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18 August 2014

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Sub-Saharan Africa economy: New trade agreement with EU agreed—at last

Seven Southern African Development Community (SADC) countries have reached provisional agreement on a new trade pact with the EU, signalling the end, finally, to a decade of negotiation and recrimination. Although the new deal will provide some certainty for investors, there is still much work to be done to ensure that all the countries can benefit from the new arrangement.

By signing the Economic Partnership Agreement (EPA), Botswana, Namibia, Swaziland, Lesotho, South Africa, Mozambique and Angola have narrowly avoided the October 1st deadline after which they would have been denied preferential access to lucrative EU markets. The EU is having to renegotiate its trade deals with African countries to comply with World Trade Organisation rules that preclude the kind of preferential agreements that previously governed trade between the EU and these countries. The regional nature of the new agreements was aimed at allowing EPAs to be tailored to some extent to national circumstances, and in effect allowing for some degree of continued protection for African markets. But negotiation has been protracted in most cases, requiring significant extensions from the original deadline of 2008.

Suspicion of European motives

As elsewhere on the continent, the lack of progress in the SADC-based negotiations has been characterised locally as resistance to pressure from the EU for unacceptable access to regional markets. In this vein, only a short time ago media in Botswana were urging the government to walk away from the negotiations; and now that agreement has been reached they are accusing the EU of divide-and-rule tactics that undermine African unity. However, equally as important (and in some ways more so) has been the challenge of finding common ground within the groups of African countries that have sometimes very diverse interests.

The seven signatories themselves account for less than half of SADC's 15 members, some of which are also members of other trading blocs. Even so, the diversity of the group of seven is considerable: in particular, the involvement of South Africa was a source of complexity both in terms of its objectives as a much more advanced economy, but also because its existing bilateral free-trade agreement with the EU meant that it did not risk being excluded from EU markets, and it was thus less inclined to make concessions. Furthermore, all five members of the Southern African Customs Union (SACU) were in the SADC group of seven-South Africa dominates its smaller SACU neighbours and is widely seen as putting its own industrial development objectives ahead of regional integration and development. Therefore, negotiating alongside the larger economies of Mozambique and Angola provided a further challenge.

Country-level priorities are different

Each of the countries involved had their own priorities, which further complicated things. For example, in Botswana the main impetus for successfully concluding the agreement had been to safeguard its beef exports-for this reason in 2009 it joined a group that initialled a preliminary EPA, leading to warnings by South Africa that the future of SACU was at risk. But EU access for Botswana's beef has largely been closed in recent years, owing to concerns over sanitary standards in Botswana, and more recently the country's interests have broadened to include how to reconcile market access for EU imports with local demands for domestic industrialisation. When presenting the outline agreement to parliament in early August, Dorcas Makgato-Malesu, the trade and industry minister, was keen to emphasise the flexible rule of origin that would apply to exports from Botswana to the EU, and the scope for imposition of export taxes, mainly on minerals, in order to encourage local processing. The EU has also promised funding to support not only the new EPA but improved trade flows within the SADC region.

Still work to be done

The process of ratification and the other steps necessary for implementation are expected to be completed during 2015. However, issues related to trade in services remain subject to separate negotiations. In terms of the outlook, conclusion of the EPA is undoubtedly a positive development as it provides additional certainty for investors. For Swaziland, which recently lost its preferential trade access to the US, the signing of the EPA removes a significant downside risk to the country's external trade and economic growth forecast; Swazi sugar exports to the EU, which account for half of the country's sugar exports and about 9% of its total exports, will be major beneficiaries of the agreement. Nonetheless, as the experience with Botswana's beef sector demonstrates, trade agreements are not sufficient to establish a competitive export industry; at the same time, the new agreement will do nothing to ease tensions within SACU, where negotiations over the distribution of customs revenue remain stalled. *(Economist Intelligence Unit)*

US/Africa economy: US vows to reshape its relations with Africa

A first ever US-Africa leaders' summit, held in Washington DC on August 4th-6th, marked an attempt to refocus the US-Africa relationship towards trade and investment, rather than aid and geopolitics. The summit has highlighted Africa's ongoing emergence as an important economic player, based on rapid GDP, population and consumption growth.

Breaking with the habits of donor conferences on Africa, the gathering was a bid to add high-level political impetus to US's growing engagement with the continent, especially at the corporate level. The event was also partly a reaction to similar summits staged by the EU, India and China, and to China's rapidly expanding footprint on the continent. The US believes it can make a distinctive and mutually beneficial contribution to African development.

Attended by about 50 countries, the majority at head of state or government level, the three-day gathering-titled "Investing in the Next Generation"-featured numerous side events and focused on specific issues, as well as high-level networking between African leaders and business delegations and their US counterparts. Among those present were senior executives from several US corporations (General Electric, Coca-Cola and Walmart, to name a few) and leading African businessmen such as Nigeria's Aliko Dangote, Sudan's Mo Ibrahim and South Africa's Patrice Motsepe. However, Sudan, the Central African Republic, Eritrea and Zimbabwe were the four countries not invited, owing to human rights and political issues, while a number of West African leaders cancelled their trips as a result of the Ebola virus outbreak. To the disappointment of some visitors, the US president, Barack Obama, did not hold one-to-one meetings with his counterparts-such as South Africa's Jacob Zuma, Nigeria's Goodluck Jonathan and Kenya's Uhuru Kenyatta-believing that the limited time available would be better spent in group sessions.

A range of new deals are announced Several new deals were concluded and some earlier US programmes expanded, such as Mr Obama's Power Africa initiative. Highlights include a US$5bn private equity partnership between Blackstone and Mr Dangote, and proposed investment of US$2bn by General Electric, in both cases focused on energy and infrastructure. In addition, Coca-Cola plans to invest US$5bn and IBM a further US$2bn. Power Africa received additional pledges (on top of the US$7bn initially committed by the US) including US$5bn from the World Bank. In total, the project's financial partners are planning to provide US$20bn in funding, through equity, lending or guarantees. The programme will also be extended beyond the six initially selected countries (Kenya, Tanzania, Ethiopia, Ghana, Nigeria and Liberia). The US pledged a further US$7bn, from a variety of government agencies, to finance a Doing Business in Africa campaign, which takes the total potential financing announced at the summit to about US$33bn. Other deals are likely to follow as a result of contacts made in Washington. The US Commerce Department has announced plans to open new commercial offices in Angola, Ethiopia, Tanzania and Mozambique, expand its existing operations in Kenya and Ghana, and launch a series of trade missions to the continent before 2020.

The US trails major investors into Africa

The US is already a significant investor in Africa, although lags far behind the EU. The latest figures from the UNCTAD show that out of total greenfield FDI in Africa of US$53.6bn in 2013, the EU accounted for 30.4%, India for 10.5%, South Africa for 9.5%, the US for 4.8%, Nigeria for 4.2% and Japan for 3.3%. China's figure fell sharply in 2013 (to just 0.6%), partly because a large proportion of Chinese activity relates to fulfilling government contracts, rather than greenfield FDI. That said, FDI flows are notoriously lumpy and can change significantly from year to year.

Africa presses for AGOA to be extended

The fate of the American Growth and Opportunity Act (AGOA), launched in 2000 to give preferential market access to qualifying African states-but which is currently due to expire in September 2015-was among the key issues addressed at a special session on the first day of the summit. The US government favours an extension, as do African leaders, although the at times protectionist US Congress will make the final decision next year. Trade flows under AGOA have grown comparatively slowly, although some countries are benefiting, such as Kenya, Lesotho and South Africa, underpinned by textile shipments. South Africa's continued inclusion in AGOA is contentious, given its more advanced state of development, although the South African delegation at the summit noted that nothing emerged during the AGOA discussions to suggest that the country would be excluded if the scheme is extended.

Lower US oil imports push down bilateral trade

Surprisingly, US-Africa trade flows have declined sharply over the past five years, primarily because of a major fall in US oil imports from the continent following the shale oil revolution. Shale oil in the US has displaced imports of light, sweet crude from countries such as Nigeria, Angola and Algeria, although sour crude from the Middle East is not affected. US exports to Africa resumed an upward trend after the global recession (to reach a new peak of US$35.2bn in 2013), but imports from Africa have been on a broad downward trajectory and tumbled to US$50.1bn in 2013, from an all-time high of US$113.5bn in 2008. Total US trade with Africa therefore fell from a peak of US$141.9bn in 2008 to US$85.3bn in 2013, the lowest since 2005. This compares with total EU-Africa trade of US$200bn in 2013 and total Sino-African trade of about US$170bn. Africa has not suffered much from the US's reduced thirst for imported crude, because other buyers have filled the gap, although the ongoing shale revolution will continue to shape global and African energy markets.

The US can make a substantial contribution

The US's large and dynamic corporate sector, its leading role in technological advancement and the country's reputation for transparent and accountable governance are some of the distinct qualities that the US can bring to an African partnership, especially in comparison with China. Moreover, compared with the EU, the US's relations with Africa are not complicated by often-troubled colonial histories. Mr Obama faced accusations of ignoring Africa during his first term, although this largely reflected Africa's inflated expectations (as the president's father was Kenyan) and the president's preoccupation with domestic economic issues following the financial crisis. Africa is playing a more prominent role in his second term and he will be conscious of wanting to leave a legacy-such as Power Africa-to match Bill Clinton's AGOA initiative and George Bush's war on AIDS.

Discussions at the summit have also extended to security, good governance and democracy, although political and human rights issues were not the primary focus and business took centre-stage: this explains the attendance of numerous authoritarian regimes (except the four countries explicitly not invited). On the security front, the US will mostly eschew direct involvement but will continue to offer indirect support to Africa, such as training and anti-terrorism intelligence, and will assist African or European-led missions in most cases. Some parts of Africa remain beset by insecurity, poverty and disease-as highlighted by the spread of extreme Islamist militant groups and the recent Ebola crisis in West Africa-but the overriding message of the summit is that business would be very unwise to ignore Africa's enormous potential, despite the challenges. *(Economist Intelligence Unit)*

SOVEREIGN RATINGS

Eurozone

	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
18-08-2014	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

	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
18-08-2014	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
ARGENTINA	Ca	Sdu	RD	NR	Sdu	RD
AUSTRALIA	Aaa	AAAu	AAA	NR	A-1+u	F1+
BRAZIL	Baa2	BBB-	BBB	NR	A-3	F2
CANADA	Aaa	AAA	AAA	NR	A-1+	F1+
CHINA	Aa3	AA-	A+	NR	A-1+	F1+
COLOMBIA	Baa2	BBB	BBB	NR	A-2	F2
INDIA	Baa3	BBB-u	BBB-	NR	A-3u	F3
JAPAN	Aa3	AA-u	A+	NR	A-1+u	F1+
MACAU	Aa2	NR	AA-	NR	NR	F1+
MEXICO	A3	BBB+	BBB+	WR	A-2	F2
SINGAPORE	Aaa	AAAu	AAA	NR	A-1+u	F1+
URUGUAY	Baa2	BBB-	BBB-	NR	A-3	F3
VENEZUELA	Caa1	B-	B	NR	B	B
USA	Aaa	AA+u	AAA	NR	A-1+u	F1+

Sources: Bloomberg, Eaglestone Advisory

	Region - Africa/Middle East					
	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
18-08-2014	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

World Bank Orchestrates $125m Power Project Deal In Senegal

Africa's power challenges continue to unveil vast opportunities for international and local investment institutions, including the World Bank Group. The global lender last week signed agreements to finance the Tobene Independent Power Project in Taiba Ndiaye, Senegal.

The arrangements include a 93.4 million euro($124 million), facilitated by the International Finance Corporation (IFC) – and a $40 million equivalent partial risk guarantee project agreement provided by the International Development Association (IDA).

The deal has been structured on a build, own and operate basis. Melec PowerGen, an affiliate of the Matelec Group of Lebanon, will own about 90 % of the plant while the IFC will get a 10 % stake in the project once a proposed equity investment is completed. The Senegalese national power utility, Senelec, is the next major stakeholder and has signed a 20 year power purchase agreement for generating electricity.

Mr Sami Souhhayar, Matelec's CEO, made the following comments concerning the project: "The World Bank Group has laid the groundwork for us to make a long term investment in Senegal's power sector. We look forward to being a part of the country's continued economic growth as we work with our partners to complete the Tobene project."

The World Bank Vice President for the African Region, Makhtar Diop, remarked; "We are also assisting Senegal to integrate in the West African Power Pool so it can access other affordable energy sources including gas from Mauritania and hydropower from Guinea."

Five institutions constitute the World Bank Group which plays a major role in the global effort to end extreme poverty and stimulate shared prosperity. The International Finance Corporation and the International Development Association are part of this group. Other members include the International Bank for Reconstruction and Development (IBRD), the Multilateral Investment Guarantee Agency (MIGA), and the International Centre for Settlement of Investment Disputes (ICSID). This project will provide power to over one and a half million residents in Senegal *(Ventures Africa)*

Sustainable Energy Fund for Africa supports Mali in promoting renewable energy

The Sustainable Energy Fund for Africa (SEFA) approved on 11th of August in Tunis a US$530,000 grant to Mali as co-funding for a project to promote renewable energy in the country (PAPERM project). The overall objective of the grant is to strengthen the enabling environment for catalyzing renewable energy investments from the private sector. Specifically, SEFA will finance policy, legal, regulatory and institutional frameworks, as well as capacity building for various audiences involved in developing, financing, and operating renewable energy power projects.

The SEFA funded component is part of a wider project (PAPERM) in the context of the country's Scaling-Up Renewable Energy Program (SREP) with a total project cost of approximately US$ 2.6 million, also funded by the SREP (US$1.5 million) and the government of Mali (US$0.4 million).

The PAPERM project has three components: the first will aim at improving the policy, legal, regulatory and institutional environment to promote investment in renewable energy; the second is focused on capacity building, knowledge management, communications and advocacy for renewable energy; and the third will strengthen the monitoring and evaluation processes of the sub-sector, and the programmatic approach under SREP-Mali. Mali's Ministry of Energy will be the executing agency with the projected expected to be completed in three years.

The need to promote the development of renewable energy in Mali could not be greater: the national electricity access rate is only around 30%, even as the potential in solar, hydro and wind power generation is tremendous. "To better its energy mix, Mali must improve its policy, legal and regulatory framework. Eventually, renewable energy will be seen as a viable option for reducing the country's dependence on thermal generation and effectively lower the electricity retail tariff," said Alex Rugamba, Director of the AfDB's Energy, Environment and Climate Change Department.

During the course of the project, the AfDB will support Mali's Ministry of Energy in preparing and implementing activities, channeling SREP funding, and raising more financing to scale up the renewable energy investment in Mali. As part of the SREP program, the Bank is also involved in the development of a mini hydroelectricity project and a solar Photovoltaic independent power producer project in Mali.

INVESTMENTS

China, US both rivals and partners for slices of African pie

Last week's US-Africa Leaders Summit revived debate on America's efforts to catch up with China's growing economic influence in Africa. The summit generated about US$37bn in deals, investment and financial support for Africa and as General Electric (GE) CEO Jeff Immelt put it, the US is "back in the game".

In Beijing local media reported that the US is now "seemingly following in China's footsteps" to seriously engage Africa. Trade between China and Africa has increased exponentially from $10bn in 2000 to over $200bn in 2013. China's increasing interest in Africa is felt across the continent with its involvement in massive infrastructure projects including construction of roads, ports, airports, railway lines and dams.

In a report titled Africa and the United States: A defining relationship of the 21st century, US and African business leaders expressed their thoughts on the increasing investments in Africa from two of the world's superpowers. The report by investment firm Investec Asset Management and the US Chamber of Commerce, highlights the renewed interest in Africa from the US in light of similar efforts by other major players from across the globe such as China.

While US-China interest in Africa is often viewed as competition, Mimi Alemayehou, executive advisor and chair of Blackstone Africa Infrastructure, notes that it is more relevant to look at the two countries as complementary forces on the continent. And Kola Karim, CEO of Nigerian company Shoreline Energy International, states that China's approach of "business dialogue" as opposed to "aid discussions" has put it ahead of the US in getting relations with Africa right.

At the centre of the US versus China dynamic in Africa is the different approach they take in engaging with the continent. Fred Hochberg, chairman of US Export-Import Bank, notes that while China's focus is extractive industries and primarily gaining access to natural resources, the US companies play differently selling products and services instead.

Jay Ireland, president and CEO of GE Africa, argues that he chooses not to view things from the "US versus China" standpoint. Ireland notes that in infrastructure China has offered Africa solutions from financing to actual construction. He adds that US companies should take a similar approach of offering wholesome solutions in implementing projects.

"The question is: can we compete and provide the solution technically, financially, operationally and more? If we put together a good package, we'll win our fair share. So, we at GE are focused on bringing the full solution and using aspects of the US government – Ex-Im, OPIC, USTDA, all of which can be very helpful," says Ireland.

Although often viewed as geopolitical rivals, US and China have also partnered on projects in Africa and elsewhere. For instance, US giant GE has investments in 160 countries globally including China, and has worked with Chinese companies which bring in GE equipment for projects in Africa and around the world.

In Ghana a Chinese company was awarded the contract to build a highway as part of a key US government initiative in Africa called Millennium Challenge Corporation (MCC). In Mali a Chinese firm was contracted to expand the Bamako Airport, a project funded under MMC to the tune of $71.6m.

However, the increasing involvement in Africa is not a monopoly of the US and China. The European Union, Japan, Brazil and India have also increased economic ties with Africa.

According to Donald Gips, a former US ambassador to South Africa, the investment opportunities in Africa are large enough for all interested partners. Citing the example of America's private sector and NGO-led strategy versus China's government-led strategy, Gips argues that Africa should take advantage of the different approaches each partner uses to engage with the continent. "Africa should take advantage of the more state-driven approaches of China and the more entrepreneurial energy of the US."

Experts believe the competition for Africa will work well for the continent offering it a wide range of benefits. "It means there will be more competition for the best goods, services and engagement strategy that will benefit the continent and its people," adds Alemayehou.

However, Shoreline Energy's Karim reckons that Africa, often divided by the unique needs of its 54 nations, needs to be more united to have stronger negotiating power. Africa should also learn from the Chinese and do its due diligence, be better prepared during negotiations and have mechanisms in place to deliver on its commitments. *(How we made it in Africa)*

EU's Weighty Appetite For Africa's Growth Pie Sees Fresh $550m Investment

Trading with Africa is in Europe's self-interest, and that is why the European Commission (EC) has launched the first phase of its new program to promote the process of African integration at the continental level – the first program of the European Union (EU) in the development and cooperation covering the whole the continent – with a budget of 415 million euros ($554 million).

The so-called pan-African Programme will finance activities in a wide range of areas and provide new opportunities for the EU and Africa to work together, through the confined period between 2014 and 2017 projects, according to the press room of the EC.

The president of the Commission, José Manuel Barroso said that "the challenges we face cannot be addressed within national borders" and thus argues that the European body facing this initiative in order to "find solutions to regional and continental and to support the process of integration of the neighboring continent, where the African Union (AU) plays a key role. The partnership between Africa and Europe is essential, now more than ever, and this program will make it even stronger.

For its part, the European Commissioner for Development, Andris Piebalgs, said that "the most important innovation of this program is that it allows the EU to link cooperation it has with North Africa, South Africa and Sub-Saharan Africa" and that "will help achieve greater policy coherence for development by creating synergies between cooperation and other Community policies."

Transnational challenges

The PAP, which was announced by Barroso in Africa-EU Summit IV held in Brussels in April 2014, Programme amounts to €845 million from 2014 to 2020 and EU authorities are confident that also contribute to greater mobility in Africa, improve trade relations between the regions, and better equip two continents to address the transnational and global challenges, such as, migration and mobility, climate change and security, said the statement from the EC.

The first phase launched now includes projects ranging from sustainable agriculture, environment, education governance, infrastructure, migration, information and communication, research and innovation.

Specific speaking Community projects' information revolve around supporting electoral observation missions carried out by the AU and its members, or improving the governance of migration and mobility within the continent, and between Africa and EU states.

Universities

There are some initiatives that directly benefit citizens, such as academic exchange program of a student, or the harmonization of curricula in a number of African universities to facilitate student mobility.

Continental integration in Africa has become a key priority for both the AU and the EU, and the Pan-African program will make an important contribution to the partnership between the two Unions, something that the two regions established in 2007, and establish a strategic alliance to respond to common interest based on a strong political relationship, and close cooperation in key areas. *(Ventures Africa)*

BANKING
Banks

Standard Bank CEO Optimistic About South Africa Economy
Bank Chief Says Energy Infrastructure Projects a Reason for Hope

Standard Bank Group's chief executive, Sim Tshabalala, said he was optimistic about South Africa's economy, just as his bank announced interim earnings that reflected the toll the slowdown there is taking on its operations.

Standard Bank Group said that net profit edged 2% higher in the first half to 8.31 billion South African rand ($784 million) as Africa's biggest bank by assets benefited from a strong performance of its operations outside South Africa. It also declared an interim dividend of 2.59 rand a share, 11% higher than a year ago.

Profit from personal and commercial banking, the core of the bank's business, grew by 13% to 4.2 billion rand, accounting for nearly half of the overall profits. But the figure concealed lower growth in South Africa, whose economy has proved more sluggish than in much of the rest of sub-Saharan Africa in recent quarters. Profit at Standard Bank's South African personal and commercial banking operations rose 6%.

Seen as growing at 2.3% in 2014 by the International Monetary Fund, South Africa's economy is being outpaced by several countries across the continent, even though they are significantly poorer. Nigeria overtook South Africa as the continent's biggest economy earlier this year.

Still, Standard is counting on the South African economy picking up pace starting next year, as two new energy infrastructure projects are expected to come on stream by year's end, Mr. Tshabalala said in an interview.

"I do think that there is room for optimism for South Africa beyond 2014," he said, adding that another source of medium-term growth would be on- and offshore gas finds in the country.

In the earnings report the bank warned that the slack expansion in South Africa would continue in the second half of the year and is "likely to hamper domestic revenue growth and may affect the confidence of our customer base."

Standard Bank's operations in other fast-growing African economies are "a robust platform on which to maintain the operational and financial momentum," the bank said.

"One-third of our operations are now in African countries outside South Africa, up from 17% in 2010," said Mr. Tshabalala. "We are driven by a macro point of view in these countries," he added.

Standard will continue to be deeply involved in a number of energy deals arising from the recent U.S.-Africa summit, Mr. Tshabalala said, and is already a partner bank in the $6 billion Power Africa initiative promoted by President Barack Obama.

Standard said its balance sheet remains solid, reporting a Tier 1 equity capital ratio of 12.7%—a measure of how well the bank could weather a financial crisis, at June 30—up from 12.3% a year earlier.

Nonperforming loans grew by 3% in the half-year, broadly in line with credit growth, the bank said.

Standard Bank's improved operating performance helped it offset costs of a legal battle in China as well as the sale of 60% of its non-African operations in the U.K. The combined cost was 1.03 billion rand, the bank said.

The bank started a lawsuit last month in China because large amounts of aluminum, which it was using as collateral for commodity trades, were held in "bonded warehouses" and were out of its reach.

Standard Bank said the aluminum is worth $210 million in collateral and that it took an impairment charge of $80 million on the commodity trades involved. Mr. Tshibalala said the provisioning showed the bank was being prudent and that they were in talks with their Chinese partners over the matter, but declined to provide details of the next steps in pursuing the case.

Lenders are increasingly frustrated that they can't get access to these bonded warehouses at the Qingdao port that are at the center of the dispute.

Banks have lent hundreds of millions of dollars to Chinese commodities traders in recent years, using metals as collateral. These lenders are worried that in some cases, the same collateral has been promised for loans multiple times.

Standard earlier this year agreed to sell 60% of its London operation to the state-controlled Industrial and Commercial Bank of China, in a tie-up touted at the time as a big step toward boosting its Sino-Africa business.

Mr. Tshabalala said that the deal had freed Standard to focus on the African side of business while relying on ICBC for the Chinese end, and that the partnership was delivering the benefits he had expected.

"We went into this because we wanted to have a partner who could give us access to Sino-Africa trade and investment," Mr. Tshabalala said. "ICBC has given us access to those transactions." *(Wall Street Journal)*

Morgan Stanley concerned banks, retailers may have become too expensive

GLOBAL investment manager Morgan Stanley became one of the first major players to make a call to sell South African shares in the wake of the African Bank fallout.

It said the time was ripe to "lock in" some of the gains made on the South African equity market this year.

While investors have generally viewed the African Bank bailout on the weekend as an isolated incident that should not unsettle the economy too badly, Morgan Stanley appears less willing to see how the cards will fall.

It is concerned that banks and retailers, in particular, may have become too expensive.

Banking shares fared well, but some wobbles were experienced, when lender Capitec lost about 2% to follow the 5% it lost .
African Bank's shares were suspended after they lost 90% last week.
In their research note, no less than nine Morgan Stanley Research analysts said while the big four South African banks were well placed to withstand the headwinds created by the African Bank demise, the banks also looked "fairly expensive versus history".
"The rapid growth in unsecured debt has been a key driver of the growth in household expenditure over the last five years," said the analysts.
A negative call was also made on the retail sector.
"The South African general retail sector looks relatively expensive against the rest of the market," they said.
African Bank's restructuring into a "good" and "bad" bank may have alleviated market uncertainty, but Morgan Stanley said there was a risk "that a significant proportion of the flow of unsecured credit to South African consumers will slow sharply".
The analysts said, however, that because the JSE derived more earnings from offshore destinations than from domestic South Africa, the effect of African Bank was "relatively diluted".
Co-manager of Investec Asset Management's equity fund, Rhynhardt Roodt, said he was concerned about the earnings prospects for some domestic corporate companies due to the low growth trend.
"But this is more of a South African-specific flavour. The top echelon of shares on the JSE are global businesses," he said.
A concern, he said, was that lending would tighten up, leaving some companies struggling to get funding.
"In the next 6-18 months we may see profit warnings from smaller businesses," he said. *(BDLive)*

The rise of Africa's banking champions

A significant part of private equity investment in Africa is being targeted specifically at the financial services and telecommunications sectors, both of which benefit directly from Africa's strong economic revival and population growth. As a result, there has been a rapid expansion of banking activities across the continent in recent years that, encouragingly, has not been driven by global/western banks alone.
Indeed, facilitated by strengthening balance sheets and improving regulation and policy, a number of African banks have and continue to implement aggressive pan-African strategies as they expand and diversify their businesses beyond their traditional borders. An added advantage of this pan-African strategy is the ability to read the nuances of fellow African economies, which in turn enables banks to tailor-make their approaches to be country-specific.

Standard Bank extends into South Sudan

South Africa's Standard Bank, Africa's top lender by assets, has a comprehensive Africa presence with the company currently operating in at least 17 sub-Saharan African countries, including a new licence in South Sudan. The company remains focused on its African strategy, and has indicated that it no longer has ambitions to buy or build commercial operations outside of Africa. Standard Bank's affiliation with the Industrial Commercial Bank of China (ICBC), following ICBC's purchase of a 20% stake in Standard Bank in early 2008, remains a strategic advantage in terms of tapping into Asia's growing presence in Africa.

Ecobank has presence in 32 countries

Similarly, Togo-based Ecobank continues to flourish, with the bank now providing financial intermediation in 32 African countries making it Africa's biggest lender by geographic reach. It remains one of the fastest growing and most innovative, offering retail, corporate and investment banking services. In 2011, Ecobank acquired Nigeria's troubled Oceanic Bank International, and most recently, completed the acquisition of Trust Bank Ghana. The bank provides mobile banking services in 14 countries via a joint-venture with Bharti Airtel.

Standard Chartered aims to double its revenues

London-based Standard Chartered also continues to advance its presence on the continent. The institution currently operates in 15 African countries, has 186 branches, 338 ATMs and employs 7,400 staff. Plans include to double its African revenues to US$2.5bn in the next five years. The growth will entail increasing the headcount past the current 7,400 and adding 100 branches across the continent by 2015.

FNB and FirstRand pursuing expansion plans

In April this year South Africa's First National Bank (FNB) revealed plans to invest nearly R2bn ($240m) over the next 12 months to expand its footprint in South Africa and Africa. In addition, Johannesburg-based FirstRand is also pursuing an aggressive expansion into Africa (and India) using both organic growth and starting new projects in retail and investment banking. It is believed to be considering an acquisition in Nigeria, and possibly in Ghana as well.

FirstBank and UBA launch pan-African agendas

First Bank of Nigeria (or FirstBank) in turn has appointed Goldman Sachs and Citi Bank to manage the sale of a $500m Eurobond planned for later in the year. According to FirstBank's CEO, the lender has started to pursue a pan-African strategy. The bank has identified a total of 10 countries in Africa where it would want to expand its footprint. FirstBank is Nigeria's largest bank by assets and earnings. Similarly, Nigeria's United Bank for Africa (UBA) is fast tracking its African expansion, with the institution currently operating in almost 20 countries. Earlier this year, UBA indicated that it plans to issue a $500m Eurobond in the final quarter of this year or early next year to finance its foreign currency assets and expansion in Africa.

Attijariwafa Bank turns attention from Europe to Africa

Morocco’s Attijariwafa Bank is the latest African bank to adopt a pan-African lending strategy. Borne out of the need for alternative growth strategies as a result of flailing economic growth in the beleaguered eurozone, the bank has successfully implemented an aggressive expansion plan throughout francophone West and Central Africa in recent years. The intention is to increase the company’s presence from 12 to 20 African countries by 2015.

Focus of multinationals on high margin businesses

The growing presence of subsidiaries of major global banks on the continent in recent years has significantly improved the availability and quality of financial services. That said, the multinationals’ focus has largely, but not exclusively, tended to be on high margin businesses ranging from asset-backed project financing to structured trade and corporate financing, to specialised advisory services on mergers and acquisitions, to treasury products amongst others, as opposed to mass retail banking.

While this has undoubtedly been instrumental in boosting a number of fast-expanding economies’ growth potential, it has largely excluded development of products aimed at the lower income and unbanked sectors of economies.

The potential in retail banking

While the high end African business/corporate banking arena still presents significant opportunities given Africa’s robust growth prospects, an increasing number of financial institutions have awoken to the massive potential that lies within Africa’s growing consumer base. Retail banking has become an increasingly important focus for both global and African banks as a result, manifest in the rapid and at times aggressive expansion of banking institutions and offerings of an increasingly sophisticated suite of retail banking products on the continent.

In this regard, the lingering economic malaise in Europe and the US has also seen a number of international banks looking to expand their banking footprint on the continent in the short- to medium-term in a bid to bolster their flagging balance sheets.

John Coulter, JPMorgan’s senior country officer for sub-Saharan Africa, told the Reuters Africa Investment Summit in April this year that “[a] strategy that focuses on Africa from a pure investment banking perspective, for JPMorgan, is not the approach to follow. We have got the capital and the capability as a bank to extract more from an African wallet”.

He further stated that “[a] company in Kenya or a bank in Ghana need trade finance lines, credit lines to help them grow their business, project finance, infrastructure support and the corresponding banking lines.” While some international lenders have attempted to push investment banking in the African market, according to Coulter there was still limited demand for such services presently, given the emerging state of local capital markets. *This article was first published by KPMG.*

Markets

Bank of Mozambique keeps benchmark interest rates unchanged

The Bank of Mozambique has kept the main benchmark interest rates unchanged, among them the marginal lending facility at 8.25 %, the Mozambican central bank indicated in a statement released in Maputo.

The interest rate for the liquidity absorption facility was kept at 1.50 % and the compulsory reserve ratio at 8 %, per decisions made at the latest meeting of the central bank’s monetary committee.

The committee affirms in the statement that inflation prospects in the short and medium term indicate that the year’s objectives should be attained, due to positive consumer price performance and the metical currency’s stability in the domestic exchange market.

The Bank of Mozambique’s monetary policy committee also decided to intervene in the interbank market to hold the circulating money supply at no more than 52.758 billion meticais at the end of this August. *(Macauhub)*

Angola economy: Bond rating upgraded

Angola's government bond rating has been upgraded by Moody's Investors Service

According to Moody's, reasons for upgrading Angola's bond rating (from Ba3 to Ba2) and outlook (from stable to positive) include the country's strong medium-term economic outlook; an expectation that "government credit metrics" will continue to improve; and evidence of progress in implementing some structural reforms, despite a weak institutional framework. However, it cites low levels of economic diversification and "key credit constraints" as ongoing challenges.

In fact, progress in adopting structural reforms to strengthen the business environment remains slow, and one of the key measures introduced this year-an increase in import tariffs designed to boost domestic production-risks entrenching vested interests. There are also some question-marks over the country's growth and budgetary outlook. The price of oil, the main driver of Angola's economy, remains buoyant, but the production rate has been lower than expected since the turn of the year, and this is denting state revenue. Equally, in July the IMF flagged Angola's slipping oil output and the slowdown in its agricultural sector (previously a key motor of non-oil growth) as reasons to lower its 2014 growth forecast from 5.3% to 3.9%-significantly below the government's own (revised) expectation of 6%. The Economist

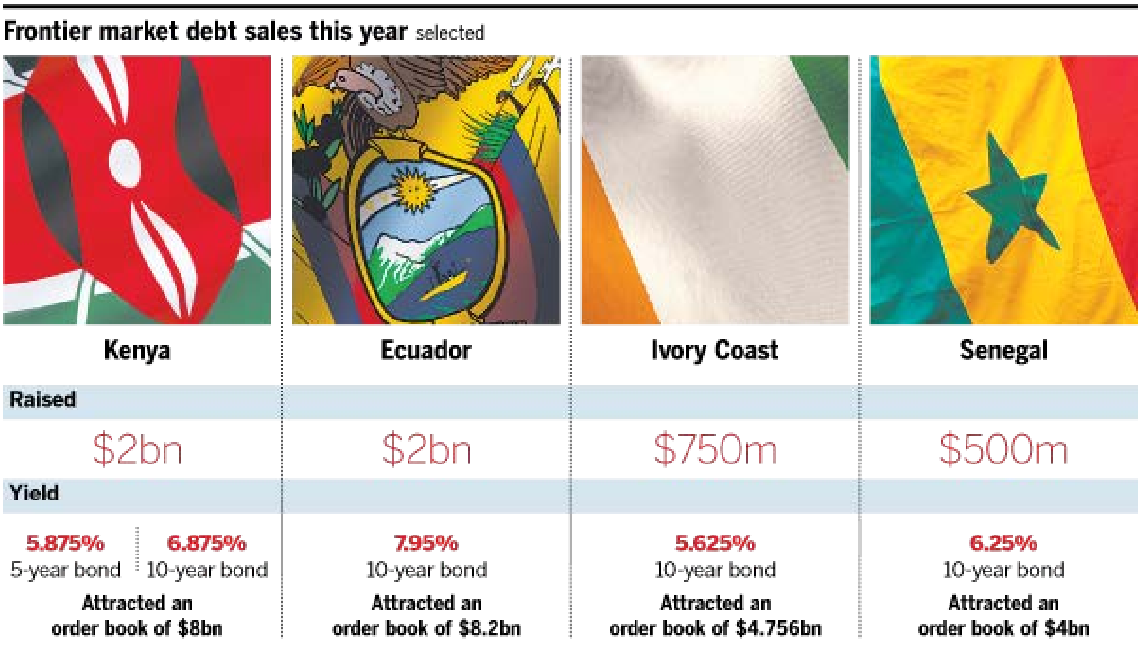
Intelligence Unit has also downgraded its 2014 growth forecast this year-from 5.9% in January to 4.5% at present-as oil prices are expected to decline by a further 0.5% this year, while slower than expected increases in oil output will lead to weaker government consumption. *(Economist Intelligence Unit)*

Ivory Coast adds to rising flow of debt from 'frontier markets'

When the Ivory Coast set out to raise millions of dollars in a new government bond this year, the west African nation had an ace up its sleeve.

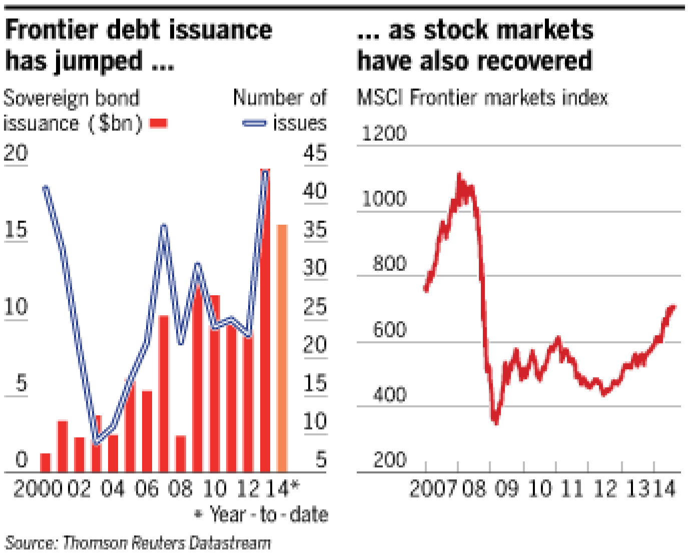
Within the delegation travelling across the US and UK in a global roadshow was the country's prime minister, Daniel Kablan Duncan, primed to sit with bond investors and answer their questions about the country's future and its plans for the money.

In the increasingly crowded field of frontier debt issuance, it does not hurt to stand out. Last year frontier countries issued close to $20bn in debt, more than double the amount raised in 2012



But bankers say that even without the prime minister's presence they expected Ivory Coast's bond to be a success.

Around the world, billions of dollars are pouring into so-called frontier markets as years of low global interest rates encourage investors to expand their horizons.



In June, one of the world's largest investors, Norway's sovereign wealth fund, said it planned to add more frontier assets to its portfolio over the next few years.

As more money flows in, bond prices are rising and yields are falling, pushing borrowing costs down.

Just four years after it defaulted on its debt in the midst of a political dispute that led to heavy violence, Ivory Coast was flooded with orders of nearly $5bn for its new government bond.

Demand was so high that the government was able to borrow the money at a rate close to that paid by the UK in the years before the financial crisis.
“This is a distinct period of credit flow,” says Edward Al-Hussainy at Peridiem, a former Moody’s analyst. “Many low quality issuers are coming into the market because the pricing for new debt is so favourable.”
Africa has been the source of some of the busiest activity, with Senegal attracting orders of $4bn for its new 10-year bond, Kenya’s record breaking $2bn debut sale of debt in June, and Zambia’s oversubscribed 10-year bond all issued this year.
Debt sold by Ecuador, Pakistan and Rwanda has also been in hot demand.
Proponents of frontier markets say they are benefiting from levels of growth impossible in larger, more developed countries. Ivory Coast’s economy, for example, is forecast to grow 8 % this year. Many countries are rich in natural resources, with incomes that can be used to make payments on bonds.
Even the fact that secondary markets are illiquid is not necessarily a deterrent. The lack of scale means investors tend to keep positions small and during times of stress are likely to reduce holdings in larger markets – meaning the performance of frontier bonds does not always mirror that of wider markets. NEXGEM, JPMorgan’s frontier bond index, has returned 11.7 % so far this year. *(Financial Times)*

Multi-Currency System Keeps Operations Stabilised – Barclays Zimbabwe

Barclays Bank of Zimbabwe said assurance by the country’s government that the multi-currency system currently running the economy won’t be removed, will keep their operations in the Southern African nation stabilised and growing.
Zimbabwe currently uses eight different foreign currencies; the US dollar, South African Rand and British Pounds among others. The introduction of the multi-currency was done after the Zimbabwe dollar lost value and was subsequently scrapped during a sustained period of hyperinflation in 2008.
“We are encouraged by the reaffirmation by authorities that the multi-currency system will be sustained,” said Barclays Bank of Zimbabwe chairman Anthony Mandiwanza.
“We also trust that efforts are underway to demonstrate policy clarity and consistency will be sustained in order to promote growth in long-term investment by locals and foreigners alike,” he said.
Barclays Bank of Zimbabwe reported a $1.7 million after tax profit in the first-half of 2014, up from $800,000 reported in the same period prior year premised on a 9 % income growth reporting period.
There had been speculation about the return of the Zimbabwe dollar since Zanu PF election victory last year. This was discussed due to tight liquidity conditions as economic recovery push falters.
Recently Zimbabwe Finance minister, Patrick Chinamasa said government will maintain the multi-currency system introduced five years ago until certain macroeconomic fundamentals, including the build-up of forex or mineral reserves were addressed. *(Ventures Africa)*

Africa's Governments Should Be Cautious Borrowers

Sub-Saharan Africa is this year's emerging-market darling. The region's leaders basked in President Barack Obama's praise at a Washington summit last week. They huddled with captains of American industry and went home with $37 billion in public and private deals.
Investors in emerging-market bonds are enchanted, too. They've snatched up almost $6.5 billion in sub-Saharan sovereign debt so far this year, following a record $9.7 billion in 2013.
Not to be a spoilsport, but a note of caution seems in order. The global hunt for yield after six years of near-zero interest rates in developed economies could be encouraging African governments to borrow more than they should.
It wasn't long ago that some of the countries issuing all those bonds were seeking debt forgiveness -- or had defaulted outright. The ease with which they can now borrow may have less to do with the pace of modernization and fiscal-policy reforms and more to do with the 6 to 9 % interest rates governments are offering yield-hungry investors.
African public-debt issuances have come fast and furious. In recent years, a dozen governments sold bonds for the first time. Kenya broke the continent's record in June with a $2 billion issue; it was four times oversubscribed. Ivory Coast borrowed $1 billion in July, only three years after a default. South Africa sold about $1.7 billion in dollar- and euro-denominated bonds in July after a three-year absence. And Rwanda could float a $1 billion issue next year, adding the equivalent of 13 % of gross domestic product to its debt.
Big numbers are one worry, but so is the mix of investors. Large, foreign institutional investors account for most of the flows into emerging-market debt in recent years. These lenders are less willing than others to retain or roll over their holdings when the economic climate turns bad. This amplifies the effect of any downturn by pushing emerging-market bond yields higher and local currencies lower.
The short-term economic outlook isn't free of hazards, either. Standard & Poor's just downgraded some African countries, including South Africa and Uganda, because of China's slower growth. This means lower prices for African commodities and insufficient tax revenue to make interest payments on government debt. Ghana, which is looking to sell $1.5 billion in Eurobonds by the end of August, last week had to turn to the International Monetary Fund for emergency help. The IMF recently warned African governments that they may be overloading their economies with debts they can't service.

The Federal Reserve will soon halt its purchases of U.S. Treasuries. As a result, yields are likely to rise worldwide, and that could put African public finances under stress. Many of the continent's bonds have so-called bullet repayment schedules, meaning that the entire face value comes due at once. When that happens, interest rates are likely to be higher and local currencies weaker than now.

It's great to see African countries grow and prosper. And there's no question that private-sector funds can be put to productive and profitable use in the region. Africa needs as much foreign direct investment as it can get. But public borrowing demands more caution. As Asia learned in the 1990s and Europe found more recently, governments shouldn't always borrow just because they can. *(Bloomberg View)*

Funds

Nigeria's Sovereign Wealth Releases Fund For $726m Niger Bridge

Nigeria Sovereign Investment Authority (NSIA), managers of the nation's sovereign fund, told BusinessDay that it will release the fund for the construction of the second River Niger Bridge. This fund serves as part of NSIA equity stake in the construction of the bridge.

"We are about to pay Julius Berger for the early works of the bridge," Managing Director NSIA, Uche Orji told BusinessDay.

NSIA has three funds that guide its investment activities; Nigeria Infrastructure Fund which it allocates 40 % of its assets, Stabilization Fund (20 %) and future generation fund (40 %).

The infrastructure fund which focuses on domestic investment in selected projects has been used to finance three commitments including the second River Niger Bridge, Nigeria Mortgage refinancing company and provide funds for agriculture finance.

The new dual carriage bridge which will cost N117.9 billion ($726.2 million) to build is an 11.90km length project. It is located 1.7km downstream of the existing bridge and consists of two equal end spans of 40m.

Earlier this year, Nigeria announced that with the support of the World Bank it would begin a construction of two by-passes to connect the bridge. The first would be a dual carriage from the Benin-Asaba Expressway bypassing Asaba and its airport to connect the bridge, while the second would link in from the Onitsha-Enugu Expressway to Onitsha Owerri Express-way, bypassing Onitsha.

The first Niger Bridge was commissioned in 1966 by Alhaji Tafawa Balewa, the prime minister of Nigeria then and has been a major gateway for trade flow between the Southeast and the rest of the country.

The bridge has been weakened largely by overloaded cargo trucks plying this route regularly as well as vandals who steal bolts and nuts used to construct the bridge. *(Ventures Africa)*

African corporates gain appetite for debt

When Helios Towers Nigeria needed to raise funds earlier this year, it did not turn to a bank for a loan. Instead, international capital markets beckoned.

The $250m bond, which the company plans to use to finance the purchase of telecom tower masts to profit from the booming telecoms sector, was Nigeria's first-ever corporate issuance outside the banking and oil sectors.

And the timing of the deal – coming in the middle of a potentially record-breaking year for African sovereign bond issuance – has thrust the future of the continent's capital markets into the spotlight. "We are seeing more non-sovereigns across Africa doing deals," says Nicholas Samara, a debt banker at Citigroup.

The flood of sovereign bond issuance this year by African countries is setting a benchmark that companies are beginning to use to raise their own debt. For regional executives, the opening is a boon, as they need capital to expand.

"Having a sovereign in place with a sound macro framework sets the right foundation for non-sovereigns to follow," says Mr Samara.

In July, the Ivory Coast attracted nearly $5bn of orders on a bond that came only three years after the country defaulted.

In this year's most significant milestone for African capital markets, Kenya broke an African record in June with its debut $2bn sovereign bond. Senegal and Morocco have also sold notes.

Corporate bonds are a riskier bet for investors than sovereign bonds, but offer higher yields at a time when returns on government debt are hovering around 6 or 7 %. Helios Towers' debt, for example, yields just over 8 %.

The gradual evolution of capital markets in Africa has coincided with a period of historically low interest rates around the developed world – leading many to question whether investors are enticed by the fundamental strengths of African countries and corporates, or the lack of attractive yield elsewhere.

Antoon de Klerk, a portfolio manager at Investec Asset Management, says both factors are at play. "Borrowers realise there's a bit of push and pull."

As well as international capital markets, African corporates can borrow in domestic markets, which have developed rapidly in countries such as Kenya and Nigeria, or through investment deals with other countries, especially China.

"Africa has gone from a niche to being mainstream in the dollar space," says Mr de Klerk. "I like to think the African niche is now local debt, and maybe dollar corporate debt."

South Africa has traditionally dominated international bond issuance in Africa but now accounts for a smaller proportion of deals.
In 2010, South Africa represented 69 % of total internationally-marketed dollar-denominated bond issuance from Africa. Last year, the proportion was 31 %, and so far this year, the country accounts for only 10 % of the total according to data from Dealogic.
Internationally-marketed corporate and financial bond issuance from African countries other than South Africa has risen – albeit gradually – over recent years.
In 2013, fresh corporate bond issuances came from Ethiopia, Mozambique and Nigeria, while this year, Moroccan and Nigerian corporates have issued. In 2010 and 2011 the only international African corporate bond issuances came from South Africa.
Earlier this year, OCP Group, a state-controlled Moroccan company that runs the world's largest phosphate reserves, issued a debut $1.55bn corporate bond.
Nigeria - thought to be attractive to international investors thanks to its low level of public debt and high rate of growth - has also seen a rush of non-sovereign activity, with a number of banks issuing debt. In April, the country became the largest economy in Africa after revising its gross domestic product statistics.
Despite increased investor appetite for African issuance, rating agencies have yet to take a more positive view on the creditworthiness of African institutions.
"African ratings have been on a slight downward trajectory during the past few months," says Ravi Bhatia, a director at Standard & Poor's. "It is this issue of graduation out of concessional borrowing into non-concessional borrowing, higher debt stocks and bigger current account deficits."
Recently, S&P has downgraded Uganda, Mozambique, Cape Verde and South Africa.
International organisations are also warning the region against taking on heavy debts. The International Monetary Fund has said excessive public debt could threaten the economic growth enjoyed by many countries within the continent.
Despite such warnings, there is little reason to suspect African issuance will dry up any time soon, according to Mr Bhatia.
"The sovereign issuance looks set to continue," he says. "There is also room for more issuance from corporates and banks, especially in Nigeria. There are definitely corporates in Kenya that could issue as well." *(Financial Times)*

M&A

BNP Paribas buys SA card unit

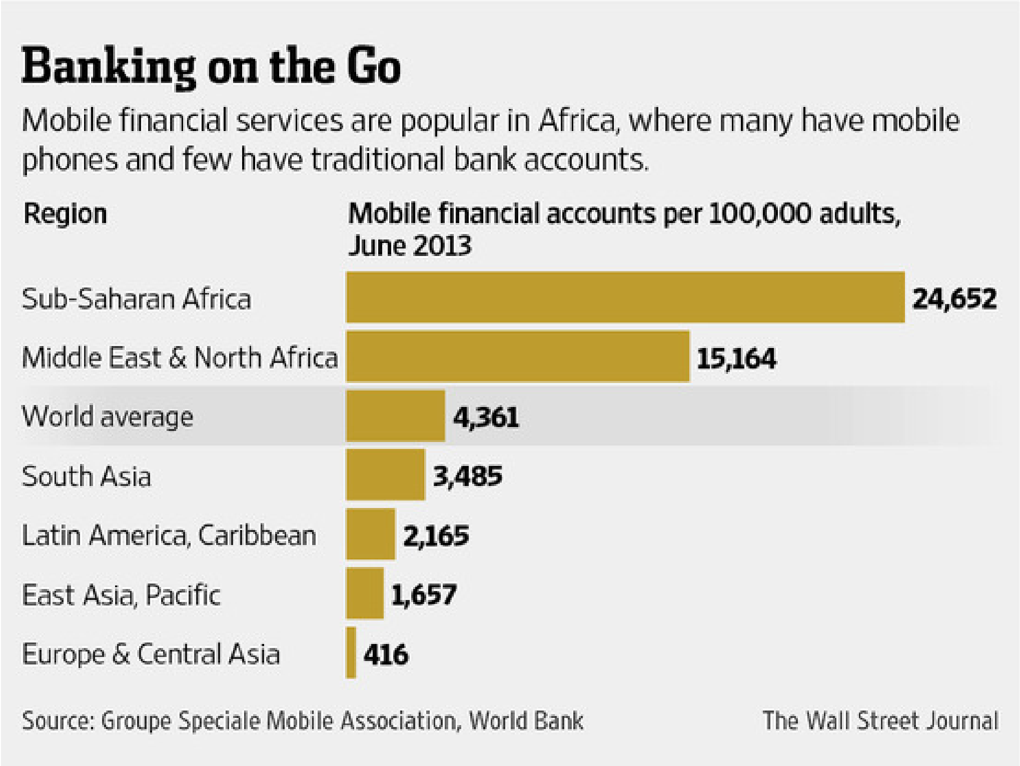
FRANCE's largest bank, BNP Paribas, completed its R2.64bn acquisition of the private label retail-card joint venture of The Foschini Group (TFG) and Standard Bank.
In March — shortly before announcing its intention to step up its presence in South Africa's retail banking market by acquiring TFG's retail card business — BNP Paribas overtook Deutsche Bank as the JSE's largest manager of foreign stock exchange-tracking exchange-traded products.
Its "Asia" exchange-traded note (ETN) is now the JSE's third-largest exchange-traded product with R5.65bn of assets under management, followed by its "USA" ETN with R5bn and its "Europe" with R4.75bn.
BNP Paribas has been active in South Africa for more than 15 years in the equity derivatives market, and in 2011 it opened a representative corporate and investment banking office in South Africa by acquiring 60% of Cadiz Securities for R150m.
TFG said the proceeds of its 55% stake in RCS (formerly known as Retail Card Solutions) is about R1.45bn, with Standard Bank receiving the balance for its 45%.
TFG — whose retail brands include Totalsports, American Swiss and @home — has wanted to sell RCS for some time now to reduce its exposure to the unsecured lending market.
RCS's total loan book is close to R5bn. The unit, which was established in 1999, has more than 1-million cardholders and serves a network of more than 18,000 retail outlets, including Massmart's Game, Spitz, and Tiger Wheel & Tyre.
The deal allows TFG to reduce its overall gearing levels and focus on its core retail business.
"RCS started to cloud what our balance sheet looked like … it sucks a lot of capital … people were starting to think we were a financial institution and not a retailer," TFG CEO Doug Murray said this week. "We saw the opportunity to start it because we have expertise in lending and it has proved to be a success, but at the end of the day that business has to grow. It was noncore to us and at some stage we had to move it on."
TFG established RCS in 1999 and sold 45% to Standard Bank in two tranches in 2005 and 2006.
Absa Investments analyst Chris Gilmour said: "They have been progressively selling this off for some time now.… At this time in the cycle things are changing quite considerably. They came out with a trading update the other day, they are probably one of the most archetypal credit retailers and yet the cash component of their sales is now increasing quite considerably over credit sales.
"Given that credit retail is not where it was, I think it gives them the opportunity to concentrate far more on the physical process of selling … it's a good move."

BNP Paribas said earlier this year South Africa's consumer credit market was well regulated. "The largest underwriters in this field have … reduced their risk appetite as early as the beginning of 2013 and the overall market has shown recovery signs since then."
RCS will be housed in BNP Paribas Personal Finance. "RCS is only marginally exposed to personal loans as 75% of its turnover is driven by credit cards, which appeal to upper customer segments," BNP Paribas said.
Mr Gilmour said: "Advancing credit to consumers has always been very lucrative in South Africa. I don't think it is as lucrative now but BNP obviously feel that there's opportunity here." *(BDLive)*

Tech

Banks Vie for a Piece of Africa's Mobile Banking Market

Where Most Have a Phone and Few Have Bank Accounts, Telecom Operators Dominate Fast-Growing Business
In Kenya, where telecom companies dominate the mobile-payments market, one of the country's largest banks is fighting to retake some of its traditional turf.
George Kabiria, who makes decorative sculptures for this city's lush garden homes, recently sold a small iron frog to a customer through M-Pesa, Kenya's most popular mobile-payments service.
Mr. Kabiria's customer punched in a few numbers and transferred 700 Kenyan shillings, or about $8, to the iron monger. With the money in his M-Pesa wallet, Mr. Kabiria can pay other M-Pesa users or withdraw cash from agents at convenience stores and roadside stands across Kenya.
Fearing theft in crime-rife Nairobi, Mr. Kabiria operates mostly through M-Pesa, owned by Safaricom, the Kenyan subsidiary of global telecom giant Vodafone Group "I don't like having cash in the shop," he says.
M-Pesa, launched in 2007, handles $18 billion in transactions annually. They come from cow herders in the country's dusty Rift Valley villages, pedicab drivers in the bustling port of Mombasa and technology entrepreneurs in traffic-clogged Nairobi. Together, they are equivalent to 43% of Kenya's economic output.



Now, a top Kenyan bank is challenging that business. Equity Bank, Kenya's largest in terms of customers, wants a piece of Safaricom's brisk trade in charging mobile customers for financial transactions. It also aims to draw users into traditional banking products such as loans and savings accounts.
Earlier this year, Equity acquired a telecom license and made plans to distribute to its customers SIM cards that would enable them to access all their accounts without visiting a branch. The ultrathin cards are designed to be placed on top of any SIM card already in a user's phone, effectively giving people one phone line linked to Equity's bank service and another for Safaricom's voice and M-Pesa services.
The bank has given the cards to its employees and hopes to distribute a million to current customers within a year.
At the heart of this push: Equity's belief that banks are best positioned to provide banking services. "We have a major problem with the mobile provider also providing financial services," says John Staley, Equity's chief of finance, innovation and technology. "You can't have a freight company controlling the tracks."

Bob Collymore, Safaricom's chief executive, shrugs off any threat. He says his firm isn't competing against Equity but for the 95% of Kenyan transactions that are still done in cash. "The market is massive, it's there to be had," Mr. Collymore says. "I don't worry about [Equity]."

Fewer than a quarter of Africans have a bank account, the World Bank says, but 40% have a mobile phone. That has made the continent particularly fertile ground for mobile-payments businesses.

On average, 4,361 out of 100,000 people globally were using mobile-payments services as of June 2013, according to Groupe Speciale Mobile Association, an international mobile-telecommunications group, and the World Bank. In sub-Saharan African, the figure was six times that—with nearly a quarter of the population banking on mobile phones. In contrast, for every 100,000 Europeans and Central Asians, just 416 used such services.

Still, Safaricom has taken steps to counter Equity's attempt to enter the market. Just as Equity was about to roll out its new mobile-payments service in July, Safaricom filed a petition with the Kenyan communications regulator, contending that Equity services designed to coexist with Safaricom would expose M-Pesa users to security risks, such as fraud.

Equity's Mr. Staley called the complaint "completely unfounded…obviously a delay tactic."

Before the legal move, the Kenyan bank had been advertising in English and Swahili inviting Equity customers to punch *247# into a phone carrying a new Equity SIM card to activate Hapo Hapo, the Equity mobile-banking account. Safaricom's petition has forced equity to suspend marketing and distribution for the mobile-payments service.

A spokeswoman for the regulator declined to say when a decision would be reached.

How the Kenyan regulatory body rules could shape the way banks and telecom firms collaborate and compete on mobile transaction services across Africa.

In Zimbabwe, leading mobile company Econet Wireless bought Steward Bank in 2012 for the banking license that would allow it to expand its mobile-money platform, EcoCash. In Tanzania, Millicom's Tigo mobile has joined with 17 banks to spread its Tigo Pesa system (Pesa means money in Swahili). And in Rwanda, the same company is lobbying the central bank for a license or regulatory change to allow it to expand its mobile-money offering.

Safaricom's dominance in Kenya—the company hosted nearly 70% of mobile connections in the first quarter—helped the growth of M-Pesa. Safaricom also has teamed up with Kenya Commercial Bank to offer more sophisticated financial products such as savings accounts, payroll and microloans.

Such services have helped Mr. Kabiria earn interest on a mobile savings account through a service dubbed M-Shwari that is managed by Commercial Bank of Africa. The money he saves in the account also can be used as collateral for a home or business loan.

Equity says its edge over Safaricom's suite of products will be lower charges per transaction. Equity plans to charge a 1% transaction fee capped at 25 Kenyan shillings, about 20 U.S. cents. M-Pesa doesn't cap charges, which can be more than 100 shillings on large transactions.

The fight could help customers of both Equity and Safaricom in the long run, says Melissa Cook of African Sunrise, an investment consultancy. Both Equity and KCB, Safaricom's banking partner, have operations across East Africa, meaning both can scale their services well beyond Kenya. "These are flexible services, giving small businesses especially the ability to transact across currencies and borders," Ms. Cook says.

With such high stakes, Equity says it expected Safaricom to try to elbow out fresh competition. "When you've had the sandpit to yourself," says Equity's Mr. Staley, "you don't want to let someone new in to play."

Corrections & Amplifications

Safaricom works with Commercial Bank of Africa to manage M-Shwari, its savings account service, and has teamed up with Kenya Commercial Bank to offer more sophisticated services and reach more new customers. An earlier of this article incorrectly said M-Shwari was managed in partnership with KCB. Also, about 40% of Africans have a mobile phone. An earlier version of this story misstated the figure as 70%. *(Wall Street Journal)*

The cost for banks that ignore mobile wallets would be severe

When development organisations disburse aid for food, water and medical supplies to poor families in the remote regions of northern Kenya, administrators in Nairobi can now simply press a button allowing the families to receive the cash instantly on their mobile phones via Safaricom's M-Pesa.

In the past, the organisations would have had to pay a van with security guards to transport the cash in order to pay local beneficiaries and volunteers. Given the poor network of roads in northern Kenya, this would often take days and use up precious resources, not to mention the danger involved.

This is a great example of how mobile wallets are helping to transform lives. In emerging markets, most people still pay or get paid in cash, but mobile wallets such as M-Pesa are changing all that, providing a fast, cheap and safe alternative.

With mobile wallets, there's no need to travel long distances and queue up at a counter to pay bills, as people can simply text money. A pin-protected mobile is safer than cash, which can be lost or stolen, and transferring money is instant, in many cases beating the speed of local inter-bank transfers.

The impact on society is huge, as millions of people – the unbanked and those living in remote regions without easy access to banks – are brought into the financial system. In Kenya, more than half of the adult population are now registered for M-Pesa, with payments equivalent to more than a third of the country's GDP.

Big potential

With an estimated one billion people across emerging markets possessing a mobile phone but no bank account, the potential is substantial. Already, there are over 200 mobile wallet systems in the world, many of them in Asia, Africa and the Middle East.

Given the right regulatory encouragement, I believe mobile wallets right across emerging markets could replicate the success of M-Pesa. Large NGOs, development organisations and companies could push adoption past the tipping point as they wake up to the huge benefits of switching from cash to mobile electronic credits: lower cost, faster reconciliation and greater security, to name but a few.

There's is no need to wait for mobile wallet ecosystems to mature, or for disparate mobile payment standards to converge. Mobile wallets offer vast benefits right now and, by using them, large organisations can help to accelerate their development.

Mobile wallets represent a fantastic opportunity for any NGO, development organisation or company with business in emerging markets to reach out to individuals more efficiently and, in the process, drive large-scale social and economic change.

Our clients are showing strong interest in using mobile wallets. Large insurance companies, for example, are keen to use mobiles for collecting premiums or paying out claims. Food companies are looking for a better way to pay their farm workers, development organisations for a more efficient distribution of aid, and logistics companies for smarter ways to collect courier fees.

Mobile wallets are largely driven by telecom companies, which use their extensive geographic reach and existing networks to fill a gap in the market that banks can't reach. I see these mobile service providers not as competitors but as partners, as both sides can benefit from the other's complementary capabilities.

The role of banks

Banks have a crucial role to play in driving wide-spread adoption. As global institutions embrace mobile wallets and connect corporates for payments and collections to end consumers, the entire ecosystem will benefit and grow.

Banks can be advocates, engaging with regulators and transferring knowledge and best practice from market to market. And we can be aggregators, encouraging our multi-national clients to adapt by providing the means for them to connect to their customers and workers across multiple geographies and multiple mobile wallets.

Clients of international banks should be able to pay an unbanked mobile wallet consumer anywhere in the world just as easily as a conventional payee, the only difference being that they need to type in a phone number instead of a bank account.

Banks still have work to do to set up the background systems that make this possible, but when this happens – not if – I believe it will drive very significant traffic into the mobile wallet ecosystem.

By the same token, the cost of inaction for banks would be severe. If they don't connect their clients to mobile wallets, others will, and banks risk becoming increasingly irrelevant in the emerging market payments space. Worse, banks will miss out on one of the potentially most transformative innovations in the retail financial services space for decades.

Gautam Jain is Managing Director and Global Head of Client Access, Transaction Banking at Standard Chartered.
(How we made it in Africa)

ENERGY

World Bank Group Commits US$ 5 Billion to Boost Electricity Generation in Six African Countries

WASHINGTON, August 5, 2014 - The World Bank Group today committed $5 billion in new technical and financial support for energy projects in six African countries-- Ethiopia, Ghana, Kenya, Liberia, Nigeria, and Tanzania—which have partnered with President Obama's Power Africa initiative.

Making the announcement on the second day of the 1st US-Africa Summit, World Bank Group President, Dr. Jim Yong Kim, said the new financial commitment was urgently needed to generate more electricity for the people of Africa, 600 million of whom have no access to electricity, despite the fact that Africa possesses some of the world's largest hydropower, geothermal, wind and solar potential, as well as significant oil and natural gas reserves.

"We think that the U.S. Power Africa initiative will play an extremely important role in achieving the goal of providing electricity for Africa. So today I'm very pleased to announce that the World Bank Group, following President Obama's lead, will partner with Power Africa by committing $5 billion in direct financing, investment guarantees, and advisory services for project preparation in Power Africa's six initial partner countries, Ethiopia, Ghana, Kenya, Liberia, Nigeria, and Tanzania. The U.S. Government and the World Bank Group are working now on specific tasks and milestones which could help to achieve one quarter of Power Africa's goal of generating 10,000 megawatts of new power in Sub Saharan Africa," Kim said.

Africa's power crisis forces families and communities to spend significant amounts of their income on costly and unhealthy forms of energy, such as diesel generators or wood for indoor cooking fires. Africa has vast hydropower potential but uses just 8 % of this untapped water force. In comparison, Western Europe uses 85 % of its available hydropower potential, which has contributed to their economic development and industrialization.

"Like Europe and the rest of the world, Africa deserves the same opportunity to exploit this green source of power to improve the lives and economic prospects of its people," said the World Bank's Vice President for Africa, Makhtar

Diop. “Beyond building up power generators, they must be connected to the market, which calls for regional cooperation to build the transmission network. We are working with African leaders and their development partners to create power pools in Africa’s East, West, Central, and Southern sub-regions. Those countries with abundant geothermal, gas, hydro, solar, and wind resources can feed their excess power supply into a common pool, while neighboring states with less energy and generation capacity can benefit from this integrated approach to delivering electricity to their people. “*(World Bank)*

FACT SHEET: Powering Africa: Increasing Access to Power in Sub-Saharan Africa

On June 30, 2013, President Obama launched Power Africa, an innovative private sector-led initiative aimed at doubling electricity access in sub-Saharan Africa, where more than 600 million people currently lack access to electricity. Power Africa set an ambitious initial goal of adding more than 10,000 megawatts (MW) of new, cleaner electricity generation capacity and increasing electricity access by at least 20 million household and business connections.

Today, the President announced a renewed commitment to this initiative, and pledged a new level of $300 million in assistance per year to expand the reach of Power Africa across the continent in pursuit of a new, aggregate goal of 30,000 MW of additional capacity to Africa and increasing electricity access by at least 60 million household and business connections. The President also announced $6 billion in new private sector commitments, bringing the total private sector commitments under Power Africa to date to more than $20 billion. This includes additional commitments under Beyond the Grid, a new sub-initiative, announced at the June 2014 U.S-Africa Energy Ministerial, for fostering private investment in off-grid and small-scale energy solutions that seek to expand access to remote areas across sub-Saharan Africa.

Power Africa: Progress to Date

The U.S. Embassy teams have worked closely with their host governments and private sector partners to facilitate the financial closure of transactions that are expected to generate almost 2,800 megawatts (MW) of electricity, and Power Africa is actively supporting transactions expected to generate an additional 5,000 MW. Once completed, these transactions will represent 78 % of Power Africa’s initial 10,000 MW goal.

Twelve U.S. government agencies, whose combined capabilities form the backbone of Power Africa, are working closely with African governments to prioritize and address key legal, regulatory and policy constraints to investment, and to implement measures that will sustain growth and enable successful governance of a growing power sector throughout sub-Saharan Africa.

Growing Private Sector Commitments in Support of Power Africa

Private sector commitments to date are on track to meet Power Africa’s initial 10,000 MW goal and leading the path towards achieving the goal of doubling access to electricity in sub-Saharan Africa through private sector-led investments.

Notable transactions undertaken in the first year of the initiative include the ongoing negotiation of Corbetti Geothermal, the first phase of a potential 1,000 MW geothermal generation project and Ethiopia’s first independent power project; advancing nearly 500 MW of wind projects in Kenya; financial support for a 10 MW mini-hydro and a 5 MW solar project in Tanzania; and supporting power sector-wide privatization efforts in Nigeria. Additional efforts include the U.S. African Development Foundation’s (USADF) Off-Grid Challenge.

Leveraging Strategic Partnerships to Maximize Impact

Over the past year, Power Africa has forged strategic partnerships with African governments, multilateral institutions, donors, and the private sector. These partnerships seek to align resources and capabilities, and coordinate our interventions to maximize our impact and accelerate private sector investment in renewable energy.

- Although the goals set out by Power Africa are continent wide, the U.S. government signed memoranda of understanding (MOU) with the initial six focus countries, which reflect the strong commitment of African governments to engage in policy and regulatory reform.
- The World Bank Group will support Power Africa by committing $5 billion in new technical and financial support, including loans and guarantees, for energy projects in the six initial Power Africa focus countries. This commitment builds on the World Bank's existing $3.3 billion commitment in the six focus countries and its broader commitment to developing the energy sector in sub-Saharan Africa.
- The African Development Bank (AfDB) already announced its support to advance Power Africa as an anchor partner, with an initial commitment of $3 billion. The AfDB has already approved approximately $670 million in support for energy sector operations in the six initial Power Africa countries, and expects to commit an additional $2 billion in support across sub-Saharan Africa over the coming year.
- President Obama welcomed the announcement that the Government of Sweden has committed $1 billion to advance Power Africa, including support for transmission and distribution upgrades, and the development of energy projects in sub-Saharan Africa.

Power Africa Transaction–based Model at Work

During the U.S.-Africa Business Forum, a number of new Power Africa transactions and energy sector initiatives were highlighted:

- The U.S. Trade and Development Agency (USTDA) in partnership with the U.S. Department of Energy led the African Leaders' Visit: Energy to Houston, Texas, where African decision makers met with government and industry leaders who highlighted their experience fostering economic growth through strategic investments energy infrastructure development.
- The Overseas Private Investment Corporation (OPIC) approved up to $250 million in financing to support the development, construction, and operation of a 310 MW wind power project near Lake Turkana, Kenya.
- OPIC also approved up to $50 million in financing for the Azura-Edo power plant, the first independent power producer in Nigeria in 10 years following recent power sector reforms. This project is expected to provide up to 459 MW of much-needed power for Nigeria.
- Under the US-Africa Clean Energy Finance Initiative (ACEF), OPIC is supporting the Participatory Microfinance Group for Africa ("PAMIGA"), a network of 15 rural microfinance institutions to expand micro-lending for solar energy and clean water investments for agricultural and household use.
- Under ACEF, USTDA funded a study for Amahoro Energy to develop a new run-of-the-river hydropower plant and capacity upgrades at five existing plants, to create 11.45 MW of new generation capacity in Rwanda.
- The USADF announced the selection of three awardees through the Liberia Off-Grid Challenge. Each awardee will receive a $100,000 grant for Liberia off-grid projects jointly funded by USADF, GE, and USAID.
- The Department of Commerce led an Energy Trade Mission including 19 U.S. companies to Ghana and Nigeria in May 2014, which resulted in the signing of $175 million in energy sector deals.
- Ex-Im Bank approved a $17 million loan guarantee for BOAD, the West African Development Bank, to support long-term financing for the expansion of the Azito Power project in Cote d'Ivoire which will increase the plant's installed capacity by 130 MW, from 290 MW to 420 MW, while reducing the carbon intensity per MW.

Beyond the Grid Initiative

Recognizing that Power Africa cannot achieve energy access goals through the use of large grid extension projects alone, the U.S. government launched Beyond the Grid, a new Power Africa sub-initiative focused exclusively on unlocking investment and growth for off-grid and small-scale energy solutions on the African continent. Beyond the Grid will partner with more than 35 investors and practitioners that have committed to invest more than $1 billion into off-grid and small-scale solutions over the next five years.

Millennium Challenge Corporation Ghana Compact Signing

Secretary Kerry and the President Mahama of Ghana presided over the signing of a Millennium Challenge Corporation (MCC) Compact through which MCC will invest up to $498 million over the next five years to support the turnaround of Ghana's electricity sector. This compact represents an example of the catalytic impact of Power Africa interventions, which help create the enabling environment and stimulate private investment in order to meet the current and future needs of households and business while also ensuring inclusive access to power by its citizens, with up to $4 billion in potential commitments already in the pipeline.

U.S.-Africa Clean Energy Finance Initiative

Secretary Kerry announced a second round of funding for ACEF, an innovative partnership launched two years ago among the State Department, OPIC, and USTDA that provides a small amount of early-stage funding to catalyze much larger private sector investment in clean energy projects in Sub-Saharan Africa. To date, ACEF has supported more than 25 projects that have the potential to create hundreds of megawatts of new power generation capacity across ten African countries. The new round of funding will allow this innovative effort to continue to leverage significant clean energy investment in Africa.

Commercial Law Development Program

The Department of Commerce's Commercial Law Development Program, through funding from USAID, is supporting the development of model legal frameworks, including annotated power purchase agreements, which accelerate the negotiation of renewable energy projects.

Clean Energy Solutions Center

The Department of Energy supported Clean Energy Solutions Center is connecting policymakers in Africa with a global clean energy experts through a web-based platform which aims to help African governments design and adopt policies and programs that support the deployment of clean energy technologies.

Focus on Regional Initiatives to Support Power Trade and Geothermal Development

Through USAID, Power Africa is deploying Regional Transaction Advisors to address issues that cross national borders, including the development of regional power pools and advancing development of East Africa's 15,000 MW in geothermal potential. *(THE WHITE HOUSE)*

Eskom to get EU loan for Upington plant

The European Union (EU) announced that it would loan R1.1bn to Eskom as 50 African leaders wind up the first US-Africa Leaders Summit in Washington and signed deals worth $14bn.

The investments come as Western countries position themselves to counter growing Chinese influence on the continent, including through the Brics (Brazil, Russia, India, China, South Africa) group of nations.

The state-owned company Eskom and the European Investment Bank said that they had agreed on a new €75m loan for the national electricity utility's 100MW concentrating solar power plant near Upington in the Northern Cape.
Concentrating solar power focuses the sun's energy through large mirrors and then utilises it to drive a steam turbine for electricity generation.
The project is being co-financed and the other financiers in the project are the African Development Bank, Agence Française de Développement, the Clean Technology Fund, Germany's KfW Development Bank, and the World Bank.
"Eskom is committed to investing in projects that will diversify our energy mix," Eskom senior general manager for renewables Ayanda Nakedi said.
Funding for other projects
European Investment Bank vice-president Pim van Ballekom said the agreement would be a model for similar investments under a new mandate agreed with South Africa earlier this year. The bank has also provided funding for other projects in Eskom's capital programme.
Meanwhile, EU governing body the European Commission said it had launched the first phase of a new programme to foster Africa's economic integration, with an allocation of €415m. This included projects from 2014-2017 and would fund activities ranging from sustainable agriculture, and higher education to governance, infrastructure, migration and communication technology.
The so-called pan-African programme was announced at the fourth EU-Africa Summit in Brussels in April this year, and would amount to €845m between 2014 and 2020.
The 28-member bloc is keen to be counted after a flurry of US overtures to Africa that include President Barack Obama's first African trip in the middle of last year, taking in Senegal, Tanzania and South Africa.
In the EU's case — and after 10 years of negotiations — it also initialed a regional Southern African Development Community group Economic Partnership Agreement last month, comprising South Africa, Namibia, Botswana, Lesotho, Swaziland, Mozambique and Angola. This has laid the ground for improved trade relations between the two regions. The bloc also approved a similar trade deal in West Africa last month. *(BDLive)*

First hydropower to be generated from Ingula in May 2015

After last year suffering delays as a result of an accident that claimed the lives of six people, progress is now being made on the development of energy utility Eskom's Ingula pumped storage scheme, located between Ladysmith and Harrismith, in the Little Drakensberg.
Once completed, Ingula, now in its seventh year of construction, would be a peaking hydropower station comprising an upper and lower dam or reservoir, separated in elevation by 480 m and boasting an underground powerhouse housing four 333 MW pump turbines 116 storeys below surface in two excavated underground caverns.
It would further boast an underground labyrinth of interconnecting tunnels and waterways, which would extend 6.5 km, while 3 km of access tunnels and several shafts would allow water to be released from the upper Bedford dam and delivered to the power-producing turbines, before being captured in the lower Braamhoek dam.
During off-peak times, the turbines would be reversed, pumping water back from Braamhoek dam to Bedford dam, in readiness for the next peak event.
Once completed, the project would have a generating capacity of 1 332 MW available during periods of peak demand and to supplement baseload when necessary.
Expected completion and operation of the first of the four pump turbines was expected by May 2015, with the remaining units coming on-stream in the following year.
Royal HaskoningDHV construction senior supervisor Jacques du Plessis said in a statement that underground work was proceeding at pace, with the concrete lining in the tailrace and headrace tunnels completed, cavity and consolidation tunnel grouting about 75% complete and concrete slip-forming at one of two 91 m high surge chambers ongoing.
Royal HaskoningDHV, along with local consultants GIBB and Knight Piésold, formed the Braamhoek Consultants Joint Venture – the team responsible for the overall design and construction supervision of the project's various packages.
Elaborating further on the progress of the project, Du Plessis noted that all civil works in the transformer hall had been completed, while the machine hall and underground control room were nearing completion.
"The first turbine shaft and runner were taken underground recently, two generator transformers have been installed and mechanical and electrical fit-out work is under way.
"Above ground, the operations and maintenance building on the intake structure is nearing completion, as is the stop-log storage facility at the outlet," he outlined.
The double-storey administration building, which would have direct access to the main tunnel leading to the underground power station, had also recently been completed.
In addition to office space, the building accommodated the external control centre for the power station.
Also recently completed was the visitors centre, which comprised a small office wing, a cinema, various display halls, an auditorium and a facilities wing. *(Engineering News)*

China's JinkoSolar Opens $7.4m Plant In Cape Town

Jinko Solar, an NSE-listed Chinese solar PV manufacturing company has opened a $7.4 million (R80 million) solar photovoltaic (PV) module manufacturing plant in Cape Town, South Africa.
This is in line with the vision of the South African government's Industrial Policy Action Plan and renewable energy support programme which seeks to foster the use of renewable energy for industrial growth.
The PV plant is the company's first facility outside China. It is expected to ease the load off Eskom's power grid; Jinko Solar MD, Morgan Peng said.
The solar PV factory has the capacity to produce up to 1,300 solar panels a day and supply 120 megawatts (MW) in solar power yearly.
Chinese company Jinko Solar is the fourth-largest solar PV manufacturer in the world. Its investment in South Africa will create a minimum of 250 direct jobs while secondary jobs will be provided through solar panel installation and maintenance.
Speaking on the sidelines of the US-Africa summit, South Africa's Trade and Industry Minister Rob Davies said the government supported Jinko Solar's investment through the reduction of red tape and support on local content requirements to enhance the growth of its industrial sector.
"South Africa is becoming a leader in renewable energy," he said, adding that the investment will further establish the country as a hub for renewable energy and other green economy industries.
To further enhance its position as a leader in renewable energy, Western Cape Premier, Helen Zille said the continent's second largest economy has partnered with local institutions to send locals to China for training in solar panel manufacture and maintenance. *(Ventures Africa)*

MINING

Sub-Saharan Africa economy: Rough time?

In the past decade, Sub-Saharan Africa (SSA) has entrenched its position as the world's largest producer of rough diamonds in a declining market.
In 2013 it accounted for around 52% of global output of 130.5m carats, and 62%(US$8.7bn) of its value. Ten years ago, its market shares were only 45% by volume and 52% by value. However, it is likely that African diamond production will expand only slowly if, as is predicted, global growth moderates over the next decade. Zimbabwe could prove to be a swing producer, but the policy environment there remains poor.
Diamonds are losing a little of their glitter. Figures released in late July by the Kimberley Process show that world production of rough diamonds has fallen by more than one-quarter from a peak of 176.7m carats in 2005 to 130.5m carats in 2013. Sub-Saharan production mirrors this trend, peaking at 93m carats in 2008 and hitting a trough of 55m carats in the recession year of 2009, before rebounding somewhat to 68.5m carats last year.
This rebound in African production has been led by the expansion of low-priced alluvial diamond production in eastern Zimbabwe. That country's output jumped from less than 50,000 carats in 2004, before the controversial Marange alluvial diamond fields were first exploited, to a peak of 12m carats in 2012, falling to 10.4m carats last year. As a result, Zimbabwe's share of African production has surged to 15.2% by volume, and last year it accounted for 8% of global output.
Russia remains the world's top producer, with almost 38m carats, followed by Botswana (23.2m), the Democratic Republic of Congo (DRC; 15.7m), Australia (11.7m) and Canada (10.6m). Zimbabwe is in sixth place, followed by Angola (9.4m), and South Africa-ranked eighth-has slipped down the pecking order, with its output of 8.1m carats down by 47% since 2007. However, because Russia produces mainly low-quality gems with an average price last year of US$82.2/carat, its production is valued at US$3.1bn-well behind Botswana, which is the world's top producer in value terms. In 2013 Botswana earned US$3.6bn, or 25.5% of the global total. Namibia's output was worth US$1.36bn last year, making it number two in Africa and number four in the world behind Botswana, Russia and Canada. Angolan production in 2013 was valued at US$1.28bn, while South Africa produced diamonds worth US$1.19bn. As with Russia, the DRC (with 15.7m carats) and Zimbabwe (10.4m) are major players in volume terms, but they earn much lower prices because the bulk of their diamonds are of poor quality. On average the DRC earns less than US$9/carat and Zimbabwe US$52/carat, compared with the US$156/carat earned by Botswana.
Diamonds are not a major export earner for SSA
Because value is added and diamonds are marketed in intermediate and final consumption markets, export figures are very different from production data. In 2013 the global export market was worth some US$56.6bn, or four times as much as production of rough diamonds. The EU is far and away the largest player, with exports valued at US$17.8bn from imports of US$17.4bn. The UAE is the second-largest exporter (US$7.3bn), followed by Botswana with US$6.2bn, Russia (US$4.4bn) and Israel (US$3.8bn). These five players account for 70% of global exports.
However, diamond exports are not a major earner for Africa, being valued at some US$12bn in 2013, when the region's total exports were worth US$600bn. The region's export share of 21.5% is much lower than its share of production, at 62%, highlighting Africa's failure-to date-to add value to rough diamonds. Several countries, led by Botswana, are

trying to move upmarket from rough diamond mining to the processing and marketing end of the value chain, which is where the main profits are made. For example, Botswana's Diamond Technology Park, which opened in 2010, hosts more than 20 technology-driven diamond operations cutting and polishing diamonds for export, while De Beers has relocated its rough diamond sales activity from the UK to Gaborone.

With forecasters pointing to a slowdown in global economic growth over the next decade-we predict, for example, that OECD growth will average 2.2% annually over the 2015-25 period, compared with 2.8% annual growth in the decade prior to the global economic crisis in 2008-09-the signs are that African diamond production will grow only slowly. Much will depend on whether Zimbabwe manages to regain the impetus of the 2009-12 period. The omens are not good. The readily accessible alluvial diamonds appear to be running out and the mining companies will need to invest heavily in underground mining, for which, to date, they show little appetite. Then there are the imponderables of government policy-the 51% local ownership (indigenisation) law, and an announcement in July that the government will next year ban exports of rough diamonds in an attempt to force mining houses to process their gems locally. Of course, the state cannot afford to ban sales of its third-largest export, but ministers will ramp up the rhetoric before the inevitable climbdown in a few months' time, and the issue will add to existing concerns about the predictability of the mining investment environment. *(Economist Intelligence Unit)*

AngloGold Ashanti restarts 2 mines in South Africa

AngloGold Ashanti is restarting operations at two South African gold mines that were closed by a nearby earthquake this month, with the miner sticking to its output targets in spite of lost production from the stoppage.

Africa’s largest gold miner by volume plans to increase output this year for the first time in almost a decade, while cutting costs to counter a steep fall in the gold price. Output in the second quarter of 1.1m ounces was 17 % higher than in the same period last year, AngloGold said, with contributions from new mines in the Democratic Republic of Congo and Australia.

Gold miners have been trying to bear down on costs as margins have been squeezed by lower prices. AngloGold said its all-in sustaining costs – measuring day-to-day operating costs as well as some longer-term expenses – fell 19 % to $1,060 an oz. Gold has been trading at about $1,300/oz.

The mines affected by last week’s earthquake accounted for about 7 % of last year’s group production and about 30,000 oz of production was lost, AngloGold said. More than 3,000 miners were working underground at the time of the earthquake and were brought to the surface. Srinivasan Venkatakrishnan, chief executive, said he did not believe the seismic activity was caused by blasting operations

AngloGold said the past quarter was the first since 2010 in which no employees were killed, underscoring efforts by the company to improve its safety record.

The South African group reported an adjusted headline quarterly loss of $4m compared with a $135m loss in the second quarter of 2013. AngloGold is the third-largest gold miner by annual output behind North American rivals Barrick Gold and Newmont Mining. *(Financial Times)*

Sol Mineracao Sinks $222m Into Mozambique Coal Project

Sunflag’s subsidiary, Sol Mineração Mozambique is set to invest $222 million in its new coal mining projects in the nation’s mineral rich Tete province.

“The Feasibility studies revealed the presence of 115.46 million tonnes of coal, of which only 44.9 million tonnes can be commercialized, comprising 17.3 million tonnes of coking coal and 27.6 million tonnes of steam coal,” said Sol Mineração Mozambique director Ravibhusan Bhardwej.

The India-headquartered Sunflag Iron And Steel Company Limited is a public company incorporated in 1984.

Mozambique Mineral Resources Minister, Esperança Bias said the concession in Mutarara district of Mozambique’s Tete province granted to the Indian group was valid for 25 years.

Mozambique’s Tete Province is reported to host coal reserves of approximately 6.7 billion tonnes, of which 3 billion tonnes represent sub-economic or economic grades. Now, the province is regarded geologically as the largest undiscovered coal province in the world and it is estimated that the Province could be producing 25 % of the world’s coking coal by 2025. *(Ventures Africa)*

Vale looks to sell part of its coal assets

A multinational Brazilian mining company, Vale, is planning to sell some of its Mozambique coal assets.

The announcement by Vale that it is in talks with interested parties to dispose of part of its Mozambique coal assets indicates that the company is aiming to spread risk and lower its exposure to assets that it struggles to make profitable. Vale revealed in May that its Mozambique operations made a loss of US$44m in the first quarter of 2014 and forthcoming results for the second quarter are expected to be negative too, despite a sizeable production ramp-up. Vale has confirmed that it is selling a share in both its Moatize coal mine and its soon to be completed dedicated bulk rail link between Tete and a new deepwater port at Nacala in northern Mozambique. The line, which is set to be operational in early 2015, with a transport capacity of 11m tonnes/year (t/y), will after an expansion phase transport 18m t/y of coal. Vale holds an 80% stake in the operating company for this infrastructure, the Integrated Nacala Logistics Corridor, with

20% held by the state port and rail company, Portos e Caminhos de Ferro de Moçambique. Vale's announcement came within days of the news that Anglo-Australian mining company Rio Tinto is selling its Mozambique coal assets-to an Indian group-for US$55m, a fraction of their US$3.7bn purchase price three years ago. Aside from a collapse in the price of coal, adverse conditions mainly relate to the dearth of transport infrastructure and dependence on the Sena rail line, currently the sole export outlet, with a capacity of 6.5m t/y, far below production capacity of the major mines. Vale has said that it currently costs about US$66/tonne to transport coal from its mine in Tete province to the port of Beira. International coking coal prices currently stand at about US$120/tonne. Despite difficulties with its Mozambique operations, Vale remains committed to the country, where it is the largest investor in the mining and transport sectors. In particular, the company hopes that the pending expansion of rail infrastructure will enable it to boost exports of both coking and thermal coal from the country significantly and reduce costs. *(Economist Intelligence Unit)*

Indian consortium to invest US$300 million in Mozambican coal mine

India's International Coal Ventures Ltd (ICVL) consortium plans to apply US$300 million to expansion of the Benga coal mine in Mozambique, the company's executive chairman C.S. Verma told the newspaper The Times of India.

Verma also heads the state-owned Steel Authority of India Ltd (SAIL). He said the consortium has begun formal talks with the likewise Indian Tata Steel, which controls a 35 % stake in that mine.

The ICVL consortium includes the state-owned Steel Authority of India (SAIL), Rashtriya Ispat Nigam (RINL), National Minerals Development Corp (NMDC), Coal India and NTPC (previously known as the National Thermal Power Corporation). It acquired the company Rio Tinto Coal Mozambique for US$50 million.

The latter company controlled the coal assets of the Anglo-Australian Rio Tinto group in Mozambique's Tete region, namely the Benga mine (65 %), the Zambeze mining concession and the Tete Leste exploration licences and associated coal exploration licences as well as Benga Energia.

Verma told the newspaper that the top priority will be to increase production from the current 5 million tons per year to 11/12 million tons in the next three or four years and then 16 million tons a year later. To achieve that production increase the consortium will have to invest nearly US$300 million, he said.

Regarding other coal assets, the ICVL chairman said they would only be evaluated in three or four years, "because our immediate priority is the Benga mine."

He announced that a team of 25 to 30 people would be sent to Mozambique to take control of the operations, adding that the first shipment of coal mined at Benga should reach India next December "at a price probably lower than what we are currently paying." *(Macauhub)*

Rio Tinto's First-Half Profit More Than Doubles

The World's Second-Largest Producer of Iron Ore Cut Debt by a Further $2 Billion

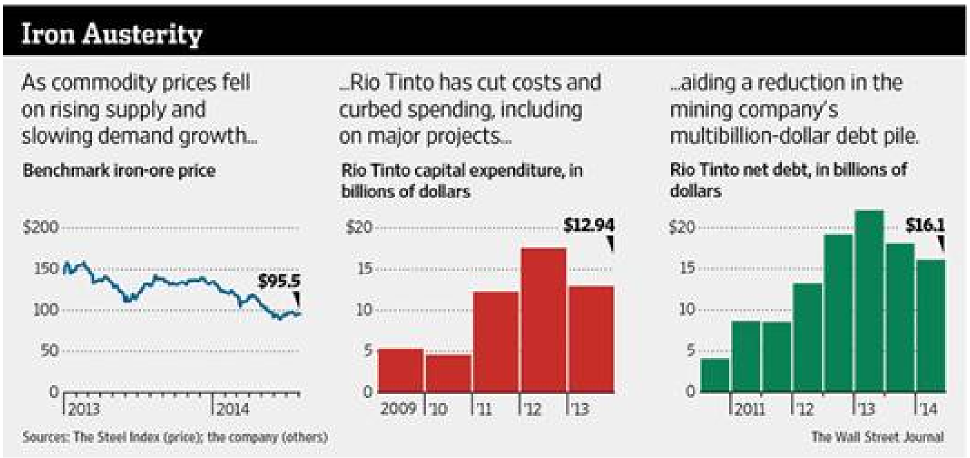
Rio Tinto PLC said its first-half profit more than doubled and its debt fell, as executives signaled heftier returns for shareholders could soon come following years of heavy investment spending

The Anglo-Australian mining group boasted higher-than-targeted cost reductions and said it would spend less on major projects than expected this year, after stepping up efforts to counter weak commodity prices by selling pits and cutting thousands of staff.

"This solid foundation for growth will result in materially increased cash returns to shareholders," Chief Executive Sam Walsh said on a conference call. "I don't think you have ever heard Rio Tinto say that before, but we mean it… and this has the support of the board."

Mr. Walsh has been leading an austerity drive at the world's second-largest iron-ore miner, following a spending splurge during the commodities boom years that forced it to take heavy writedowns when prices slumped.

Mr. Walsh said Rio now had a "stronger balance sheet and more options." The company increased its interim dividend by 15% to 96 U.S. cents a share, and could now consider further dividend hikes, a special dividend or a share buyback program, he said.



Rio said its net debt had dropped to US$16.1 billion from US$18.1 billion at the end of 2013, in line with a target set last year following threats from ratings firms such as Standard & Poor's that it could lose its single-A credit rating.
The miner now expects its capital expenditure to fall to US$9 billion this year, below its previous forecast of US$11 billion, and US$8 billion in 2015, less than half 2012 levels.
"That is what the market was looking for," said Sam Twidale, a London-based analyst at asset management company Schroders, which holds Rio Tinto shares in its funds. "All eyes now are really on early 2015…when shareholders will be looking to see some cash come back."
The miner said it would aim to cut another US$1 billion of annual operating costs, on top of annual cost savings of US$3.2 billion achieved since 2012.
The cuts helped Rio raise its first-half net profit to US$4.4 billion, compared with US$1.7 billion a year ago. The company's record iron-ore production more than offset a near one-third fall in the metal's price, while earnings were also bolstered by an improved performance from its smaller copper and aluminum businesses.
Mr. Walsh sought to soothe concerns that Rio remains too reliant on iron ore, the key steelmaking ingredient that accounted for over 90% of its first-half underlying earnings.
"Overall, we remain confident of the long-term fundamentals of demand, whilst recognizing the changing nature of China's economic development," Mr. Walsh said. *(Wall Street Journal)*

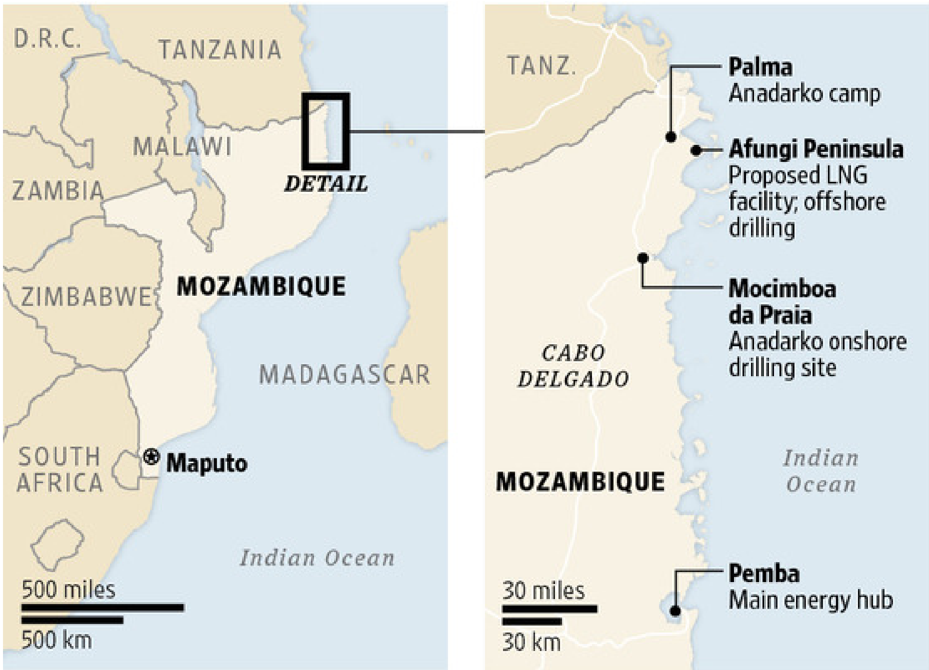
OIL & GAS

New legislation calls for 25 % of extracted oil and gas to remain in Mozambique

At least 25 % of oil and gas extracted in Mozambique must be destined for the domestic market, per the proposed Petroleum Law revision approved in general terms by the Mozambican parliament.
The proposed revision of Law no. 03/2001 of 21 February, submitted to the National Assembly after approval by the Council of Ministers, specifies that the government should ensure that Empresa Nacional de Hidrocarbonetos (ENH), the state's representatives in oil and gas negotiations, plays a decisive role in promoting and commercialising those products.
The Maputo daily Notícias reported that the Petroleum Law's proposed revision significantly modifies the document approved in 2001, taking into account the country's current social, economic and political situation.
The document states that "oil operations are practiced via a concession contract resulting from public tender, simultaneous negotiation or direct negotiation," and that "the granting of rights to carry out petroleum operations must always respect national interests vis-à-vis defence, navigation, research and preservation of marine resources, existing economic activities and the environment in general."
Mineral Resources Minister Esperança Bias said during the proposed revision's presentation that one of the government's challenges regarding petroleum exploitation is to grant a %age of generated revenue to the state to benefit communities in project areas, with title-holders urged to acquire local goods and/or services. *(Macauhub)*

Anadarko's Controversial Mozambique Project Shows Appetite for Natural Gas
Endeavor Could Cost Tens of Billions of Dollars, Far From Viable Customers

Few roads lead to this fishing village on the eastern shores of Africa. Drinking water and electricity are in short supply. Hazards include venomous snakes, malaria-bearing mosquitoes and gun-toting antigovernment rebels.
But this is where Anadarko Petroleum Corp. wants to build one of the biggest projects ever attempted by a Western energy company. It has pledged to install acres of air-conditioned housing, an airstrip and a port—and to relocate almost 3,000 villagers currently living in mud huts.
The search for oil has drawn companies to remote locations throughout the petroleum industry's history. But Anadarko isn't here for black gold. The American company is after something more abundant, albeit less lucrative: natural gas located about 30 miles offshore.
There is more than just one catch, though, with one of the largest energy discoveries in decades. The nearest viable customers are a hemisphere away. And it may cost tens of billions of dollars to tap the gas. Deep-pocketed buyers have expressed interest in the project, but some have yet to commit.
"Oil is probably easier," concedes Don MacLiver, the executive in charge of the Mozambique project's development. But like many major oil companies, Texas-based Anadarko has to go with the opportunities available. These, he says, include "large gas discoveries in remote locations."



The Wall Street Journal

This is the challenge for many of the biggest energy companies operating around the globe: Natural gas, not oil, accounts for two-thirds of the petroleum reserves discovered over the last decade, according to data from consulting firm IHS Inc. And many of the largest finds are nowhere near homes and businesses that can burn the fuel.

The Mozambique project, which has run up about $1 billion in costs for Anadarko thus far, is among the most extreme efforts to convert such huge discoveries into marketable energy. With customers so far away, Anadarko plans to build giant freezer-like devices to chill the gas to the temperature of the ice-encrusted moon that orbits Jupiter. The process converts gas into a liquid state so that it can be loaded onto refrigerated tankers and shipped by sea, like oil.

Exporting this fuel can provide companies with a longer, steadier stream of cash flow than pumping oil, but without crude's heftier profit margin.

Other big energy outfits are working on similar projects. Italy's Eni SpA, for instance, is planning one adjacent to Anadarko's.

Companies including the U.K.'s BG Group and Norway's Statoil AS A are planning another such venture to capitalize on gas they've struck off the coast of Tanzania, Mozambique's neighbor to the north.

Many analysts estimate the global demand for liquid natural gas, or LNG, will double in 20 years, led by fast-growing economies in Asia. Europe's demand for ocean-borne gas imports may also rise as countries look for alternatives to gas piped in from Russia.

"We've never seen in the history of the industry this amount of planned capacity," says Chris Holmes, senior director of IHS, referring to liquefied-gas export projects.

But the projects in east Africa will have to compete against many others, including some in similarly remote but less politically challenging areas, like Australia and Alaska. Mozambique's gas will also face competition from shale gas in the U.S., where existing infrastructure lowers the cost of exporting it.

Anadarko's bet on Mozambique is particularly bold. With a market capitalization of $54.9 billion, it would become the first U.S. company of its size to tap, liquefy and export gas. Such projects have previously been the domain of giants like Exxon Mobil Corp. and Royal Dutch Shell PLC, which pull in 30 times the revenue of Anadarko.

The expected tab for drilling the wells and building the initial two plants to chill the gas in Palma—as much as $16 billion—is more than Mozambique's $15.3 billion gross domestic product in 2013. With a 26.5% stake, Anadarko's share of the costs would be roughly $4.2 billion.

The company harbors some even grander plans. Over the next few decades, it envisions building as many as 14 refrigerated plants here, says Mr. MacLiver, the Anadarko executive. Such a scale could rival the world's biggest hub for exporting liquefied gas in Qatar.

But the price tag could rise considerably. Since 2000, the cost of building LNG projects has more than tripled, according to consulting firm Merlin Advisors LLC. The LNG projects in east Africa won't have the foreign-exchange risks of plants in Australia, where costs have ballooned, and some analysts don't expect to see similar cost blowouts. But rival projects in the region could stretch the market for skilled labor and materials and push up prices.

Anadarko executives say they are confident they can control costs in Mozambique, noting that its gas is closer to shore than rival projects and the wells are more prolific.

Still, making LNG is so expensive that Anadarko and its partners won't commit to it without some guarantee they can turn a profit. They are currently trying to sign up Asian buyers for about 60% of the LNG, using contracts that extend over decades. So far, however, the consortium—including companies from Japan, Thailand and Mozambique's state-owned energy firm—has disclosed only tentative deals with buyers.

"We're engaged with the notion of getting married," Al Walker, Anadarko's chief executive, said of the agreements in May. Final contracts would leave around 40% of LNG to be sold on the open market.

Anadarko has still managed to come out ahead on its roughly $1 billion Mozambique investment. The company earlier this year sold 10% of its interest to India's ONGC Videsh Ltd. for $2.6 billion.

Anadarko had planned to make a final decision on moving forward with the project later this year, but a spokesman now says it may take until 2015. Similarly, the company's goal of selling LNG by 2018 could slip into 2019—a target that some analysts still consider too ambitious.

Meanwhile, complications on the ground remain. Palma is among the least developed regions in this former Portuguese colony. Even today, women carry buckets of water on their heads as they return from communal taps. Fishermen work from small wooden boats and dry their catch along the beach on raised nets.

But the discovery of natural gas in 2010 has begun to visibly change life here. Men on bicycles share the road with four-wheel-drive pickups bearing the Anadarko logo.

"The gas is a promise of development," says Abdul Razak Noormahomed, Mozambique's deputy minister of mineral resources. The government, he says, wants some of the gas to stay in the country to spur industrial development.

In 2012, Anadarko began paying the country for annual rights to use about 17,000 acres inhabited by several small villages. Nearly 3,000 villagers will have to be resettled, losing their land, crops and ancestral gravesites. Anadarko is working on a plan to compensate them, including building new homes and clearing land for farming.

The resettlement, derided by local critics as a land grab, isn't going over smoothly. Local rights group Centro Terra Viva said that last year villagers in one of the most populated areas that will be affected by the resettlement refused to meet with government and Anadarko representatives who had come to speak to them about the process.

Anadarko's in-country head John Peffer says the company takes concerns about the community seriously and that it does need the community support.

Similar efforts at resettlement in Mozambique have backfired. In Tete, an inland province with rich coal deposits, thousands of people who lived near mines say they were moved by U.K.-based Rio Tinto PLC and Brazil's Vale SA to a place ill-suited for agriculture and too far from water. Protesters have demonstrated frequently outside the mines and blocked railways to disrupt coal shipments.

A spokesman for Rio Tinto says the company was working with the resettled communities and providing training to help with local crop development. At the end of July, Rio Tinto announced plans to exit the troubled mine altogether and agreed to sell the coal mine to India's International Coal Ventures Pvt. Ltd. for $50 million. A spokeswoman for Vale says the company is trying to improve infrastructure in the area.

Compounding local angst, few in Palma have the skills to land a job working on the gas project. And while the influx of workers has been good for fish prices, Ali Mequit, a 30-year-old fisherman, says he worries that gas drilling is pushing fish farther out to sea.

And then there is the question about what will happen if the project comes to a halt and the workers and companies leave. "They will move on," says Mr. Mequit, "but our lives will have been disrupted." *(Wall Street Journal)*

Sasol builds new gas pipeline between Mozambique and South Africa

The first construction phase of the second pipeline to distribute natural gas from the Temane Processing Centre in Mozambique’s Inhambane province will be completed this month, said the director of Sasol Petroleum Temane Lda, Mateus Zimba.

The 127 km long pipeline will connect Temane to Zivine in the Funhalouro district, where a small junction with the first pipeline is being built. The earlier pipeline supplies natural gas to southern Mozambique and to Secunda in South Africa.

Construction of the new pipeline began in March 2013 and was awarded to a consortium comprising South Africa’s Group Five and Mozambique’s WK Construções. Plans call for the work to be completed this month.

Information disclosed by Zimba at the 12th ordinary session of the provincial government, recently held in Inhambane, indicates that about 50 km from Temane to Muabsa southwest of Vilanculos town are already finished.

The director of Sasol Petroleum Temane Lda said a landmine removal team from South Africa’s state-owned Mechem corporation was initially employed to remove explosive devices along the pipeline route. That work was completed in 2013. The Sasol group exploits two natural gas deposits in Inhambane – Pande and Temane. *(Macauhub)*

Angola produced 1.7 million barrels of oil per day in July

Angola produced 1.7 million barrels of oil per day last July, Petroleum Minister José Maria Botelho de Vasconcelos announced in Luanda.

The production figure shows a growing tendency toward achieving the production target of 2 million barrels of oil per day in 2015, Botelho de Vasconcelos said during a seminar on dispersants and on-site burning.

Cited by Angop news agency, he specified that more than 99 % of Angolan production is offshore, with two-thirds from deepwater operations at depths of more than 2,000 metres, which presents many risks and huge challenges.
Meanwhile, figures released by the Finance Ministry indicate that tax revenue from oil exports fell to US$17.9 billion from January thru July, versus US$22.3 billion in the same period of 2013.
In the first seven months of the year Angola exported 338.7 million barrels of oil (down nearly 30 million barrels year-on-year) at an average price of US$107.51 per barrel.
The data indicate average daily production of 1.59 million barrels, up slightly over previously released figures on the first five months of the year, when production stood at 1.57 million barrels of oil per day. *(Macauhub)*

State oil companies of Angola and Chile signed cooperation agreement

The state-owned oil companies of Angola and Chile, respectively Sociedade Nacional de Combustíveis (Sonangol) and Empresa Nacional del Petróleo (Enap), signed a cooperation agreement in Luanda during the visit to Angola by Chilean President Michelle Bachelet.
The agreement was signed at the Presidential Palace in Luanda and preceded by the reading of a joint statement concerning the meeting between the two heads of state and the working sessions on bilateral relations undertaken by ministerial delegations from the two countries.
The document indicates that the energy, mining, agro-industry and hydrocarbon commercialisation sectors will be given priority in bilateral cooperation. Other focuses include personnel training, higher education, science, technology, innovation and management.
Bachelet, who left Angola, expressed interest in establishing triangular cooperation with other South American countries and in boosting south-south cooperation as a way to achieve higher levels of social and economic growth. Angola and Chile established diplomatic relations in 1990. *(Macauhub)*

Chile to double Angolan oil purchases

Chile plans to double its purchases of Angolan oil from the current 5,000 to 10,000 barrels per day, an amount that may increase as needed, per an agreement signed by the two country's state oil companies, the Angolan press reports.
A trade agreement for the oil sector was signed by the head of Angola's Sociedade Nacional de Combustíveis (Sonangol), Francisco de Lemos José Maria, and by Chilean Energy Minister Máximo Pacheco during the Chilean president's 24-hour visit to Angola.
Pacheco said on the occasion that his country had almost continual energy needs and needed to obtain oil to complement its scant production of 4,000 barrels per day, far below daily demand for 228,000 barrels.
Angolan Petroleum Minister Botelho de Vasconcelos explained that Sonangol supplied Chile with oil from 2003 to 2008, with a break from 2009 until this year, when commercial ties resumed.
He added that Chile's interest in buying liquefied natural gas from Angola was also mentioned at the ministerial meeting. This may happen when the Soyo processing unit of Angola LNG begins operations, scheduled to occur in 2015. *(Macauhub)*

INFRASTRUCTURE

Beijing invites US to link up over Africa

China has invited the US to co-operate in financing and building infrastructure in Africa and other parts of the developing world, an unprecedented proposal that has potentially sweeping implications for the future of international development aid.
Chinese officials first approached Washington last year to discuss working together on a $12bn dam project in the Democratic Republic of Congo, US officials said, but the talks gathered momentum at the annual China-US summit in July in Beijing.
The putative partnership is challenging: a bid for what could be the world's largest hydropower complex, in one of the world's least developed countries. While the World Bank has recently funded a report to evaluate the project, proposals for the Inga-3 dam have been discussed for years without resolution.
The Chinese approach, nonetheless, signals a possible change of approach by Beijing as it indicates a desire to recalibrate its relationship with Africa. It comes as the White House seeks to step up US engagement in the region, home of six of the world's 10-fast growing countries, hosting this week the first ever US-Africa summit.
Chinese officials have faced mounting accusations in the West and Africa in recent years over its engagement strategy with the region. It has been accused of pursuing a "cheque book" policy, lending money to states largely to benefit its own construction groups, which have built everything from roads to hospitals on the continent.
China appeared to embrace a more multilateral approach earlier this year, when it launched a $2bn fund with the African Development Bank, but that is a fraction of its bilateral deals.
US officials say that a partnership with China on Inga-3 or another dam would be an important breakthrough in collaboration at a time when military rivalry between the two countries in Asia is growing. However, they stress that

parts of President Barack Obama's administration, Congress and the multilateral financial institutions remain wary over US involvement.
Backers in the US government believe America and the World Bank have paid too little attention to major infrastructure projects in Africa.
However, any collaboration with China will be controversial against the backdrop of China's record in Africa for a lack of transparency in its business dealings. US officials say no decision has been taken.
The DRC's ambitious hydropower plans, which supporters argue would benefit a number of economies in sub-Saharan Africa, will be discussed on the margins of the US-Africa summit in Washington attended by leaders from 50 African nations.
Mr Obama announced that US companies have pledged $14bn in new projects for Africa during the summit, including for the US-backed "Power Africa" initiative to expand electricity generation across the continent.
The Inga-3 project is part of a bigger endeavour to tap the hydropower potential of the Congo river, the second largest in the world in terms of volume. The broader Grand Inga plan is designed to generate 40,000MW which would be twice the size of the Three Gorges dam in China.
Although the river's hydropower potential has been discussed for decades, it has been given new impetus by an agreement last year between DRC and South Africa to purchase a large part of the energy it would yield.
Three consortiums, from China, Spain and South Korea, have indicated they intend to bid for the Inga-3 project. The World Bank has approved a $70m grant to DRC to conduct a technical evaluation, although it says it has not yet decided whether to back construction and is not in talks with potential bidders.
The Chinese consortium bidding for the dam said it has "been actively tracking the progress in the Inga project", adding: "The consortium has been closely following Obama's 'Power Africa' initiative, and considers co-operation with companies from around the world, including US companies."
In a sign of the continued political opposition to hydropower in the US, Congress passed an amendment last year barring the US government representative at the World Bank from supporting the construction of large dams.
Analysts said that ambitious multibillion-dollar projects in the DRC have a long history of complications, as well as a tendency to ignite geostrategic rivalries. Moreover opaque, high-level interference by members of President Joseph Kabila's administration in commercial contracts has been de rigueur – although some improvements in the investment climate have taken place recently.
The discussions between China and the US about collaborating in big projects are most advanced over Inga-3, but there have also been talks about projects outside Africa, including Nepal and Pakistan. *(Financial Times)*

BRICS bank to focus on infrastructure gap

African leaders are gathering in Washington D.C. in the hopes of closing millions of dollars worth of deals with US companies during the US-Africa Leaders Summit. However, as President Obama plays catch up in a region he has been accused of ignoring throughout his presidency, the rising Brics countries have pulled together to form a new multilateral development bank.
Announced a month before the US summit in July, the New Devlopment Bank (NDB) will provide an alternative to US-backed institutions such as the World Bank and the IMF.
The Brics development bank will have an initial capitalization of $50bn, $10bn from each of the founding members of Brazil, Russia, India, China and South Africa. Taken together, the Brics countries represent the world's largest market, and generate 19.8 % of global GDP.
An additional $50bn will be held by the bank as a Contingency Reserve Arrangement (CRA), a rainy day fund designed to provide an alternative to the IMF's emergency lending mechanism.
After extensive debates, China will host the bank's permanent headquarters in Shanghai, India will provide its first president and Russia will chair the council of representatives.
The Brics bank will focus on funding infrastructure projects across the developing world. US-Africa Summit initiatives have also been keen to fund infrastructure. So far, President Obama has announced $14bn worth of US private sector investment into the sector.
There is good reason for this focus both from the Brics and the Americans: the World Bank estimates African countries have a $50bn per year infrastructure funding gap. Globally, the infrastructure financing gap in the developing world is estimated to amount to $1.1 trillion.
An additional $300bn is tacked onto that sum if climate mitigation measures are included according to Dirk Willem te Velde, director of the Overseas Development Institute (ODI)'s international economic development research group.
"Countries such as China have been very successful at developing a comparative advantage in infrastructure construction over the past few decades, and I think it is correct for the Brics development bank to offer such developmental experience to developing countries," explains Zhenbo Hou, a China-based researcher for ODI.
The rise of Brazil, Russia, India, China and South Africa have reshaped the global economic order over the past decade, as the era of the US' relative political and economic predominance has declined.

However, the Brics have long contended that Western institutions, including the World Bank and the IMF, have not adapted their voting structures to reflect the new global order. The creation of the Brics bank could be seen, at least in part, as a response to this alleged ‘democratic deficit’.

"We're helping to democratise international relations," Chinese president Xi Jinpin stated at the announcement of the bank’s creation at the Brics summit in Brasilia, Brazil.

Official responses to the bank’s creation from Western institutions have been supportive and expressed a desire for partnership.

“We welcome the announcement of the establishment of the Brics development bank and stand ready to work closely with the new bank to end poverty and build shared prosperity throughout the developing world,” says Phil Hay, the World Bank’s Africa spokesperson.

“Clearly, the Brics countries have a key role to play in helping promote global growth.”

Most of the Brics countries already have national development banks of their own operating globally, including the China Development Bank and Brazil’s BNDES. BNDES, for its part, envisions a strong cooperative role with the new multilateral.

“BNDES hopes to partner in the future with the NDB, as it has done with other multilaterals and agencies over time, in several fields, from technical cooperation, to co-investing and funding," says Sergio Foldes, deputy managing director of BNDES’ international division.

Rising economies, different identities

The creation of the Brics bank is consistent with the rise of South-South cooperation in many regions of the developing world. In Africa, trade and investment relations with the Brics countries have grown exponentially since the turn of the millenium.

While Sino-African trade ballooned from $10.6bn in 2000 to $198.5bn by 2012, US trade totalled $108.9bn the same year. That gap is likely to increase. Standard Chartered estimates China’s investment into the continent will hit $385bn by 2015.

Brazil-Africa trade, meanwhile, rose from $4.9bn to $26.5bn between 2000 and 2012. India’s two-way trade with the continent totalled of $93bn in 2013.

While each of the Brics countries will contribute equally to the bank’s initial capital, China’s political and economic dominance in comparison to the other countries in the block raises some concerns about the prospects of a power disparity within the new institution.

“If you think about the growth of the Brics and their importance in the global economy, it is not Brics but ICs - so India and China. But actually only the C, so China is really the most important player,” ODI’s Mr te Velde explains.

Though China’s growth has dropped from its peak of over 10 % in 2010 to 7.7 in 2013, it remains the world’s biggest creditor and repository for surplus capital. Indeed, the creation of the Brics bank provides an outlet for achieving another key macroeconomic policy goal of the block: allowing them to conduct more trade transactions in local currencies, thereby gradually moving away from the current dominance of the US dollar.

Though the Brics countries have their rapid economic transformations in common, they also have vastly different interests and identities. They have also frequently been at odds on global issues, which raises questions as to how unified they will be within the new institution. Brazilian and Indian central bankers have both spoken out against China’s undervaluation of the renminbi. Russia’s increasingly isolated status in international affairs may also become a wedge.

“India and Russia have different interests on global governance issues, as does Brazil, compared with the Russians. The Russians just are not interested in global governance that much,” Mr te Velde explains. “They come from different backgrounds.”

Regardless of these differences, the need for greater financing in developing markets is a real one. As the new institution comes together, it will be interesting to observe how the Brics’ interests converge and diverge in pursuit of this common goal. *(This is Africa)*

Blackstone-Backed Black Rhino and Dangote Industries to Invest $5 Billion in African Energy Infrastructure Projects

Announcement Made at U.S.-Africa Leaders Summit

Blackstone (NYSE:BX) and Dangote Industries today announced a commitment by Black Rhino, a portfolio company of Blackstone Energy Partners and affiliated funds managed by Blackstone, and Dangote Industries to jointly invest up to $5 billion over the next five years in energy infrastructure projects across Sub-Saharan Africa with a particular emphasis on power, transmission and pipeline projects.

Dangote Industries is the largest industrial conglomerate in West Africa, and one of the largest in Africa. Dangote Industries’ commitment to investments in Nigeria and across the African continent has played a significant role in Africa’s recent economic success. Led by its Founder, President and Chief Executive Officer Aliko Dangote, Dangote Industries’ businesses span manufacturing, logistics, commodities trading and real estate across fourteen African countries.

Black Rhino was formed in January 2012 and is led by Seacom founder Brian Herlihy to develop and invest in transformational projects in the power generation and fuel transportation sectors. In July, Blackstone announced that it is backing Black Rhino's experienced management team as it identifies, develops, and operates large-scale infrastructure investments across Sub-Saharan Africa. As part of the transaction, Black Rhino recently announced the appointment of Mimi Alemayehou, formerly the Executive Vice President of the United States' Overseas Private Investment Corporation, who will join as Managing Director and member of the Executive Committee. In addition, Alemayehou will serve as an Executive Advisor and Chair of Blackstone Africa Infrastructure.

The 50/50 partnership was announced by Aliko Dangote during his remarks today at the U.S.-Africa Leaders Summit, hosted by the Obama Administration in Washington, D.C. The summit is the largest event that any U.S. President has held with African Heads of State. Stephen A. Schwarzman, Blackstone's Chairman, CEO, and Co-Founder at the U.S.-Africa Business Forum also attended and spoke at the summit.

In their remarks, both Mr. Dangote and Mr. Schwarzman spoke to the critical need to develop Africa's energy infrastructure. Africa has both the lowest urban and rural electrification rates of any continent, and Sub-Saharan Africa is home to 589 million people who do not have access to electricity, approximately 70% of the total population.

"For too long, inadequate energy infrastructure in Africa has been a major obstacle to the continent as it seeks to fulfill its economic potential," said Aliko Dangote, Founder, President and CEO of Dangote Industries. "I am pleased to partner with Blackstone and the Black Rhino team, who have considerable experience successfully developing large-scale infrastructure projects, to address this issue in a socially conscious way. This partnership no doubt holds out great potential of transformational and inclusive growth critical for fast-paced development that can lift millions out of poverty in Africa."

"Aliko Dangote is a highly successful entrepreneur and truly innovative leader who has contributed enormously to economic development across the African continent," said Stephen A. Schwarzman, Chairman, CEO and Co-Founder of Blackstone. "We can think of no better partner as we invest the firm's capital in African energy infrastructure development. We have confidence that the critical infrastructure projects that the Dangote team and Black Rhino will jointly pursue will play a meaningful role in the development of economies across Africa."

"We couldn't be more pleased to be partnering with Aliko and Dangote Industries on this important venture to develop energy infrastructure across the African continent," said Sean Klimczak, a Senior Managing Director at Blackstone who oversees the firm's private equity investments in power generation and transmission. "We look forward to bringing our collective resources and experience together to develop energy solutions for Sub-Saharan Africa."

In addition to driving the development of African economies and delivering value to investors, Dangote Industries and Black Rhino will pursue projects that exemplify both partners' commitment to sustainable development and social responsibility, including the involvement of local communities and full adherence to environmental and safety standards. Dangote Industries and Black Rhino believe they bring complementary attributes to the partnership that will uniquely position them to successfully develop challenging and transformational projects in a timely manner. *(World Bank)*

China Railway Construction completes rebuilding of Angola's Benguela railroad

China Railway Construction has completed the project to rebuild Angola's 1,344 km long Benguela railroad, which stretches from the Atlantic Ocean to the border of the Democratic Republic of Congo, China's Xinhua news agency reported.

The company's director for the project, Liu Feng, said the line was the longest of Angola's three major railways, besides being the fastest. It links the port city of Lobito to the border town of Luau, where it links to the rail network of DR Congo.

The contract involved rebuilding 67 stations and will allow a maximum train speed of 90 km per hour with capacity for 20 million tons of cargo per year. China Railway Construction indicated that it cost the Angolan state US$1.83 billion.

Liu also told Xinhua that the reconstruction work was based on the gauge (distance between rails) used in China. The previous one was Portuguese and did not allow speeds of more than 30 km per hour.

The Benguela Line project was built as a key-in-hand project and now operates using Chinese standards. All the equipment was imported from China, along with some of the manpower, which counted nearly 100,000 Angolan workers.

Portugal began construction of the line in 1899. The connection to Luau was finished in 1929 and in 1931 the port of Lobito received by rail the first cargo of copper from Katanga.

China Railway Construction is listed on the Shanghai and Hong Kong exchanges. The company specialises in building railway lines, highways and rapid transit networks. *(Macauhub)*

Chile to double Angolan oil purchases

Chile plans to double its purchases of Angolan oil from the current 5,000 to 10,000 barrels per day, an amount that may increase as needed, per an agreement signed by the two country's state oil companies, the Angolan press reports.

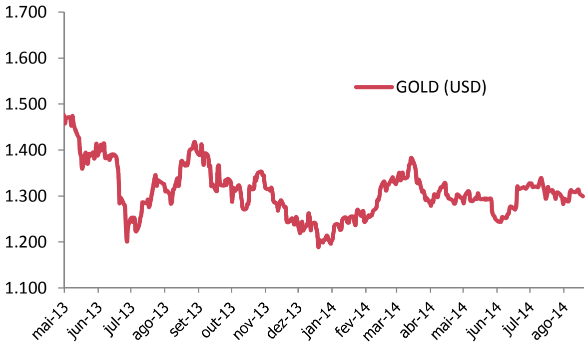
A trade agreement for the oil sector was signed by the head of Angola's Sociedade Nacional de Combustíveis (Sonangol), Francisco de Lemos José Maria, and by Chilean Energy Minister Máximo Pacheco during the Chilean president's 24-hour visit to Angola.

Pacheco said on the occasion that his country had almost continual energy needs and needed to obtain oil to complement its scant production of 4,000 barrels per day, far below daily demand for 228,000 barrels.

MARKET INDICATORS
18-08-2014

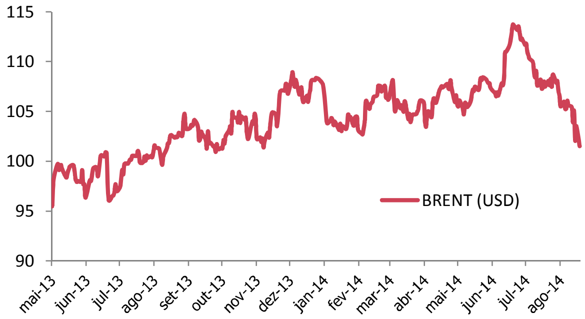
STOCK EXCHANGES		
Index Name (Country)	**18-08-2014**	**YTD % Change**
Botswana Gaborone Domestic Index (Botswana)	9.419,22	25,42%
Bourse Régionale des Valeurs Mobilières (Ivory Coast)	242,80	45,76%
Case 30 Index (Egypt)	9.316,13	70,55%
FTSE NSE Kenya 15 Index (Kenya)	203,52	61,84%
Morocco Casablanca Stock Exchange CFG 25 (Morocco)	19.550,06	2,13%
Nigerian Stock Exchange All Share Index (Nigeria)	41.370,24	47,34%
FTSE/JSE Africa All Shares Index (South Africa)	51.518,08	31,26%
Tunindex (Tunisia)	4.657,71	1,70%

Source: Bloomberg and Eaglestone Securities



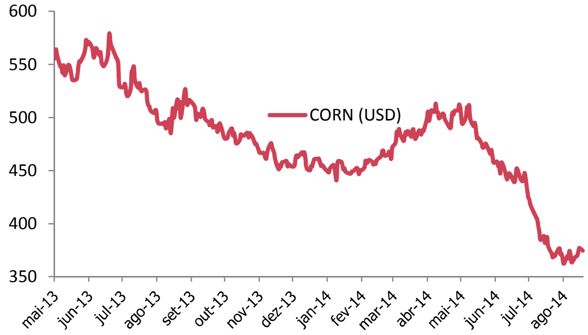
METALS		
	Spot	**YTD % Change**
Gold	1.298	-22,52%
Silver	20	-35,35%
Platinum	1.447	-6,04%
Copper $/mt	6.870	-13,38%

Source: Bloomberg and Eaglestone Securities



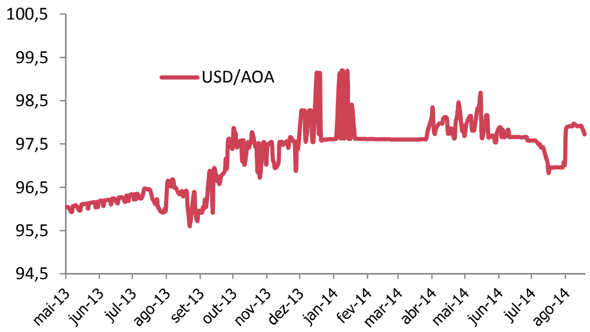
ENERGY		
	Spot	**YTD % Change**
NYMEX WTI Crude (USD/barril)	96,2	3,23%
ICE Brent (USD/barril)	101,7	-6,26%
ICE Gasoil (USD/cents per tonne)	857,3	-6,39%

Source: Bloomberg and Eaglestone Securities



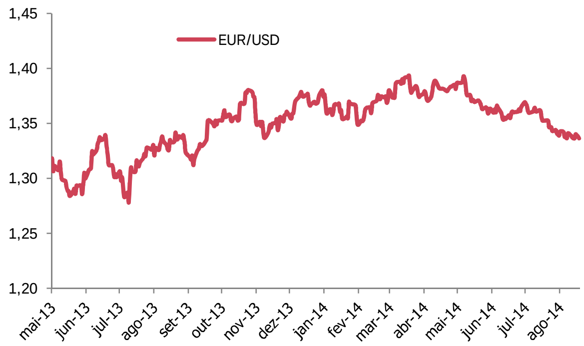
AGRICULTURE		
	Spot	**YTD % Change**
Corn cents/bu.	379,8	-45,77%
Wheat cents/bu.	555,3	-29,51%
Coffee (KC) c/lb	193,4	31,80%
Sugar#11 c/lb	15,9	-19,45%
Cocoa $/mt	3257,0	44,50%
Cotton cents/lb	64,1	-15,50%
Soybeans c/bsh	1057,0	-24,46%

Source: Bloomberg and Eaglestone Securities



CURRENCIES	
	Spot
KWANZAS	
USD	97,720
EUR	130,648
GBP	163,436
ZAR	9,200
BRL	43,235
NEW MOZAMBIQUE METICAL	
USD	30,300
EUR	40,687
GBP	50,899
ZAR	2,865
SOUTH AFRICAN RAND SPOT	
USD	10,624
EUR	14,196
GBP	17,762
BRL	4,698
EUROZONE	
USD	1,34
GBP	0,80
CHF	1,21
JPY	137,06
GBP / USD	1,67

Source: Bloomberg and Eaglestone Securities



Angolan Petroleum Minister Botelho de Vasconcelos explained that Sonangol supplied Chile with oil from 2003 to 2008, with a break from 2009 until this year, when commercial ties resumed.
He added that Chile's interest in buying liquefied natural gas from Angola was also mentioned at the ministerial meeting. This may happen when the Soyo processing unit of Angola LNG begins operations, scheduled to occur in 2015. *(Macauhub)*

UPCOMING EVENTS

AFRICA SINGAPORE Forum 27-28 August
Third edition, this forum is the premier business platform for exchanging business insights and promoting collaboration between Africa and Asia. *www.iesingapore.com/asbf*

2nd Brazil Africa Forum, Infrastructure, partnerships and development 28-29 August 2014 Fortaleza- Ceará
Business opportunities in the following opportunities: Power, agribusiness, construction, transport, water management, funding health ICT, capacity development, PPPartnerships. *www.forumbrasilafrica.com*

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

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*

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

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Disclosures

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

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

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

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

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