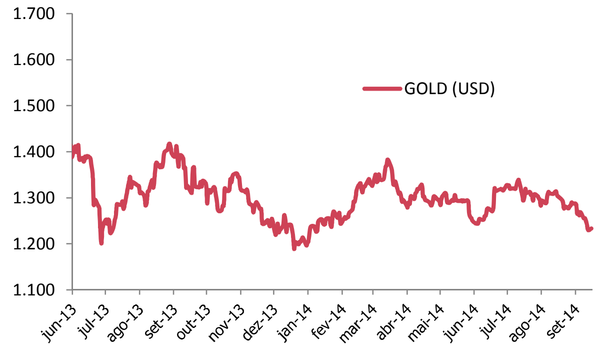
Burundi Coffee-Farm Group Says Suspected Arson Threatens Output

Fires started by suspected arsonists have destroyed coffee farms and nurseries in northern Burundi, threatening the country's main export crop, said Joseph Ntirabampa, head of the National Producers Federation.
Blazes devastated coffee fields in Ngozi, Kayanza, Muyinga and Karusi provinces, Ntirabampa said in an interview today in the capital, Bujumbura. "This will destabilize the coffee sector if efforts to limit that are not taken by the administration," he said. The association has 130,600 members.
Authorities are investigating the suspected cases of sabotage and reports that coffee crops have been smuggled from those affected areas across the border to Rwanda, Ntirabampa said. An assessment will determine the extent of the damage. Calls to the mobile phone of Burundi's police spokesman, Hermes Harimenshi, didn't connect.
The $2.7-billion economy generates 70 % of its export earnings through the sale of coffee, an industry that provides an income for 800,000 farmers in a total population of 10 million, according to the African Development Bank. The

MARKET INDICATORS
15-09-2014

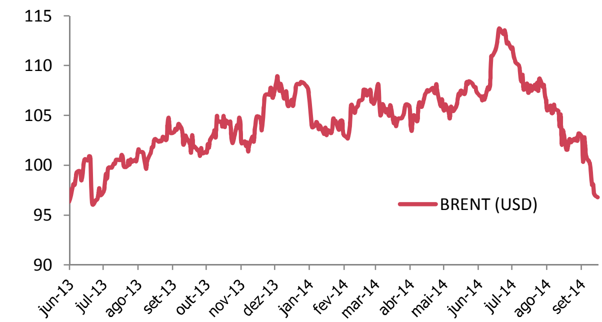
STOCK EXCHANGES		
Index Name (Country)	**15-09-2014**	**YTD % Change**
Botswana Gaborone Domestic Index (Botswana)	9.411,88	25,32%
Bourse Régionale des Valeurs Mobilières (Ivory Coast)	251,35	50,89%
Case 30 Index (Egypt)	9.446,22	72,93%
FTSE NSE Kenya 15 Index (Kenya)	212,35	68,87%
Morocco Casablanca Stock Exchange CFG 25 (Morocco)	20.423,09	6,69%
Nigerian Stock Exchange All Share Index (Nigeria)	40.769,00	45,19%
FTSE/JSE Africa All Shares Index (South Africa)	51.376,57	30,89%
Tunindex (Tunisia)	4.616,49	0,80%

Source: Bloomberg and Eaglestone Securities



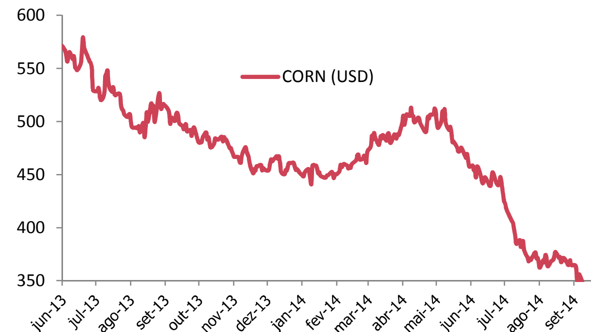
METALS		
	Spot	**YTD % Change**
Gold	1.233	-26,39%
Silver	19	-38,65%
Platinum	1.364	-11,44%
Copper $/mt	6.838	-13,78%

Source: Bloomberg and Eaglestone Securities



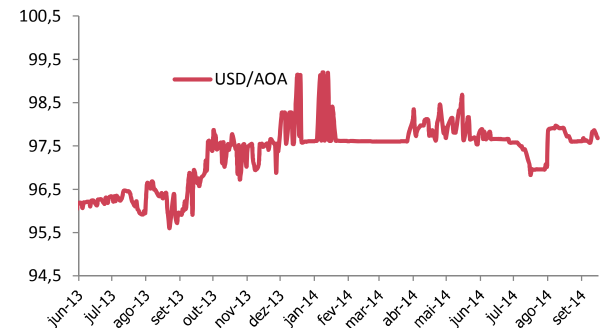
ENERGY		
	Spot	**YTD % Change**
NYMEX WTI Crude (USD/barril)	92,2	-1,03%
ICE Brent (USD/barril)	96,8	-10,77%
ICE Gasoil (USD/cents per tonne)	831,3	-9,23%

Source: Bloomberg and Eaglestone Securities



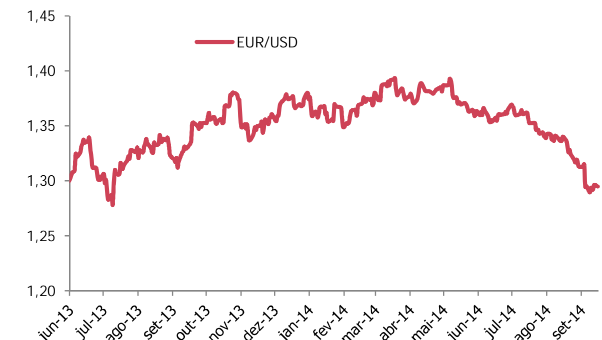
AGRICULTURE		
	Spot	**YTD % Change**
Corn cents/bu.	340,3	-51,41%
Wheat cents/bu.	501,5	-36,34%
Coffee (KC) c/lb	182,7	24,51%
Sugar#11 c/lb	16,2	-17,88%
Cocoa $/mt	3061,0	35,80%
Cotton cents/lb	66,2	-12,80%
Soybeans c/bsh	988,8	-29,34%

Source: Bloomberg and Eaglestone Securities



CURRENCIES	
	Spot
KWANZAS	
USD	97,680
EUR	126,557
GBP	158,687
ZAR	8,888
BRL	41,620
NEW MOZAMBIQUE METICAL	
USD	30,625
EUR	39,654
GBP	49,722
ZAR	2,785
SOUTH AFRICAN RAND SPOT	
USD	10,997
EUR	14,239
GBP	17,854
BRL	4,683
EUROZONE	
USD	1,29
GBP	0,80
CHF	1,21
JPY	138,80
GBP / USD	1,62

Source: Bloomberg and Eaglestone Securities



country, which grows mainly the arabica variety, has suitable natural conditions to harvest high-quality beans, the bank says.
While the government, backed by the World Bank, is trying to sell all state-owned bean-washing stations and deregulate the industry, the producers' group says it needs more support as they face a lack of fertilizer and poor access to credit.
Production of the beans since March reached about 13,300 metric tons against a goal of 21,800 tons for the entire year, said Ntirabampa. Output last year fell 52 % to 11,000 tons during a lower-yielding crop cycle.
Last month, unidentified assailants in Burundi attacked nurseries growing the natural sweetener stevia on plantations co-managed by China-based Kingboon Stevia International Trade Co. and a Burundian closely held tea company, Prothem SA. *(Bloomberg)*

UPCOMING EVENTS

Nordic business mission to Angola - 22. - 26. September, 2014. The business mission will serve as an introduction to doing business in Angola. Eivind Fjeldstad: ef@norwegianafrican.no to get more information and a tentative program.

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

Rabat to Host 2nd Ministerial Forum on Science, Technology and Innovation in Africa
The African Development Bank and its partners will organise the second Ministerial Forum on Science, Technology and Innovation (STI) in Africa. The forum will convene at the Hassan II Academy of Science and Technology **in Rabat, Morocco from 14-17 October 2014.**
Hosted by the Government of Morocco, and organised by the African Development Bank (AfDB) and the Government of Finland, this Forum will consist of a pre-forum (October 14), two technical conference days (October 15-16) and a Ministerial Forum (October 17). It aims at engaging African Ministers in charge of Higher Education, Science and Technology as well as Industry in a dialogue with the private sector, academia, diaspora, civil society and scientific communities globally on how to promote inclusive and green growth through scientific and technological innovation in Africa.
http://www.afdb.org/en/news-and-events/article/rabat-to-host-2nd-ministerial-forum-on-science-technology-and-innovation-in-africa-13358/

Africa Agri Forum – October 13-14 – Abidjan
Placed under the theme "Which green revolution for the African continent", the meeting will be the opportunity to private and public actors of the sector to evoke the questions related to the role of the African governments in the development and the promotion of agriculture.
http://www.i-conferences.org/africa-agri-forum/

Private Equity in Emerging Markets | EM PE Week in London
14 October 2014 | Intercontinental Park Lane, London. Organised by The Financial Times and EMPEA
This one-day conference engages industry thought leaders in discussions about the latest developments in the asset class and emerging economies, leveraging the expertise of the Financial Times's global markets coverage and EMPEA's insight into long-term, growth capital investments. Join your industry peers and a host of expert speakers to gain practical insight into some of private equity's most dynamic markets
http://empea.org/events-education/conferences/private-equity-in-emerging-markets-em-pe-week-in-london/

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

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/

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

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

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

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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.

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