INSIDE AFRICA

Now is the time to invest in Africa

1st September 2014

EAGLESTONE
SECURITIES

Contents

IN-DEPTH:

Sub Saharan Africa economy: Manufacturing an economic transition....2

Bank's report offers nuanced view of Africa's rising middle class....3

Financing Africa's trade....4

SOVEREIGN RATINGS....6

African Development Bank....7

INVESTMENTS....8

BANKING

BANKS....10

MARKETS....17

FUNDS....19

M&A....20

TECH....20

ENERGY....20

MINING....22

OIL & GAS....24

INFRASTRUCTURE....26

AGRIBUSINESS....27

MARKETS INDICATORS....30

UPCOMING EVENTS....31

BRIEFS

Africa
- Africa's Biggest Fund Manager, Public Investment Corp., prefers Platinum to Gold

Algeria
- Algeria's Q1 oil, gas exports down 9%

Angola
- Angola cenbank leaves benchmark interest rate at 8.75%

Botswana
- Botswana leaves interest rate unchanged at 7.5%

Ghana
- Ghana's economic growth is enviable - World Bank
- Access Bank launches initiative for SMEs
- Ghana company launches country's first 4G data network
- World Bank promises support for PPP initiative

Kenya
- Safaricom opens talks with Vodafone on M-Pesa license fees

Mozambique
- Mozambique sees $30bln investment for 2018 LNG exports startup

Nigeria
- Investment Inflows to Nigeria Decline 42% to $2.86bn
- Nigeria's foreign debt at $9.38 bln, up 40% from last year
- Nigeria May Lose $2 Billion to Ebola

Rwanda
- Rwanda to issue $22 mln local currency bond, finance minister

Tanzania
- NMB mulls extending loans in mining, oil & sector
- Government Urges China to Increase Investments in Tanzania

Uganda
- Uganda says 'no' to sovereign bonds

Zimbabwe
- Ecobank continues to support Zim economic growth
- Electronic trading on the Zimbabwe Stock Exchange (ZSE) commences next month with three counters initially taking part in the historic trade
- China has extended $1 billion in loans to Zimbabwe since 2009 and trade between the two nations rose to $1 billion last year from $300 million five years ago.

In-depth:

Sub Saharan Africa economy: Manufacturing an economic transition

Very few low-income countries have made the transition to upper-middle income status without developing a sizeable export-focused manufacturing sector, which has typically been at the heart of the process of industrialisation. While African economies have struggled on average to develop substantial manufacturing industries, there are differences between countries, and it is a mistake to characterise the continent's manufacturing firms as homogenous.

Output per worker is typically three times higher in Kenya than in neighbouring Tanzania, for example, and five times higher in South Africa. Understanding the genesis of such differences is important if firm performance is to be raised.

Manufacturing has been a poorly performing sector in Africa in recent decades. Between 1996 and 2013 real manufacturing output grew by an average of 7.9% a year in Nigeria, 7.6% in Tanzania, 4.4% in Ghana, 2.5% in Kenya and just 2.4% in South Africa.

Growth rates in manufacturing need to be sustained at well over15% a year for a decade or more for African countries to make the transition to an industrialised economy: not only does GDP need to grow at rates in excess of 10% to raise average per capita income substantially, but the share of national output accounted for by agriculture needs to shrink markedly.

Learning by exporting

The continent has been hit particularly hard by the rise of China, with its efficient infrastructure and cheap workforce, as an export-manufacturing power. As wages in China have risen, labour-intensive export manufacturing has rippled through supply chains that have become primarily embedded in East Asia. In 1996-2013, real manufacturing output in Vietnam-one country that has benefited from an influx of labour-intensive export-oriented activity-grew by an average of 10.2% a year.

Exporting is critical because most African economies are too small or too poor-or both-to provide the economies of scale needed to justify investment in sophisticated production processes, supply chains and the development of ancillary services such as logistics. In Nigeria, in particular, there will be a role for domestically focussed manufacturing firms providing the local market with low-cost consumer goods, notably for food.

However, that will not be sufficient to power the entire manufacturing sector. It is also well established that exporting is linked to productivity; research by the IMF suggests that firms in Africa that export are 17% more productive than those that do not.

Sources of difference

The poor performance of manufacturing in Africa is the result of both proximate factors, such as changes in market share for particular firms, and ultimate factors, such as productivity.

Understanding the drivers of cross-country differences in output per worker, both at the firm and macroeconomic level, has been an enduring topic of economic research, with the very low level of value added per worker in Africa (that is, the amount of income generated in the form of wages and profits) being a major motivating factor.

Low value added per worker can be the result of a number of factors: first, low levels of inputs, such as capital and raw materials, for workers to use; second, low productivity, perhaps resulting from poor management practices or deficiencies in infrastructure; third, the use of low value-added technology, perhaps because firms are unwilling to invest in capital-intensive processes; and fourth, low levels of education and skills among workers. All are likely to play a role.

The extent to which the growth of Asia's so-called tiger economies can be attributed either to investment or productivity has been hotly debated, and the question has not been fully resolved. The Economist Intelligence Unit believes that Sub-Saharan African economies will begin to grow at a faster rate than those in Asia from 2015, primarily due to slowing growth in China, and so these questions will be extremely pertinent to Africa over the coming decades (although our long-term forecasts for Africa are contingent upon a continued improvement in the business environment). We are also forecasting that manufacturing growth will accelerate in most African economies over the next five years, but the rate of expansion will remain well below that required to achieve a transformation of the economy.

Technology and productivity

Recent research suggests that the choice of production processes by African manufacturing firms is important, and that firms in some countries are using capital- and skilled-labour-intensive production processes that result in higher levels of value added per worker.

Manufacturing firms in Tanzania tend to use more raw materials and other intermediate inputs than those in Ghana, Kenya or Nigeria, which in turn use more than similar firms in South Africa. Not only is there evidence of technological diversity, but the returns to education are higher with less material-intensive technology.

This is intuitive: firms using sophisticated machinery to produce garments will be able to make better use of skilled labour than those using scissors. The causation is likely to run both ways: a lack of skilled workers makes investment in sophisticated equipment unviable, but without these opportunities, workers have little incentive to acquire complex skills. An emerging trend of resource nationalism and making it more difficult to use expatriate workers will exacerbate these problems by reducing the supply of skills and inhibiting technology transfer. The enabling conditions for

technological change and giving firms the right incentives to invest therefore appear to be an important pre-condition for industrialisation.

The important question that then arises is what leads firms in Tanzania, Ghana, Kenya and Nigeria to use production processes that are less effective at generating income than those in South Africa? One answer may be found in the business environment. The World Bank, among others, has argued that high indirect costs are reflective of the poor investment climate in Africa, and that ignoring intermediate inputs portrays too narrow a view of firm performance in Africa.

For example, firms operating in South Africa may be more likely to purchase sophisticated intermediate components, while firms in Ghana may be more likely to purchase raw materials and manufacture intermediates in-house. The incentives for this could derive from differences in infrastructure and supplier reliability, the availability of maintenance services and the risk of macroeconomic shocks. This is one channel which may account for the more intensive use of raw materials by manufacturers in Ghana compared with those in South Africa.

A second factor that may lead African firms to adopt material-intensive technology is risk. Raw materials are more easily variable than other inputs and so may be preferred by firms that are operating in a risky environment or which are subject to credit constraints. If political unrest might cut a firm off from its markets, it is less costly to cease purchasing raw materials than to find an alternative use for specific machinery. The trade-off to this is that the lower ratio of capital in the input mix limits firms' scale and their ability to profit in periods when demand is high.

The manufacturing sector, which has been central to almost every successful development experience, cannot achieve sustained increases in output per worker without shifts in technology. It is these increases in output per worker that, in turn, lead to sustainable increases in the incomes of both workers and the owners of capital. African policymakers have some way to go before the conditions for such a sustained shift are in place. *(Economist Intelligence Unit)*

Bank's report offers nuanced view of Africa's rising middle class

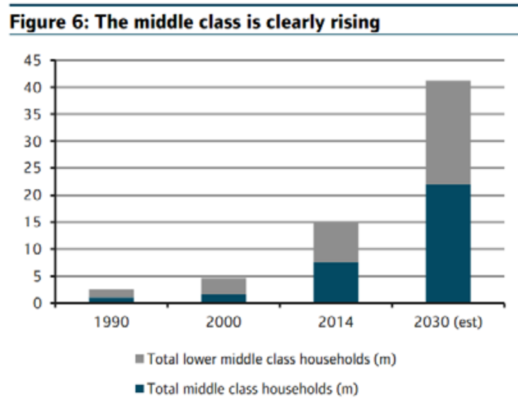
A new report by a leading South African banking group confirms that the middle class has expanded materially in 11 key sub-Saharan African countries over the past 14 years to around 15-million households, from less than 5-million in 2000.

But it also cautions that by far the majority – over 85% in fact – of the 110-million households across the surveyed countries remain firmly within the low-income band, making them vulnerable to economic shocks.

Using South Africa's Living Standard Measure (LSM) methodology, Standard Bank's 'Understanding Africa's middle class' report covers the emergence of the middle class in Angola, Ethiopia, Ghana, Kenya, Mozambique, Nigeria, South Sudan, Sudan, Tanzania, Uganda and Zambia.

It finds that, between 2000 and 2014, Nigeria's middle class swelled by 600% to 4.1-million households, or 11% of the total population. The report suggests that 21% of households in Angola could be considered middle class, as opposed to 14% in Sudan and 10% in Zambia.

Figure 6: The middle class is clearly rising



Source: Standard Bank Research

The East African countries surveyed, however, fared poorly with a uniformly high shares of low-income households as a share of total households across the region ¬– 99% in Ethiopia, 97% in Tanzania, 96% in Uganda and 92% in Kenya.

In addition, the most profound consumption shifts were occurring at the 'base of the pyramid', or in the low-income bands covering LSM 1 to LSM 4, which is where businesses would need to tailor their offerings – consumption in this band is below $5 500 a year.

Standard Bank political economist Simon Freemantle, who presented the report's findings, says the performance remains broadly supportive of the 'Africa Rising' narrative – despite the bank's middle-class estimate being considerably lower than the 350-million people reported by the African Development Bank in 2011.

He notes that 6-million new middle-class households, with the average household comprising around five people, have been added in the surveyed countries over the period, compared with only 1-million between 1990 and 2000. In addition, the report estimates that a further 14-million middle-class households will be added across the countries by 2030 – triple the current number.

Table 2: 11 selected countries

	Population (m)	GDP (2014f), USDbn	GDP growth (2014f), %
Angola	21.2	144.8	6.0
Ethiopia	89.8	52.0	10.6
Ghana	26.2	35.2	6.3
Kenya	43.5	47.8	5.3
Mozambique	25.0	15.1	7.5
Nigeria	174.9	564	6.5
South Sudan	11.3	11.4	7.1
Sudan	35.2	63.3	2.7
Tanzania	47.2	35.3	7.0
Uganda	35.8	26.9	5.7
Zambia	14.7	26.6	7.4
Combined	525	1,022.4	6.5

Sources: IMF; Standard Bank Research

"Including lower-middle-class households, the overall number swells to over 40-million households by 2030," Freemantle says, while acknowledging that this base case is built on assumptions that are highly sensitive to political, economic and social developments. But he also stresses that the figure does not represent the best-case scenario.

There is an undeniable rise in income across many of Africa's key frontier economies, allowing the formation and strengthening of a substantial middle class. "However, the scale of Africa's middle class ascent has, we believe, been somewhat exaggerated in line with the at times breathless 'Africa Rising' narrative."

He says the report aims to offer a more accurate depiction of the size of the middle class, without undermining optimism about the continent's advance. "In providing a more definitively measured account of the continent's consumer potential, this report, we hope, has added depth and inspiration to the reality of Africa's ongoing development."

The publication follows closely on from the inaugural US-Africa Leadership Summit, held in Washington DC, where a combined $14-billion in deals were announced for Africa and where President Barack Obama announced a series of steps to improve trade and investment with Africa.

It also follows confirmation by the governments of Brazil, Russia, India, China and South Africa at the sixth Brics Summit in Fortaleza, Brazil, that the 'New Development Bank' will support African infrastructure projects.

In addition, the European Commission also recently launched its €415-million Pan-African Programme to support Africa's integration process at a continental level.

Freemantle believes the bank's report offers confirmation of the varying levels of opportunity that emerge from Africa's frontier markets. But he also believes it also offers improved visibility not only of the opportunities, but also of some of the complexities involved in pursuing them. *(Engineering News and Financial Times)*

Financing Africa's trade

Many in the financial services industry regard the difficulty of accessing trade finance as one of the biggest inhibitors to more rapid growth in trade in African economies. A number of initiatives and developments are changing the equation and an increasing number of exporters and importers are gaining more confidence in the systems in place.

Trade finance relates to the process of paying for goods and services. Companies based in a different jurisdiction to their customers can be nervous when dispatching goods and services before payment has been received.

Financial institutions can help to calm these nerves in a variety of ways, including by offering export credit insurance or a letter of credit. In addition, the importer may require proof that the goods in question have actually been dispatched, so a bill of lading can be offered by a bank. Financial institutions may also provide a loan to an exporter to invest in plant, machinery or staff to fulfil a contract. That loan is secured by the export contract in question. Banks engaging in trade finance must obviously assess the risk of a deal and their ability to do this depends on access to information. Trade finance can be a liquid form of financing because the finance is often required for a short period of time. On crops with a long lifespan or mining commodities, risk can be reduced because that commodity could be sold to other customers. Companies involved in infrastructure projects can also make use of short-term trade financing. Such arrangements can also be particularly useful for small and medium-sized enterprises (SMEs) that have the opportunity to export overseas.

African economies have generally received less benefit from trade finance than other parts of the world, although the need is more pressing. Companies' doubts over a particular deal tend to become exacerbated when one party is based in a less-developed economy with lower sovereign and corporate credit ratings. Yaw Kuffour, the African Development Bank's (AfDB) lead trade finance specialist, says: "Trade as a component of Africa's GDP is about 60%, so we can only expect trade volumes to go up in tandem with the growth in GDP. Some of these volumes are going to have to be supported by credit extension. In terms of its proportion of GDP; however, nowhere is this financing gap felt more significantly than in Africa." The Berne UnionThe Berne Union is a shorthand term to refer to the International Union of Credit & Investment Insurers. It was set up in 1934 by private and state export-credit insurers from just four

countries: France, Italy, Spain and the UK. Dozens of other credit insurers have joined since then, after they have attained certain benchmarks.

The Union aims to facilitate cross-border trade by supporting "the international acceptance of sound principles in export credits and foreign investment". It actively seeks to recruit new members and provides support for aspiring members, including through the Prague Club, which was set up in 1993 to support new and maturing export credit agencies and insurers setting up and developing export credit and investment insurance schemes. The big push for expansion came in the early 1990s with the collapse of communist governments in East and Central Europe, when the members of the Berne Union had a big impact in opening up trade with the region. The Berne Union encouraged the provision of export credit and investment insurance, by both Western European providers and local export credit agencies (ECAs). Previously, industrial and manufacturing exporters had to seek support from state-owned foreign trade banks and most goods were exported to other socialist or communist countries with similar financial systems. It was the countries that had the biggest export sectors in East and Central Europe that were the first to set up their own trade finance organisations. Membership of the Prague Club was later extended to Africa but commercially viable risk protection and medium- or long-term credit is still very rare in parts of the continent.

Trade finance is likely to take much longer to take root in sub-Saharan Africa than in Eastern Europe because there is relatively little manufacturing and industrial capacity: these two sectors have traditionally made most use of trade finance. Many of Africa's most important sectors do not need to make use of medium- or long-term export credit. Rising exports over the past decade have not been hindered by the lack of credit because commodities such as oil, gas, copper, bauxite and iron ore dominate exports. Oil is normally sold under a system of spot trading, while natural gas is sold under marketing deals lasting 10 or 20 years.

Nevertheless, the Berne Union and other international financial organisations are seeking to promote an export mentality in Africa. There are now 79 companies among the combined memberships of the Berne Union and Prague Club, so most countries are without a member. In 2012, the members of the Berne Union alone insured $1.8 trillion of exports and foreign direct investment, accounting for about 10.5% of total international trade.

Export credit agencies have been very active since the global financial crisis of 2008–09, indemnifying about $22bn for exporters and investors, protecting them from losses suffered due to buyer defaults in all regions of the world. African export credit agencies. There are two African members of the Berne Union: African Trade Insurance Agency (ATI) and Export Credit Insurance Corporation of South Africa (ECIC SA). There are also three African members of the Prague Union: BECI Botswana, Export Credit and Guarantee Company (ECGE Egypt) and National Agency for Insurance & Finance of Exports of Sudan (NAIFE Sudan). Credit Insurance Zimbabwe Limited (Credsure) was previously a member of the latter. ATI, the only cross-border African export credit agency, was set up by Common Market for Eastern and Southern Africa (Comesa) member states in 2000. Its membership comprises Burundi, Eritrea, Kenya, Madagascar, Malawi, Rwanda, Tanzania, Uganda and Zambia. A specific aspect of ATI's operations is that member states directly assume financial liability for the political risk losses that could affect trade within their own countries.

For the past decade, it has offered cover against terrorist-related physical damage risks and now works alongside the **Multilateral Investment Guarantee Agency** (MIGA) to promote investment in Africa, including via risk-sharing agreements on reinsurance and coinsurance projects. Some members of the Berne Union also set up operations in likely supplier countries to gain what some in the industry describe as 'buyer information'. This provides data on local risk that can then be used to set credit limits.

Canadian trade finance agency, Export Development Canada (EDC), is to open a Johannesburg office next year to serve African deals. Canada's minister of international trade, Ed Fast, says: "South Africa is Canada's most important commercial and political partner in Africa and is the only country in Africa – and one of only 20 around the world – to be identified by our government's recent Global Markets Action Plan as an 'emerging market with broad Canadian interests'. When most Canadian businesses look to South Africa, they think it's impossible to trade with it. The EDC will change that." South Africa's President Zuma has called on Canadian companies to invest more heavily in African mining and infrastructure projects. *(African Business)*

SOVEREIGN RATINGS

Eurozone

01-09-2014	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Austria	Aaa	AA+	AAA	P-1	A-1+	F1+
Belgium	Aa3	AAu	AA	NR	A-1+u	F1+
Cyprus	Caa3	B	B-	NP	B	B
Estonia	A1	AA-	A+	NR	A-1+	F1
Finland	Aaa	AAA	AAA	NR	A-1+	F1+
France	Aa1	AAu	AA+	NR	A-1+u	F1+
Germany	Aaa	AAAu	AAA	NR	A-1+u	F1+
Greece	Caa1	B-	B	NP	B	B
Ireland	Baa1	A-	A-	P-2	A-2	F1
Italy	Baa2	BBB u	BBB+	P-2	A-2	F2
Latvia	Baa1	A-	A-	NR	A-2	F1
Luxembourg	Aaa	AAA	AAA	NR	A-1+	F1+
Malta	A3	BBB+	A	NR	A-2	F1
Neherlands	Aaa	AA+u	AAA	P-1	A-1+u	F1+
Portugal	Ba1	BBu	BB+	NR	Bu	B
Slovakia	A2	A	A+	NR	A-1	F1
Slovenia	Ba1	A-	BBB+	NR	A-2	F2
Spain	Baa2	BBB	BBB +	P-2	A-2	F2
United Kingdom	Aa1	AAAu	AA+	NR	A-1+u	F1+

Sources: Bloomberg, Eaglestone Advisory

North and South America - Asia

01-09-2014	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
ARGENTINA	Ca	Sdu	RD	NR	Sdu	RD
AUSTRALIA	Aaa	AAAu	AAA	NR	A-1+u	F1+
BRAZIL	Baa2	BBB-	BBB	NR	A-3	F2
CANADA	Aaa	AAA	AAA	NR	A-1+	F1+
CHINA	Aa3	AA-	A+	NR	A-1+	F1+
COLOMBIA	Baa2	BBB	BBB	NR	A-2	F2
INDIA	Baa3	BBB-u	BBB-	NR	A-3u	F3
JAPAN	Aa3	AA-u	A+	NR	A-1+u	F1+
MACAU	Aa2	NR	AA-	NR	NR	F1+
MEXICO	A3	BBB+	BBB+	WR	A-2	F2
SINGAPORE	Aaa	AAAu	AAA	NR	A-1+u	F1+
URUGUAY	Baa2	BBB-	BBB-	NR	A-3	F3
VENEZUELA	Caa1	B-	B	NR	B	B
USA	Aaa	AA+u	AAA	NR	A-1+u	F1+

Sources: Bloomberg, Eaglestone Advisory

	Region - Africa/Middle East					
	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
01-09-2014	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

African Water Facility promotes multiple use water services to increase access to water of rural and peri-urban communities in South Africa

The African Water Facility (AWF) offered on August 20, 2014 a €1.3 million grant to the Water Research Commission of the Republic of South Africa to improve water delivery services, an initiative that will be supported and driven by the beneficiary communities of Limpopo province. Over 20,000 people are expected to get improved access to water for domestic and agriculture purposes, among others.

The project proposes to implement the holistic Multiple Use Services (MUS) approach to overcome water challenges faced by many South African households. Most rural and peri-urban communities in South Africa rely on ill-suited, single-use water services to sustain a variety of activities such as small-scale agriculture, household chores and cooking. On the contrary, the MUS is a low-cost water service approach proposing systems that take into account people's multiple water needs as a starting point of planning, which leads to designs that can provide water services for a variety of uses all at once.

"The unreliability and unpredictability of access to water in Limpopo province, which is aggravated by climate change and population growth, poses tremendous water challenges to the most vulnerable communities," explained Akissa

Bahri, Coordinator of the African Water Facility. "This project will not only bring much needed multiple-use water services for rural and peri-urban communities in the region, but create local knowledge of the MUS approach and of best practices in providing water services in line with the principles of Integrated Water Resources Management." The infrastructure to be built will include wells and boreholes, rainwater harvesting structures and water treatment technologies and will be used to demonstrate, establish local evidence of the value of the multi-use approach, and develop models for future up-scaling throughout South Africa. In addition, the project is expected to strengthen capacities for water planning and development within communities, local governments and other stakeholders in the region.

The estimated total cost of the project is €1.7 million, of which the AWF will finance €1.3 million (77%). A part of the AWF support will go into disseminating knowledge on MUS approaches and in supporting resources mobilization activities to attract downstream investments through the preparation of development plans. The AWF will also support activities meant to raise awareness, and for research and study.

SEFA grants US $950,000 to support Solar Power Plant in Burkina Faso

The Sustainable Energy Fund for Africa (SEFA) approved a US $950,000 grant for the development of the WINDIGA 20 MW Solar PV power plant in Burkina Faso. The SEFA project preparation grant will support outstanding advisory activities required for financial close, including support for the structuring of the Power Purchase Agreement (PPA) for a period of 25 years with SONABEL, the national public utility.

This solar project is a private sector-led Independent Power Producer (IPP) scheme to design, construct and operate the solar power plant to be located in the Boucle du Mouhoun area in the Western part of the country. The project will use polycrystalline photovoltaic (PV) panels installed over 40 hectares and will have an envisaged operational life of 25 years and will be connected to the national grid operated by SONABEL.

The energy demand in Burkina Faso has increased at an annual rate of over 10% in the last five years and resulted in a widening supply gap across the country. According to SONABEL activities' report, the installed capacity as of 2013 equalled 247 MW, out of which 215 MW is supplied by thermal power. Moreover, hydropower in the country has limited potential and is excessively dependent on irregular rainfall pattern. Unless new energy sources are harnessed to satisfy demand, the country will have to continue relying significantly on thermal plants, hydroelectricity and variable energy supply from the neighbouring countries, mainly from the Ivory Coast.

This project will thus contribute to the Government of Burkina Faso's ambition to significantly develop the solar energy potential with the goal of reducing the country's dependence on fossil fuels for electricity generation and help address the country's projected energy shortfall. In addition, it will contribute to lowering the average price of electricity generated in the country.

Finally, the WINDIGA project will be the first private sector infrastructure operation in the country and one of the first Solar PV IPPs funded by the African Development Bank (AfDB). This underscores the Bank's commitment to providing "green" infrastructure with a focus on low-income member countries as per its new Strategy 2013-2022.

AfDB's Strategy for 2013–2022

The African Development Bank's Strategy for 2013–2022 reflects the aspirations of the entire African continent. It is firmly rooted in a deep understanding and experience of how far Africa has come in the last decade, and where it wishes to go to in the next.

Africa has embarked on a process of economic transformation. This process has seen solid and sustained growth over a decade, but it has been uneven and without a sufficiently firm foundation, and it is not—by any estimation—complete.

INVESTMENTS

Mozambique's Ruling Party Successor Calls for Investor Ties

Mozambican Defense Minister Filipe Nyusi, the frontrunner to become president after Oct. 15 elections, invited investors to help develop a country in need of railways and roads to export its coal reserves.

"We will create solid platforms of mutual trust, investing in a situation by which each and every one of you can contribute to the growth of our country," Nyusi said at a fundraising dinner for his Frelimo party in Johannesburg attended by South African President Jacob Zuma. "We will stabilize our countries because poverty destabilizes us."

The ruling Frelimo named Nyusi their candidate as President Armando Guebuza is barred from extending his two terms in office. The party has been in power since independence from Portugal in 1975 and it's estimated to win more than 60 % of the vote in October, according to Mark Rosenberg, director for Africa at New York-based Eurasia Group. Mozambique's 25.2 million people remain among the world's poorest. The country ranks 178th of 187 countries in the latest United Nations Human Development Index. It's also the site of the biggest natural gas discovery in the last decade. The nation's coal deposits have drawn interest from companies including Rio Tinto Plc (RIO) and Vale SA. (VALE) Rio sold its Mozambican coal project after having to write-down its value because it was unable to export the raw materials.

Investor Caution

A conflict between the government and fighters loyal to the opposition Renamo party in the country's central Sofala province has added to caution from investors. After independence, Renamo, once backed by the white-minority governments of neighbors Rhodesia, now known as Zimbabwe, and South Africa, fought Frelimo until a 1992 peace deal.
Nyusi, a trained mechanical engineer who worked as executive director of the country's northern railways, called for investment in developing the structure to export resources. "You're invited in areas of infrastructure," he said at the dinner yesterday. "The opportunities are enormous, such as the construction of roads, bridges, rail lines."
Mozambique's lawmakers approved petroleum laws this month that open the way for new oil and gas bids, as well as tax breaks for offshore fields operated by Anadarko Petroleum Corp. (APC) and Eni SpA. (ENI)
Generating Wealth
"Our objective is that the wealth produced in Mozambique is distributed in a transparent manner," Nyusi said. He also stressed the importance of agricultural development. "The area that I really prioritize, because we cannot eat gas, it will be agriculture. Agriculture creates jobs," he said.
Earlier, Nyusi wore mining overalls and spoke to about 400 mineworkers from a portable stage with his image and 'Vota Frelimo' printed on the side, at a stadium near the Marikana site where 34 protesters were killed by police two years ago. South Africa draws migrant workers to its mines from countries including Mozambique.
Nyusi appealed for unity in Mozambique, ending his speech by saying, "Let's stop the war, let's unite, and let's develop Mozambique."
Ben Magara, chief executive officer of Lonmin Plc (LMI), which owns the Marikana mine, said the company employs about 1,900 Mozambican workers. *(Bloomberg)*

Group Five Bags $374m Energy Deal In Ghana

JSE-listed construction firm, Group Five, said Ghana's Cenpower Generation Company had awarded it a R4 billion ($374 million) contract for the design and construction of a 350 megawatt gas and oil-fired power plant in Kpone municipality in Ghana.
Group Five said the contract duration is three years from award to commercial operation and the project is subject to certain conditions. The contract must now continue to commercial and financial close.
"Only once both commercial and financial close have been reached will the group receive a Notice-to-Proceed instruction which will trigger the commencement of contract execution," Group Five said.
Rand Merchant Bank, a division of South Africa's third biggest bank, FirstRand Bank, is the coordinating lead arranger for the full commercial debt package, with support from the Export Credit Insurance Corporation of South Africa.
Global technology leaders, including General Electric (GE) and Siemens, will supply the power generation equipment which is about 50 % of the contract value.
Group Five has successfully completed more than 10 EPC power contracts valued at R6 billion ($561 million) over the last seven years. The Kpone IPP is similar to a number of these completed EPC power contracts.
The group has also operated in Ghana for the last 15 years. *(Ventures Africa)*

Grand Parade enters into joint venture with Tellumat

JSE-listed investment and empowerment group Grand Parade Investments (GPI) has entered into a manufacturing joint venture with Cape Town-based electronics manufacturer Tellumat.
The deal will see GPI acquire 51% of the joint venture company Grand Tellumat Manufacturing, with Tellumat owning the balance of 49%.
The newly created company aims to position itself as the manufacturer of choice for electronic and related technology products designated as requiring minimum levels of local content to be eligible for procurement by government departments and local infrastructure projects.
The partners anticipate that the government's localisation initiative will create more local manufacturing opportunities and act as a catalyst for job creation.
In his budget vote speech last month, Trade and Industry Minister Rob Davies said that the department would be "playing its part" in ensuring that government procured 75% of its goods and services including electronics from local companies. The electronics manufacturing industry contributes about 12.5% to South Africa's gross domestic product, according to the Department of Trade and Industry.
Tellumat is a privately owned South African company that manufactures and assembles a wide range of electronic products, including some that are supplied to local and international companies such as Boeing, Airbus and Eskom.
GPI CEO Alan Keet said that the company was focusing on job creation.
"As a broad-based empowerment company GPI's focus is to invest in companies that will not only deliver good returns for our shareholders, but also create jobs," Mr Keet said.
"For us the deal (with Tellumat) makes sense as we have determined the capability of Tellumat during our investigations into the manufacturing of gaming machines and it became apparent that there is a much greater contribution we can make as a combined entity in the existing environment."

At the end of 2012, GPI entered into a deal with German slot machine manufacturer Merkur Gaming GmbH to manufacturer these gaming machines in South Africa. They formed a new arrangement where they could manufacture, assemble and distribute slot machines, sports betting and lottery terminals through a joint venture with Tellumat as the contract manufacturer.
Tellumat CEO Andrew Connold welcomed the deal with GPI saying it would help further develop the electronics manufacturing sector. He said Tellumat had the skill and experience to manufacture any electronic product locally.
"The South African government's infrastructure build projects and localisation policies are a significant opportunity for Grand Tellumat Manufacturing. There is no need for South Africa to fully import or outsource the manufacture of high-tech electronic products to companies overseas," Mr Connold said.
"We have all the necessary skills to do this competitively which not only provides convenience to our local customers, but will create much-needed jobs and keep engineering skills in South Africa."
The transaction is a merger of the engineering skills and manufacturing capabilities of Tellumat with the investment know-how of GPI, Mr Connold said. *(BDLive)*

One hundred Mozambican companies to provide services to Portuguese group Portucel Soporcel
About one hundred small and medium-sized Mozambican companies will provide services to Portucel Mozambique, a subsidiary of Portuguese group Portucel Soporcel, Mozambican daily newspaper Correio da Manhã reported.
The Portuguese group is involved in an ambitious project to build a paper production industry in Manica and Zambezia, by planting eucalyptus trees on 125,000 hectares of land to feed pulp and paper factories.
With an estimated total investment of US$551.5 million, of which US$353.5 million in the province of Manica, Mozambique Portucel intends to involve the 25,000 families in the are in the project.
"We will not remove anyone, but rather focus on a forest/housing model," in other words, "we will plant eucalyptus trees around dwellings, an initiative that will involve and benefit the communities," said the managing director of Portucel Mozambique.
Pedro Moura also said that each family will receive a minimum of 2.9 hectares for market-focused agriculture, of a total 356,000 hectares of land provided to the Portuguese group by the Mozambican government.
The newspaper said that of the total concession area, about 35 % would be explored by local communities in order to safeguard the biodiversity of the regions.
In March 2008 Portucel Mozambique put forward an expression of interest to the government of Mozambique in implementing an integrated forestry project, with several components, including plantations, pulp production and renewable energy, as well as paper production in the provinces of Manica and Zambézia. *(Macauhub)*

Three provinces of Mozambique receive investments of US$ 5 billion
Investments of US$5 billion were approved for the provinces of Cabo Delgado, Niassa and Nampula, in northern Mozambique in the 2009-2013 period, the Ministry of Planning and Development said in a statement.
In the document sent to Macauhub, the Ministry noted that the approved investments gave, "the north of Mozambique several projects, particularly in the agriculture, forestry, tourism, infrastructure and hydrocarbon sectors," that "create opportunities for national companies, notably micro, small and medium-sized companies. "
The Ministry estimates that the investments created and will create more than 20,000 jobs, "which represents remarkable growth for the provinces of Cabo Delgado, Niassa and Nampula."
"With the great potential that the north has the government expects accelerated growth that will be spurred by the development and improvement of transport and communication, energy, water and sanitation infrastructure," the Minister for Planning and Development said at the opening of the Opportunities to Supply the Hydrocarbons, Mining, Infrastructure and Forestry Sectors seminar in Pemba, Cabo Delgado province.
Cuereneia projects the infrastructure under construction will be, "the basis for an increase in production investments in the industrial, agricultural and agro-processing, fisheries, tourism, retail and services sectors."
The Ministry for Planning and Development is in the final phase of drawing up the Nacala Corridor Development Strategies, "which identify priority and anchor projects and that will, similarly and alongside other programmes, change the economic landscape of central and northern Mozambique." *(Macauhub)*

BANKING
Banks

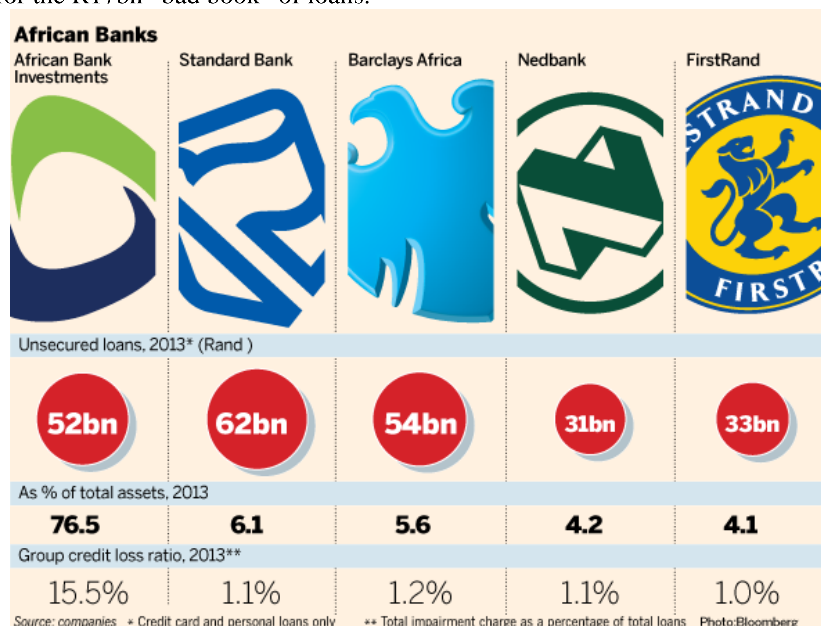
Coronation's humbling shows scale of Abil crisis
As South Africa's financial sector absorbed the news that African Bank Investments, the country's biggest provider of unsecured loans, was being bailed out by the central bank, Coronation Fund Managers delivered its own a mea culpa.
In an unusual move, the Cape Town-based asset manager that had held a 22 per cent stake in African Bank through its funds, apologised for the losses it had incurred by investing in the lender.
"This has been a humbling experience for us," said Coronation, which manages about $54bn for investors.
But Coronation's "sobering lesson" also illustrates how the knock-on effect from the African Bank's failure is being felt far beyond its doors – even though its financial problems have been deemed specific to its business model.

All equity investors in the group – which is more commonly known as Abil and was worth $2bn at its height – have suffered severe losses. More than 90 per cent of the bank's market capitalisation was wiped out before its shares were suspended and a $1.6bn rescue plan announced last week.

Abil's share price collapse was initially triggered by its own announcement on August 6 that it faced a record loss of up to R7.6bn for the year, and would need to raise at least R8.5bn to shore up its finances. This warning came in spite of a rights issue in December that had raised R5.5bn – and demonstrated how the bank was buckling under the weight of its non-performing loans. By the time of Abil's announcement, non-performing loans represented almost a third of its R60bn loan book.

Under the South African central bank's rescue plan, Abil will now be split into a "good bank" and a "bad bank", with a consortium of rival banks – including Standard Bank, First Rand's First National Bank, Barclays Africa and Nedbank – underwriting a R10bn capital raising for the "good" part.

Abil bondholders will also absorb losses though a 10 per cent "haircut" on the value of their holdings, while the central bank will pay R7bn for the R17bn "bad book" of loans.



When announcing the plan, Gill Marcus, the central bank governor, reiterated the view that Abil's problems were "largely specific to their current business model," which is heavily dependent on unsecured lending. Analysts and rating agencies agreed – blaming the combination of Abil's higher-risk business practices and an ailing economy that looks set to expand less than 2 per cent for a second consecutive year.

However, Abil's collapse has cast a critical spotlight on the rapid growth of unsecured lending and high credit levels in a country blighted by rampant poverty and unemployment.

It is estimated that 22m South Africans make use of credit, and about 9m, or 48 per cent, are three months or more in arrears, according to Paul Slot, president of the Debt Counsellors Association of South Africa. Household debt as a %age of disposable income now stands at about 74 per cent.

For the big four banks in South Africa, much of this lending remains profitable. A central bank report shows that impaired loans reported by Standard, FNB, Barclays Africa, Nedbank and Investec fell from a peak of R124bn in October 2009, representing 5.9 per cent of total gross advances, to R84bn in December 2013, or 3.1 per cent.

But, as many lower income South Africans struggle to access credit through traditional banks, a large proportion of new borrowers find themselves at the door of microlenders, such as Abil, which offer unsecured loans backed only by salaries. In recent years, unsecured lending has grown at a rate in excess of 30 per cent a year – causing the central bank to raise concerns about the trend. Lending has been scaled back over the past 18 months, and the central bank says it "stepped up" its engagement with Abil after its last rights issue. Even so, Abil's August 6 announcement still shocked many. "It's not great," admits one analyst. Mr Slot says a "rollercoaster" of borrowing has been taking place as people take loans, struggle with repayments, then take more loans to cover their original debts.

While unsecured debt remains a relatively small part of South African banks' lending business – accounting for about 12 per cent of the total gross credit exposure of the sector – it appears to be becoming riskier.

In each of the 12 months to the end of July, an average of 12,000 people applied for debt reviews with debt counsellors – a 35 per cent increase on the previous year, Mr Slot says. He explains that applicants are often struggling with up to 13 separate credit agreements. Some unsecured borrowers could be paying 60 to 70 per cent interest by the time fees and insurance are included, Mr Slot adds.

"We need to convince consumers to do something about their debt positions," Mr Slot says. "The head in the sand culture needs to change."

But while the big four have become warier of poorer borrowers, unsecured lending is likely to play a large role in the financial system. It not only funds consumerism, but also helps pay bills, school fees and puts meals on tables.
"It's a critical part of growing our economy and developing yourself," says Gerrie Fourie, chief executive of Capitec, South Africa's other major unsecured lender. "We believe unsecured lending must play an important role, provided that it's been given responsibility." Moody's, the credit rating agency, downgraded Capitec, but Mr Fourie insists the company should not be judged by its competitor. Arrears account for 6.2 per cent of Capitec's R31bn loan book, he says, adding that unlike Abil, it has sizeable retail deposits and garners income from transactional banking, thanks to diversification of its business portfolio. However, Mr Fourie does acknowledge that the unsecured market is "very unstable and very young". *(Financial Times)*

A way to bank the masses without mugging them

The spectacular collapse of African Bank Investments Limited (Abil) was predictable and confirmed that any enterprise whose business model is unsustainable will ultimately fail.
It has highlighted not only the incompetence of the investment and asset-management businesses that held significant positions in Abil, but also their inability to tell the difference between what is "potentially good for their clients" and what is morally indefensible and destructive.
Reasons offered for the bank's failure are numerous and include its investment in Ellerines, worsening economic conditions, reckless lending and a lack of diversified products and income streams, which, on the face of it, are very plausible. However, the major reason is the exorbitant interest and hidden charges to which the financially illiterate were subjected. The business model is so morally indefensible it can be described only as a systematic mugging of the masses by modern-day highwaymen in suits.
To put this assertion into perspective: a typical loan of R10,000 with a repayment period of 18 months will attract monthly payments of R1,049 a month, leading to a total repayment of R18,882, which is an effective interest rate of more than 90%. The monthly repayments are cunningly built up with all sorts of add-ons and "hidden optional extras", ranging from life cover at 15 times the normal rate and a raising fee of 10% of the principal debt, to monthly bank charges that are almost 7% of the same principal debt.
It will be argued that the likes of African Bank are deserving of such high returns because of the significant risk associated with "unsecured" loans. I, and all those employers with blue-collar workers subject to emolument attachment orders — the order of court compelling the employer to deduct a determined monthly amount from a worker's pay packet and transfer directly to the credit provider until liquidation of the debt — will argue that the loans are not unsecured because as long as a borrower is employed, there is legal recourse via an emolument attachment order.
What has made the Abil model unsustainable is that, notwithstanding such recourse, repayments remain unaffordable, to the extent that many workers would rather resign than be subjected to emolument attachment orders.
In its organised chaos and adversity, SA is still pregnant with business opportunity and Abil's collapse represents a potential tipping pointing at which the large retail banks can, together with the government, form an institution that can offer credit to the masses of blue-collar workers in a controlled, responsible and affordable manner.
Ironically, retail banks manage their more affluent clients with reasonably tight control and will refuse credit to clients whose inability to service a debt repayment could lead to impairment. Yet, for the poor, credit is easily attainable from the microlenders and retailers selling on credit, and there is scant control, notwithstanding the best intentions of the National Credit Act.
The public-private partnership opportunity that could lead to real black economic empowerment raises the following questions:
• Can the government amend a fatally flawed system in a way that will be easy to implement and administer?
• Can the commercial banks provide profitable but fair credit to the masses?
• Can business owners act in their own and their employees' best interests and protect them from the iniquitous credit industry?
The urgent requirement for equitable lending practices is based on the following:
• The government made a compact with the nation in 1994 that the formally disenfranchised majority would share in the fruits of the economy;
• Listed credit-providing retailers and microlending banks provide credit only to individuals who are employed;
• The ill-effects of these credit providers' business models pervade the social fabric of blue-collar families, consigning them to a lifetime of debt;
• Most blue-collar workers have multiple loans as well as multiple retail accounts;
• With hidden charges, the repayment terms of this credit often attract "effective interest charges" of more than 90%;
• Emolument attachment orders are easily obtained, which means an unsecured loan is secure in the sense that an employer becomes obligated to make payment on behalf of the indebted employee to the credit provider;
• Blue-collar workers, through no fault of their own, are financially illiterate and innumerate;
• Conventional commercial retail banks are aware of the profitability of this market but their overhead structure and lack of experience militate against a successful entry into this market in a conventional sense;

• Credit is provided to blue-collar workers where they are personally liable for debt and responsible to settle debt, with the key changes being in the methods of approving credit and the facilitation of the monthly repayments; and
• Blue-collar workers need credit like all South Africans, and the only way is to manage it through a single line of credit.
From the government's side, a first requirement would be to register employers that actively manage employees' debt and applications for credit as "responsible credit-managing employers" on a national database. Legislation would make it mandatory for any credit provider to ascertain whether a potential client is employed by an employer on the database. Should credit be provided without the approval of such registered employer, all rights to an emolument attachment order in favour of the credit provider would be waived. This would render such a loan unsecured in the true sense of the word — indiscriminate lending would cease overnight.
A business deciding to proactively assist employees in the management of their single credit facility would register as an employer on the database. It would then negotiate with its commercial bankers to consolidate all the debt of "identified employees" into one line of credit per employee at far more attractive rates than are charged at present. The individual employee would still be ultimately liable for his own line of credit, although the employer would facilitate the monthly payment to the commercial bank in much the same way as facilitating an emolument attachment order. The big difference would be that the repayment is affordable due to fair interest rates and no hidden charges.
The framework of this concept benefits all parties involved. Employees can now access affordable credit at the rates more comparable with those offered to middle-class South Africans, with all debt in one loan and with the outstanding balance clearly apparent. The commercial banks (the employers' bankers) will gain access to a large market. Risk exposure is managed by the preselection and identification by employers of low-risk employees whose jobs are secure, which means repayments will be met. While criticism of the microlending industry has become de rigueur, there has been no attempt to offer practical solutions to empower the masses by bringing them into the real economy in a meaningful way. This is the kernel of an idea that can be developed by retail banks serious about profits but equally serious about fair play and true empowerment for the masses. *(BDLive)*

Moody's Cuts South African Lenders After African Bank Fails

Moody's Investors Service downgraded the local-currency of South Africa's four biggest lenders and kept them on review for a further cut following the collapse of African Bank Investments Ltd. (ABL)
The local-currency deposit ratings of Standard Bank Group Ltd. (SBK), FirstRand Ltd. (FSR), Nedbank Group Ltd. (NED) and Absa Bank Ltd. (BGA), a unit of Barclays Plc, were cut one level to Baa1, the third-lowest investment grade, from A3, Moody's said in an e-mailed statement. Standard Bank's issuer rating was lowered to Baa2 from Baa1. All ratings of the four banks and Investec Ltd., including their long-term foreign-currency ratings, were placed on review for a downgrade. Absa, FirstRand and Nedbank's senior unsecured debt was also cut one level to Baa1.
The South African Reserve Bank placed African Bank, an unsecured lender, under curatorship on Aug. 10 after it reported a record loss and said it needed 8.5 billion rand ($800 million) of capital. The rescue included a 10 % impairment of African Bank's senior and wholesale debt, a move that Moody's said suggested the South African authorities won't fully protect creditors in the case of a bank failure. The central bank's response, while helping contain the risk of contagion, "indicates the regulator's willingness to impose losses on creditors," Moody's said. "This needs to be reflected in Moody's ratings, as debt ratings speak to both the likelihood of a default on contractually promised payments and the expected financial loss suffered in the event of default."

Under Pressure

The lenders source most of their funding locally and the downgrade probably won't have a "material impact on their cost of funding and on their operations," Jean Pierre Verster, an analyst at 36ONE Asset Management, said by phone from Johannesburg. "It might have a short-term negative impact on sentiment" with the banks' share prices coming under some pressure, he said. Standard Bank declined 3.1 % since African Bank was placed under curatorship, while FirstRand dropped 0.3 %. The rand fell 0.4 % to 10.6412 per dollar by 6:30 p.m. in Johannesburg.
The Reserve Bank on Aug. 16 disputed Moody's decision to cut the deposit rating of Capitec Bank Holdings Ltd. (CPI), another unsecured lender, two levels to Ba2 from Baa3, with the potential for further downgrades. Moody's shouldn't assume the central bank won't step in to back other financial institutions, the central bank said in a statement.
Standard Bank said the country's banking industry remains strong and that there is no indication other lenders have been affected negatively by the failure of African Bank, the lender said in an e-mailed statement. *(Bloomberg)*

Goldman opens access for Nigerian banks

Investors are willing to diversify into African corporate debt, despite emerging market volatility, as was proved by Goldman Sachs' $400m Tier 2 transaction for Access Bank.
With periodic convulsions in emerging markets over the past year, Africa has provided some diversification opportunities for investors. In debt issuance, Nigerian banking has been one of the most active sectors, and Goldman Sachs one of the most active advisers.
Goldman's most recent Nigerian deal was a $400m Tier 2 transaction for Access Bank. It acted as joint global coordinator alongside Citi, which has also been prominent in new Nigerian bank issues.

Sub-Saharan Africa is a relative newcomer to the emerging market universe for all but the most intrepid investors. One of the pitfalls of investing in that universe is the speed with which portfolios become highly concentrated around the likes of Brazil, Turkey and Russia. Over the past seven or eight years, Africa has become an increasingly popular way of spreading some of that risk.

"Africa has caught the imagination of investors, despite the wobbles of early 2014, or perhaps because of them," says Martin Weber, head of growth markets debt origination at Goldman Sachs. "Emerging market investors have become more aware of the need to diversify and to focus on different growth stories. The better performing credit stories have done well and Nigeria is one of them."

One measure of this increased attention is the growing number of dedicated Africa funds. These include Atlas Mara, a $325m vehicle set up by former Barclays boss Bob Diamond specifically to target the region's financial sector.

"When we speak about Nigerian banking to the international investor base, it is now extremely well understood," says Anant Prasad, Goldman's head of African debt origination. "Investors know the leading banks, and they follow their performance and relative values. It's not a frontier market anymore."

Consolidated market

Investor interest is focused in Nigeria partly because the country now has the largest economy in Africa and the largest population. Its banking sector has attained a level of sophistication well ahead of most of the rest of the continent. Since the expensive clean-up following the Nigerian banking crisis of 2009, the industry has been in relatively good shape.

There are five banks in the top tier – Zenith Bank, Guaranty Trust Bank, First Bank of Nigeria (FBN), Access Bank and United Bank for Africa (ranked in order of Tier 1 capital). All are rated BB- in line with the sovereign.

Access is a full-service commercial bank with 366 service outlets located in major centres across Nigeria, as well as in sub-Saharan Africa and the UK. It was listed on the Nigerian Stock Exchange in 1998, and has four separate operating units – personal banking, business banking (small and medium-sized enterprises), commercial banking, and corporate and investment banking.

Access has been growing by acquisition, most recently taking over Intercontinental Bank, a casualty of the crisis. Until then, its customers were mainly commercial and institutional. The integration of Intercontinental gave Access a substantial 3.8 million retail customer base and more diversified funding in the form of meaningful deposit-taking.

Subordinated debt

Two years ago, shortly after this acquisition, Goldman was joint lead on Access's debut international issue, a five-year 7.25% transaction raising $350m. Earlier this year, it was joint lead on a $500m five-year issue from Zenith Bank, its international debut.

Last year, Goldman acted as joint lead on a rare Tier 2 offering from FBN – $300m in subordinated notes with a maturity of seven years, non-callable for five years (7NC5). That was the first Nigerian subordinated offering in the international market since FBN's earlier issue in 2007.

The Nigerian regulatory regime is migrating from Basel I to Basel II, at which point the Central Bank of Nigeria will insist that systemically important banks stick to a minimum capital adequacy ratio of 16%. "Access is very prudent and aims to maintain a 20% capital adequacy ratio," observes Mr Prasad. "It wants the right capital buffer that will allow it to go out and aggressively target the opportunities before it."

Tier 1 capital was an option, at least in theory, but being more subordinated and equity-like, it is also more expensive for the issuer. "Tier 2 is more investor-friendly," says Neil Slee, head of growth markets debt syndicate.

Goldman was invited to join a beauty parade in January. Since this was the first Tier 2 issue by Access, a certain amount of fresh documentation had to be prepared, but the aim was to come to market before the August break, when a good window presented itself.

"It was a professionally run process, compared to some other markets," Mr Weber points out. At the same time, the continuing unwinding of quantitative easing in the US was putting pressure on emerging market currencies and causing capital outflows.

"By the end of the first quarter, issuance in central and eastern Europe, Middle East and Africa was 30% down," says Mr Weber. "But since sovereign volumes were up on the previous year, corporate and [financial institutions group] issuance was actually 70% down. So it was a very challenging environment."

By the beginning of June, however, the project was ready to go, and the deal was announced in the first week of that month. It was roadshowed in London, New York and Boston, with the late addition of a day in Los Angeles following a reverse enquiry.

"We had experience of the buyer base involved," says Mr Slee. "There were a number of investors keen to dedicate resources to the African region and to Nigeria. They had supported similar issues in the past, and liked the high-quality, well-capitalised, well-funded banking space.

"We also expected an element of domestic bid – features such as the must-pay coupons meant this was an instrument they could get their heads around." As a Basel I/II instrument, the notes had limited covenants but there was no loss-absorption feature. The notes were 7NC5 with special event calls at par.

Risk assessment

Investors were interested in the status of post-merger integration and in future strategy, but they also asked questions about the recent activities of Boko Haram, the Islamist militant group that are particularly active in northern Nigeria.

They were told that, while the media coverage was relatively new, the situation was not, and that, while it was depicted as a religious problem, it was actually rooted in economic conditions and the politics which flowed from that. Management referred to resources being directed at empowerment and education by Aliko Dangote, Africa's richest man and himself a Muslim from northern Nigeria.
The books were opened with price guidance in the 'high 9%' area, after reference to the sovereign and outstanding Access and FBN paper. The expected size was $300m. Market conditions were not, however, perfect. The Ukraine crisis was still bubbling away, and that was the day that Russia chose to cut off all gas supplies to its neighbour.
"There were a lot of headwinds," Mr Slee admits. "The equity market was marginally down. But we had spent a lot of time working with the investors and there was a good demand base. So we felt sufficiently confident to proceed with the trade."
Demand from domestic Nigerian investors came through as hoped and there was strong interest from the US. Total orders were just short of $600m. The size was increased to $400m and the coupon tightened to 9.25%, with a single reset after five years to two-year mid-swaps plus 767.7 basis points. The re-offer yield was 9.5%. While nearly one-third of the allocation went to Nigerian investors (30%), 35% went to the US and 26% to the UK.
"The deal showed that there is a continued appetite for investors to diversify, and to look at new names in Africa," says Mr Slee. "It's encouraging to see the expansion of that issuer universe. It is no longer just sovereigns issuing out of Africa – we are able to place real corporate risk." *(The Banker)*

Zimbabwe's ZBFH Extends Insurance Business To Mozambique

Zimbabwe's ZB Financial Holdings (ZBFH), through its subsidiary ZB Reinsurance has expanded its operations into neighbouring Mozambique. It is seeking to corner a share of the fledging insurance business on the southeastern coast of Africa.
"We are entering into Mozambique because the market is growing in terms of foreign direct investment (FDI) and there are opportunities in the Mozambique reinsurance business," said ZBFH Group CEO Ronald Mutandagayi.
ZBFH is a large Zimbabwean financial and insurance services provider, whose shares are traded on the ZSE and the government has shares in the group.
Mozambique insurance industry is relatively small and penetration rates measured 1.45 % in 2012. Over the forecast period (2012-2017), infrastructural investments, exports of mineral products, new product development and increased healthcare expenditure will support industry growth.
The industry recorded an increase in the volume of operational insurance companies during the review period, from five in 2008 to eight in 2011.
According to the International Monetary Fund (IMF), Mozambique is ranked among the fastest-growing economies in the world in 2011.This was partly due to the nation exporting coal for the first time which placed it on the list of global exporters of mineral resources.

Mozambique CBG strives for financial sophistication

Central bank governor Ernesto Gove is bullish about Mozambique's economic prospects, but acknowledges that the banking sector and capital markets need to be developed for the country to truly benefit from its energy boom.
Ernesto Gove, Mozambique's central bank governor, is hardly alone in being bullish about his country's future. Global investors also see the south-east African state as one of the brightest prospects in the region. Thanks to the recent discovery of huge reserves of coal and natural gas, foreign investment has soared. And growth in gross domestic product (GDP), which was about 7% in 2013, is forecast to exceed 8% this year, according to the International Monetary Fund (IMF).
Mr Gove, who has been governor of the Banco de Moçambique since 2006, doubts this buoyancy will be short-lived. "With the environment we're building – one that will enable both domestic and foreign investors to invest – the conditions are there for growth to be sustained," he tells The Banker in the Mozambican capital of Maputo. "The macroeconomic environment is stable. The currency is stable. Inflation is less than 5%."

Bolstering stability

Mr Gove says macroeconomic stability will be bolstered once Mozambique starts selling liquefied natural gas, probably towards the end of this decade. The most immediate benefit will be to reduce the country's large current account deficit, which was equivalent to 43% of GDP in 2013.
"As we go into an era of natural resources exportation, one of our shortcomings – a lack of foreign exchange – will be resolved," says Mr Gove. "The current account is negative, mostly because of imports of equipment for [gas and mining] projects. This is causing huge deficits. We believe that by 2019 or 2020 we'll have some space and that our current account will be in positive territory." Yet, Mr Gove recognises that for all the billions of dollars of revenues that coal and gas will bring, there is no guarantee they will significantly boost employment or cut poverty in what remains one of the world's poorest countries, with a GDP per capita of less than $700. Diversifying the economy and developing labour-intensive industries are crucial, says the governor. "We have before us huge challenges," says Mr Gove. "How do you transform the economy without just relying on coal and gas? How do we use our natural resources to our

advantage? We have to have some structural transformation. We can’t just be an exporter of raw materials. We have to have light industries and [fulfil] our agricultural potential.”

Sustainable boom?

Mozambique’s government will be hard-pressed to ensure the economy does not overheat. One of the central bank’s main aims is to keep the local currency, the metical, stable. It was fairly volatile in the first half of this year, losing more than 4% of its value versus the dollar. But Mr Gove argues that the current account deficit will not put pressure on the currency in the long term, as it is mainly caused by imports for the coal and gas projects and thus funded by foreign direct investment. He also dismisses concerns that the government’s rising fiscal deficit – it is forecast to jump from 4.5% of GDP to 9.5% this year, which led ratings agency Standard & Poor’s to downgrade the country a notch to B in February – will fuel depreciation. Mr Gove says a rise in foreign exchange reserves from $2bn in 2009 to $3.2bn in March this year, equating to four months of import cover, will help keep the exchange rate steady. “We used to have less than two months of cover,” he says. “Now, reserves are increasing as the economy and investment pick up. We’re in the range of four to six months, so we’re happy. But our [import] needs will increase in the coming years. We’ll continue building reserves so that we’re not in a position of scarcity.”

Minimal interventions

The central bank will maintain its policy of letting the metical float freely, says Mr Gove. Any interventions in the market will only be to control levels of liquidity. “It’s the market that determines the level of the exchange rate. It’s nothing to do with the central bank. It’s down to supply and demand. We just use [open-market operations] in case of some disturbances.”

In the longer term, some analysts believe Mozambique’s economy could suffer from an influx of dollar liquidity as gas revenues reach their peak. They point to fellow Portuguese-speaking country Angola, whose oil-rich economy became highly dollarised in the 2000s, as an example of what could happen. Mr Gove says the central bank has already taken steps to avoid that outcome. A law from 2010 stipulates that companies have to convert 50% of their export earnings into meticais, while another from 2009 states that banks have to make provisions of 50% against foreign currency loans. Thanks to such measures, the proportion of lending in local currency increased from 67% to 78% between 2008 and 2013, according to the IMF. “The process of de-dollarisation in Mozambique started a while ago,” says the governor. “The laws have worked. If you keep all your deposits in dollars, you’re not running your own monetary policy; it’s the US Federal Reserve that’s responsible for your monetary policy. Everybody in Mozambique benefits from the de-dollarisation of the economy.”

Improving the banks

Another priority for the central bank is to develop Mozambique’s commercial banking sector, which remains fairly unsophisticated by southern African standards, despite growing rapidly in the past few years. None of the lenders are listed, while the biggest three – Portuguese-controlled Millennium bim and BCI, and South African-owned Standard Bank – account for almost 80% of the sector’s assets. Several of the smaller ones are loss-making.

There has been a recent influx of foreign banks. In June, Togo-based Ecobank bought Banco ProCredit, a small local entity, shortly after South Africa’s Nedbank purchased 36% of Banco Único, a fast-growing lender set up in 2011. Meanwhile, London-headquartered Standard Chartered wants to obtain a licence to operate in Mozambique.

Mr Gove welcomes these moves, saying they will lead to the injection of more capital in the local banking system. He feels this is necessary if local banks are to play a part in the capital-intensive gas and coal sectors, rather than seeing all transactions made through offshore banks.

“The local banks need to increase their capital so that they can intermediate with exports of natural resources,” he says. “We are talking about huge money [being needed] for these projects.”

The central bank might increase the minimum capital requirement for banks from the equivalent of about $2.5m, as part of efforts to boost capital levels. “We’re revising this,” says the governor, but he does not give a timeframe or indication of what the new level would be.

Financial exclusion

Among Mr Gove’s main concerns are financial exclusion and high lending rates. Less than 20% of adults have bank accounts. Businesses struggle to access loans and, when they can, interest rates are about 20%, despite the central bank having halved its base rate from 16.5% to 8.25% since mid-2011.

Mr Gove says high lending rates are partly due to a lack of competition among big banks and the absence of credit reference bureaux, which makes it difficult to assess the creditworthiness of potential customers. “We have 18 banks, but there are just four or five big ones. With that number, you can’t say there is much competition.

“Of course, the banks will argue that we don’t have a credit reference bureau. That’s an issue, but the government has submitted a law to parliament to approve rules for establishing one. Another argument is that the standard of accounting [is poor], especially with small companies.”

Mr Gove wants more businesses to tap the capital markets. Mozambique’s bond and equity markets are among the least developed in Africa. Only four companies have listed their shares, while corporate bonds are rare. The government can help encourage bond issuance by companies and banks by developing a long-term funding curve, says Mr Gove (at present it rarely issues debt with a tenor of more than a year).

“For short- and long-term credit, everybody is looking at commercial banks,” says the central bank governor. "But because of the short-term nature of their deposits, they are not [able to provide] long-term loans. That’s where the capital markets can help. The government has been issuing some bonds. But for the deepening of the capital markets, we need more so that the yield curve goes out to, say, 15 or 20 years.”

Politicians have talked about making miners and upstream gas companies in Mozambique, such Anadarko Petroleum of the US and ENI of Italy, list a portion of their local assets on the country's stock exchange. But given its paltry size – its market capitalisation is $1.2bn – and illiquidity, bankers say that is unlikely.

The only way it would work, they add, is if foreigners were allowed to buy most of the shares. There is little international portfolio investment in Mozambique, partly because of capital controls that require foreigners to get approval from the central bank for their transactions.

But in an encouraging sign for investors interested in Mozambique, Mr Gove says those restrictions should be removed. “We have to liberalise the capital account,” he says, arguing that the economy is strong enough to withstand capital outflows. “If the macroeconomic fundamentals are there, there is no reason to fear. The money can flow out, but it will flow back if you have good macroeconomic fundamentals.” *(The Banker)*

Markets

Standard & Poor’s lowers projection for growth of Angola’s economy

Standard & Poor’s lowered its growth forecast for Angola from 8 % to 4.5 % this year with a “stable” outlook, according to the latest report on the country. The S&P analysts explained the downward review of growth domestic product (GDP) growth with the slowdown in oil production, according to the document cited by Portuguese news agency Lusa.

In the report, which keeps the country’s rating at BB-/B, S&P said, “oil revenues in Angola will continue to support a relatively low tax burden and help address institutional weaknesses, political succession risks and a lack of development beyond the oil sector. ” For this year, S&P expects a “small budget deficit – less than budgeted – as lower oil production is offset by higher than expected oil prices and a drop in spending on infrastructure.” In terms of the changes in the country’s rating, S&P said that a more positive assessment may be triggered if there is “economic diversification, greater than expected growth, a substantial improvement in institutional capacity and transparency, or a significant increase in monetary and fiscal flexibility.”

AfDB prices NZD 100 million Kauri Bond due August 2019 - Transaction Highlights

- African Development Bank (AfDB), rated Aaa (Stable) / AAA (Stable) / AAA (Stable (Moody’s / Fitch / S&P), successfully priced a NZD 100 million 5-year Kauri benchmark due 27th August 2019 through TD Securities. The notes pay a coupon of 4.50% and marks the first Kauri from the AfDB since February 2008.
- With conditions in New Zealand dollars becoming more favourable for both issuers and investors alike, AfDB was one of the first supranationals to take advantage of the thriving market sentiment by launching its new 5-year Kauri issue into Asia on Monday, August 18. The transaction was immediately met with solid investor interest and priced the following day in line with guidance at a level of midswaps plus 20 basis points, which equates to 63 basis points over the New Zealand Government Bond (NZGB) 5% March 2019.
- AfDB’s first Kauri offering in over 6 years was able to draw in extra investor attention for its rarity value. However given the advanced stage of the Bank’s funding programme for the year, the deal size was capped at a maximum of NZD 100 million from the outset.
- A total of 7 investors from Asia participated in the transaction with high quality orders coming from central banks and official institutions (40%), asset managers (40%) and pension funds (20%).

AfDB Group Treasurer Pierre Van Peteghem said, “One of the main pillars of the Bank’s funding strategy is its ability to diversify its funding sources by responding to investor demand across a vast array of capital markets worldwide. After the first foray of the Bank in the domestic capital market of Nigeria this past July, the launch of this 5-year bond marks the return of the Bank into the so-called ‘Kauri’ market consisting of NZD denominated securities, registered in New Zealand and issued by foreign issuers. Favorable market conditions and increased name recognition due to sustained marketing efforts allowed the Bank to successfully raise NZD 100 million in this market after a 6-year absence. Despite lower annual funding requirements than its peers, the Bank will continue to pursue its funding diversification strategy in Africa and elsewhere.” “The Kauri market is buoyant,” said Salvatore Aloisi from TD Securities. “Looking at New Zealand dollars, there is a really nice pick-up over Australian dollar yields and investors are comfortable with the currency because the economy is booming. We’re getting good demand from domestic institutional investors for the Kauris and retail accounts are interested in Eurobonds. Issuers have been keen to take advantage of the thriving market, with the African Development Bank selling its first print in six years this week.”

Terms of Transaction

- **Issuer:** African Development Bank (AfDB)
- **Rating:** Aaa (Moody’s) / AAA (S&P) / AAA (Fitch)
- **Issue amount:** NZD 100 million

- **Pricing Date:** 19 August 2014
- **Settlement Date:** 27 August 2014
- **Coupon:** 4.50% (semi-annual)
- **Maturity:** 27 August 2019
- **Reoffer Price:** 99.805166%
- **Reoffer Yield:** 4.544% (semi-annual)
- **Re-offer vs. Mid-Swaps:** +20 bps
- **Re-offer vs Benchmark:** NZGB 5.00% 15th March 2019 +63 bps
- **Lead Manager:** TD Securities

Bond Sales in Africa Losing Allure

Global Investors' Appetite for African Bonds May Be Testing Its Limit

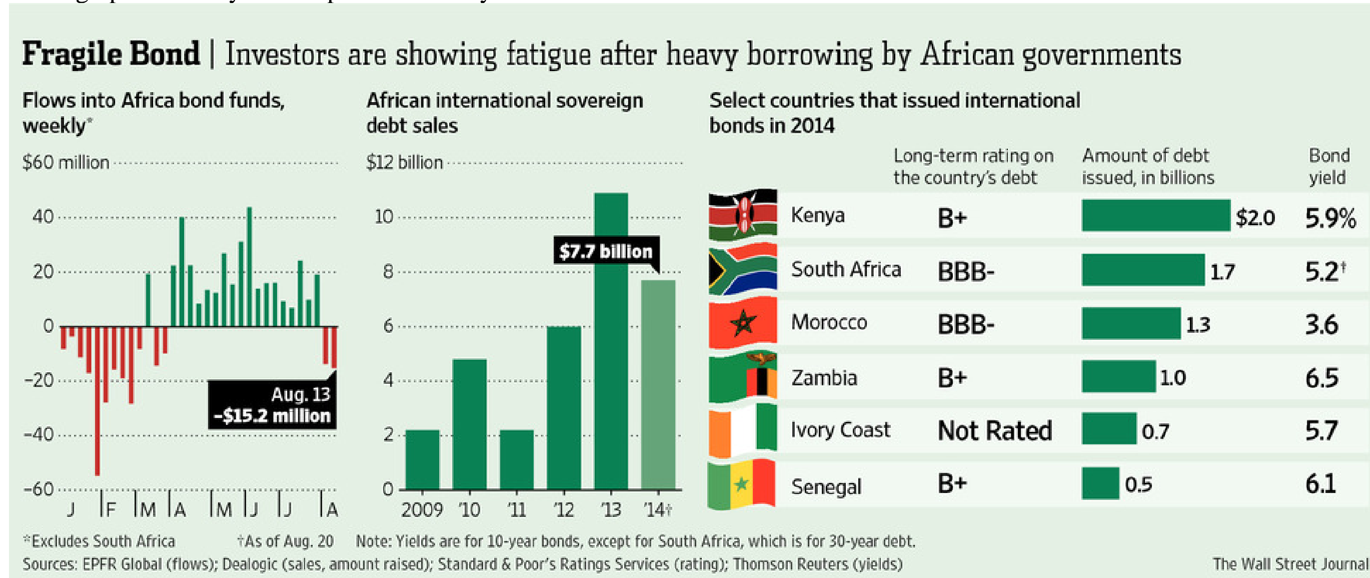
Cracks are forming in Africa's debt boom.

African governments are on pace to issue a record amount of bonds in 2014 for a second consecutive year, jumping at the opportunity to borrow at low interest rates to fund infrastructure and other spending.

But global investors' appetite for African bonds may be testing its limit. Mutual funds and exchange-traded funds are net sellers of African bonds this month through Aug. 13, on pace for the first monthly outflows since March, according to data provider EPFR Global. Bond prices in countries ranging from Gabon to Kenya to Ivory Coast have dipped after hitting near-record highs at the start of the month.

The pullback comes as money managers reassess their riskiest bets on the view that central-bank policy will draw cash back to the developed world. Stronger U.S. economic data this month reinforced expectations for an interest-rate increase from the Federal Reserve that could hit bond prices across the board next year. Similar fears sparked an exodus from U.S. corporate junk bonds and other risky holdings earlier in August.

Investors worry that a retreat from higher-yielding bond markets would hit African borrowers particularly hard. It would put pressure on countries struggling to plug budget and trade deficits, potentially slamming currencies and reducing economic growth. Small, illiquid debt markets also could seize up if investors try to cash out at once, essentially trapping money managers in losing trades. Analysts see a key test of investor comfort with African bonds coming up later this year in a planned sale by Ghana.



"If you look across some of these African countries, I don't see a lot of value out there anymore," said Jack Deino, head of emerging-markets debt with Invesco Ltd.

"The problem is when things do get a little bit rocky. I don't think a lot of people who are [buying] these deals are doing their homework."

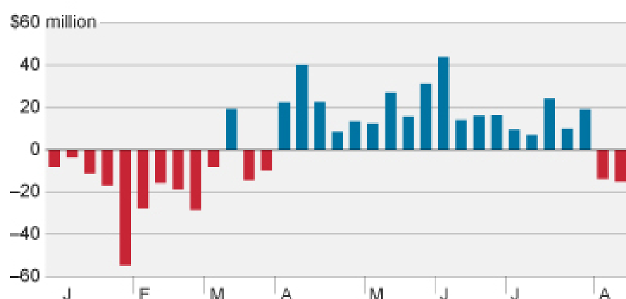
Mr. Deino said the firm, which oversees $799 billion, had cut back on its holdings of some African sovereign bonds.

African governments are on pace to sell a record $12.2 billion in bonds to international investors this year, according to data provider Dealogic, topping last year's record of $10.9 billion. The countries, many with long wish lists of infrastructure projects to serve their growing economies, have been eager to join in the tide of cheap global borrowing as major central banks hold interest rates at near-record lows.

Last month Senegal sold $500 million worth of 10-year bonds to investors at a yield of 6.25%. The country's previous effort to tap international debt markets, in May 2011, came with a 9.125% yield. Yields fall when prices rise.

Senegal's experience was typical of African countries that tapped international markets this year. Most sold 10-year bonds, but there were exceptions such as Kenya's $2 billion split between five- and 10-year debt and Tunisia's seven-

year bond backed by the U.S. Agency for International Development. The bonds sold by Kenya, Ivory Coast and Senegal in the past two months—valued at a combined $3.25 billion in face value—collectively attracted about $17 billion in bids, according to bankers who worked on the deals.



However, investors may be getting more selective about the bonds they will buy. Investors during the two weeks ended Aug. 13 pulled $29 million from bond funds that buy African bonds, according to EPFR Global. During the previous four months, investors had poured $351 million into such funds. The data doesn't include South Africa, a longtime participant in global bond markets, since many investors view it as a different class of investment.

And in a move that gave investors pause, Ghana this month asked the International Monetary Fund for a bailout at the same time as it planned an international bond sale. Countries at the doorstep of the IMF, in Ghana's case because of a ballooning budget deficit and plunging currency, typically aren't able to tap international debt markets cheaply.

Kieran Curtis, a portfolio manager with Standard Life Investments said his firm trimmed its holdings of Kenyan debt in recent weeks, fearing the selloff in U.S. junk bonds would spill over into other risky debt markets.

"We don't want to get caught unawares" Mr. Curtis said.

Few investors see a risk of widespread defaults among Africa's new roster of borrowers. Many carry a modest debt load after years of debt forgiveness and limited ability to borrow internationally. The continent also boasts some of the highest growth rates in the world. The IMF projects Ivory Coast's economy to grow by 8.2% this year, and Ghana's, despite its troubles, to expand by 4.8% due to rising oil and natural-gas production.

Still, market watchers say growth alone won't be sufficient to keep countries from running into trouble if their governments fail to manage their finances well. Countries that borrow cheaply now will have to pay back that debt or roll it over down the line into new bonds at a time when markets may not be as forgiving.

Ghana issued $750 million in international bonds in 2007, becoming the first mainland Sub-Saharan African country other than South Africa to tap foreign debt investors. The bonds were welcomed by investors, as the major cocoa-growing country was expected to reap a windfall from newly discovered oil fields.

But oil output grew slower than expected, failing to keep up with a surging government wage bill. Fitch Ratings says interest payments on Ghana's debt now account for 20% of government spending.

Another international bond sale this year would help plug the hole in Ghana's budget, but analysts caution that borrowers shouldn't become dependent on what may prove to be a fleeting period of cheap loans from international investors.

"If you remove that international financing out of the market, maybe just half, you're going to have to cut infrastructure investment, wages," said Chris Becker, a strategist with investment bank African Alliance. "Everything will take a beating." *(Wall Street Journal)*

Funds

Dubai Wants a Slice of the Hedge Funds Business

Dubai's financial hub is growing up. Since it was established a decade ago, the Dubai International Financial Centre has become the number one choice in the Middle East for many of the world's leading banks, law firms, asset managers and insurers from where to conduct their regional businesses.

Now the DIFC is rolling out the red carpet for hedge-fund like vehicles by offering a lighter regulatory regime for funds specifically designed for higher net worth individuals, and new opportunities for fund managers and investors.

One of the biggest novelties in the amended legislation is the creation of a new category for funds called "The Qualified Investor Fund." This type of fund is only available to professional investors who want to invest at least $500,000 and it is limited to 50 investors per fund.

"That's very much like the style of hedge funds targeting high net worth individuals or family offices," said Tarek Fadlallah, head of Nomura Asset Management Middle East. "This is a segment of the asset management business that the DIFC has thought about, especially as regulation of financial institutions is becoming more challenging in places like the U.K. and Switzerland," he said.

"The amendments are a statement of intent that Dubai is serious about competing with the major fund domiciles around the world," says Ben Bruton, managing partner for the U.A.E. at law firm Eversheds. "They are also a sign that the DIFC is adapting and responding to market demand to attract fresh revenue into the emirate," he said.
Dubai's ruler Sheikh Mohammed bin Rashid Al Maktoum recently issued the changes which took effect on the 28th of August.
The law changes include simplifying the structure and decision making of Dubai Financial Services Authority, the center's regulator, giving it for example new powers to suspend licenses.
Dubai's financial freezone was set up in 2004 as a business-friendly hub where international companies can set up their regional headquarters within a common law framework. Last year the number of registered firms in the DIFC jumped 14% to 1039, while its workforce grew to 15,600. On its website DIFC says 22 of the world's top 30 banks, 11 of the world's top 20 money managers, six of the top 10 insurance companies, and seven of the top 10 legal firms have offices here. *(Wall Street Journal)*

M&A

Kenya Reinsurance Acquires ATI Stake For $1m

Kenya Reinsurance Corporation (Kenya Re) has acquired an 0.9 % stake in multilateral financial institution, African Trade Insurance Agency (ATI), paying and subscribing to 10 shares valued at Sh87.5 million ($989,818).
ATI's CEO, Mr George Otieno explained that the insurer's vision was to transform Africa into a prime trade and investment destination.
"With partners such as Kenya Re, we are happy that our underwriting capacity has grown, making ATI better armoured to provide investment and trade insurance for the multi-billion projects expected in Africa," Otieno said.
He noted that Kenya's National Treasury had approved 59 projects that would be executed through public-private partnerships, which ATI intends to provide insurance cover for.
Increasing investment in Africa is expected to foster greater demand for business inflow and trade insurance as the volume of projects and transactions grow. This is in part has led to the emergence of reinsurance needs around the continent. Kenya Re is eager to capitalize on these demands, said Jadiah Mwarania, Managing Director of the company.
"Kenya Re is delighted to be in partnership with the African Trade Insurance Agency as this will not only increase our investment and business portfolio but also increase our credibility in East Africa and the entire continent," Mwarania noted.
He added that the partnership with ATI will create a platform through which the insurer can strengthen its capacity tin order to reach Africa's untapped and potential markets.
ATI's capacity in the volume of business it underwrites is expected to increase with the new investment by Kenya Re, as the partnership drives growth of geographical and business penetration in the insurance industry in the field of political & trade credit risks.
The financial institution has grown its shareholding by 1 % to Sh15.6 billion ($179.5 million) in the last one year. African Development Bank (AfDB) had earlier invested equity worth $15 million in 2013. Other corporate shareholders include the African Reinsurance Corporation, Atradius Group of Ireland, COMESA, PTA Bank, PTA Re (Zep Re) and SACE of Italy. *(Ventures Africa)*

Tech

Angolans have 4.1 million debit cards at the end of July

The number of valid debit cards in Angola exceeded 4.1 million at the end of July, according to the National Bank of Angola, which added that 42 % of those cards were in active use.
Announcing a conference on the payment system, the Angolan central bank also said that the number of automatic teller machines (ATMs) and automated payment terminals in the country was 2,488 and 40,302, respectively.
From January to July there was an average of 12 million ATM transactions per month, of which 53 % were cash withdrawals.
At automatic payment terminals the average monthly transactions in the same seven-month period were 2 million, of which 90 % were shopping purchases.
The conference, taking place on 25 August in Luanda, is directed at economic operators, financial institutions, payment services and telecommunications companies and is intended to discuss innovations in the sector and successful experiences in other countries. *(Macauhub)*

ENERGY

Unpacking Power Africa: A good opportunity for the private sector?

Efforts by the US to boost political and commercial ties with Africa came under the spotlight this month when President Barack Obama hosted some 50 African leaders for the first US-Africa Leaders Summit in Washington DC. Alongside a

number of discussions around opportunities for better business partnerships between the two regions, the Summit generated about US$37bn in financing deals and investment in Africa.
At the heart of the US commitment for better engagement is Power Africa, a private sector-led initiative aimed at doubling electricity access in sub-Saharan Africa where an estimated 600m people lack access to reliable electricity. The initial set of Power Africa partner countries – Nigeria, Ethiopia, Ghana, Kenya, Liberia and Tanzania – are said to be paving the way for investment and growth through utility and energy sector reforms.
Obama announced the initiative last year (alongside a commitment of $7bn of US government resources) during a visit to the continent. The goal was initially to add over 10,000MW of power generation capacity to give an additional 20m households and businesses access to electricity. But at the Summit, Obama announced a tripling of the original target to 30,000MW and new connections for at least 60m. He also pledged a further $300m in grant assistance a year to expand Power Africa's reach.
An additional $6bn in new private sector commitments was also revealed, bringing total private sector investment under Power Africa to over $20bn, with companies like General Electric (GE) and African investment company, Heirs Holdings, leading the way.
Alongside this are pledges in both technical and financial support by entities such as the World Bank, African Development Bank (AfDB), Overseas Private Investment Corporation (OPIC) and the Government of Sweden.
Power Africa is already involved in a number of energy projects, ranging from a loan guarantee for the Kiwira River Hydro Project in Tanzania to providing transactional and technical advice to move the proposed Corbetti Geothermal Power Plant project forward in Ethiopia. In northern Kenya, US government finance institution OPIC has approved up to $250m in financing under Power Africa to support the development, construction, and operation of the 310MW Lake Turkana Wind Power project.
Currently Power Africa has just over 40 private sector and financial partners, with roughly a third being African. However, according to Peter Ballinger, director of business development at OPIC, Power Africa projects are complex in nature and are not for anyone to just come in and invest.
"We are really looking to work and partner with companies that have experience, have done this before, and bring something to the table whether it's a new technology, or additional capital, or some sort of wherewithal," he told How we made it in Africa.
According to USAID, which houses the Power Africa website, the first step in becoming a Power Africa partner would be to express interest through the website. A Power Africa team member will then reach out to discuss how best an investor can get involved.
"If there appears to be a strong fit, your organisation may be invited to provide a letter of commitment expressing your support for Power Africa and setting forth the specific activities you intend to pursue in furtherance of Power Africa's objectives," states the website.

The thinking behind Power Africa

During the Summit, Obama reiterated the view that Africa needs sustainable development through trade, as opposed to aid, and that the US is looking to increase commercial ties as equal partners.
The US has been somewhat slow to engage with Africa's growth story, falling behind China and the European Union as the continent's largest trading partners. Within 15 years, trade between China and Africa has risen from just $10bn in 2000 to over $200bn in 2013, with China's involvement in the continent extending to the construction of large infrastructure projects such as roads and ports.
At the Summit, Jeff Immelt, CEO of GE, summed up the sentiment that US companies "kind of gave Africa to the Europeans first and to the Chinese later, but its wide open for us".

Both sides set to benefit

According to Ballinger, the Power Africa initiative is a win-win for both the US and sub-Saharan Africa – the continent needs increased energy generation, while US companies have the opportunity to make good returns from these projects.
"US companies [bring] experience and technology and equipment to projects. So for companies like GE, yes, supporting Power Africa was a strategic business decision on their part," noted Ballinger.
"So American companies I think will very much benefit from the groundwork that the US government has laid through Power Africa with our Power Africa countries."

Role of public-private partnerships (PPPs)

Africa has a significant infrastructure deficit and the private sector can play an important role in closing this gap, as noted by Stuart Kufeni, CEO of the SADC Development Finance Resource Centre, which houses the Public-Private Partnership Network.
"Most of these infrastructure projects are huge and our governments can't raise that kind of money in total, so they need the private sector's participation in those projects. For instance, now from 2013 to 2017, we are looking at projects [in Southern Africa] in the region of US$65bn for infrastructure alone. There is no way our governments can raise that much," Kufeni told How we made it in Africa last year.
In addition to financing, the private sector also has the expertise to develop these large projects.
At the Summit, Tony Elumelu, chairman of Heirs Holdings, said the private sector can play a key role in solving Africa's power deficit. Nigeria recently took steps to privatise its power sector, and Elumelu said this allowed his

company to acquire a major power asset last November, with a then output of 150MW of electricity. Just nine months later they had tripled this to 453MW.

"This is what the private sector can do," noted Elumelu. "So learning from this… we [the private sector] have a role to play in helping to reform the power space."

Balancing good returns with high risk

OPIC's Ballinger said the Power Africa projects are good investment opportunities for the private sector, but they are not without risk.

"Many of these projects are highly risky, and so I think investors have an expectation of rate of return that they need, certainly they also have to service the debt, long-term debt, through organisations like OPIC. And then they have got to deliver on their contract to the off-taker which in almost every case is a government entity like… TANESCO in Tanzania or KenGen in Kenya."

The complexity of PPP deals means there can be challenges, such as meeting tight government deadlines to conclude contractual and financing agreements.

"So governments have to understand that when you are putting together a very complex public-private partnership, that giving them six months to reach financial closure… sometimes it's too tight for international financial institutions to commit, especially on these larger energy projects, which are very complex in nature." *(How we made it in Africa)*

MINING

South Africa Approves Treaty for $100 Billion Inga Hydropower

South Africa's Cabinet approved a treaty signed with the Democratic Republic of Congo to begin development of a hydropower project that will eventually cost about $100 billion and generate 40,000 megawatts of electricity.

"The treaty provides the framework for the facilitation of power generation from the Grand Inga project and its delivery to the border between the Democratic Republic of Congo and Zambia," Jeff Radebe, a minister in South Africa's Presidency, told reporters in Cape Town. Ratification of the treaty by Parliament "enables development of phase one of the project, which will provide 2,500 megawatts of electricity to South Africa."

The Grand Inga complex will be built in six phases before reaching full capacity, according to Congo's Energy Ministry. One megawatt is enough to power about 200 middle-income South African homes at peak times, state-owned power utility Eskom Holdings SOC Ltd. said in March. The treaty provides for the power to be shared among nations in the region. Congo's government says it will choose a developer from three groups of companies: China Three Gorges Corp. and Sinohydro Corp.; Posco and Daewoo Corp. of South Korea in partnership with Canada's SNC-Lavalin Group Inc.; and Actividades de Construccion y Servicios SA, based in Madrid, and Spain's Eurofinsa SA.

"I'm not so sure about the timelines, but it's a matter of great urgency," Radebe said. "There are discussions between the two countries on the funding. It will involve lots and lots of money." *(Bloomberg)*

Gold Fields Plans Mining Switch at South Deep to Counter Delays

Gold Fields Ltd. (GFI) is exploring two new mining methods at its South Deep mine, which would have become South Africa's biggest for bullion by 2015 had it not been for delays, Chief Executive Officer Nick Holland said.

The company, which hired a team of 15 Australians earlier this year to improve performance at South Deep, is looking to simplify how it mines a complex ore body, Holland said in a telephone interview. Gold Fields will choose between the two methods in the next 12 months, he said.

The company plans to produce 650,000 ounces to 700,000 ounces from South Deep by 2017, two years behind its initial schedule. Production at that level, worth about $900 million a year in revenue at current spot prices, would continue for about 70 years, Gold Fields estimated. "I wouldn't say we've been mining in the wrong way, the current method is very sound," Holland said. "If we can make things easier, all the better."

South Deep's complex ore formation, its depth, and operational and safety problems have mired the operation in delays throughout its 24-year lifespan, during which it has been owned by JCI Ltd., Western Areas Ltd. and Barrick Gold Corp. Two workers died in accidents in May and a safety review will continue until the end of next month.

The first technique being explored is "a variation of the existing de-stress mining we're doing," Holland said, referring to strategically placed cuts in the rock to minimize seismic activity. The second is a "fundamental change" to a so-called incline-slot method used in Australia, he said.

Profit Increase

"The two are mutually exclusive and we should either choose one or the other," Holland said. Both have the possibility of speeding up production, he said.

Gold Fields' profit excluding one-time items was $18 million in the three months ended June 30, compared with $5 million in the previous quarter, the Johannesburg-based company said in a statement.

Total all-in costs fell 1.9 % to $1,093 an ounce. The board approved an interim dividend of 0.20 rand a share (2 U.S. cents).

"The safety interventions at South Deep during the quarter masked what was a better quarter for the group as a whole, in terms of costs, margins and cash flows," Holland said in the statement.

Gold Fields' output dropped 1.6 % to 548,000 ounces in the three months to June 30 from 557,000 ounces in the previous quarter. *(Bloomberg)*

Harmony Gold to Idle Loss-Making Target 3 Mine in South Africa

Harmony Gold Mining Co. (HAR), South Africa's third-largest producer of the metal, said it plans to idle its loss-making Target 3 operation in the country and has started talks with labor unions.

The mine, which employs about 1,500 people, has made a cumulative loss of 260 million rand ($24 million) in the past 4 1/2 years, the Randfontein, South Africa-based company said in a statement. Target is about 160 miles southwest of Johannesburg.

"Given the current gold-price environment, and the significant capital investment required to sustain operations at this shaft, Target 3 is predicted to continue to make a loss in the foreseeable future," Harmony said. While the South Block of the resource is valuable, it needs development.

A 22 % drop in the bullion price since the start of 2012 has forced the world's leading gold miners to cut costs and sell underperforming assets as they seek to maintain profitability. Barrick Gold Corp., the largest producer, sold three mines in Australia to Gold Fields Ltd. in October. AngloGold Ashanti Ltd., the third-biggest, sold a mine in Namibia to QKR Corp. this year.

Harmony has started talks with labor unions using procedures outlined in section 189 of the country's Labour Relations Act. Discussions are steered by a facilitator appointed by the state's Commission for Conciliation, Mediation and Arbitration. Measures to minimize job losses include offering voluntary severance packages, early retirement, and transferring employees with the relevant skills to vacancies at other operations, Harmony said.

The company forecast output of about 1.2 million ounces for the year through June 2015 at $1,150 an ounce to $1,300 an ounce. That compares with 1.17 million ounces produced in the preceding 12 months at $1,242 an ounce, it said on Aug. 14. Gold rose 0.2 % to $1,300.82 an ounce by 10:01 a.m. in London. Harmony climbed 0.9 % to 32.48 rand in Johannesburg, extending gains this year to 25 %. *(Bloomberg)*

BHP Plans Biggest Mining Spinoff as Commodity Boom Ends

BHP Billiton Ltd. announced what's poised to be the biggest spinoff in the mining industry, separating aluminum, coal and silver assets to create a company valued at about $15 billion after it begins trading next year.

The new unit will operate in five countries from Australia to South Africa, the Melbourne-based producer said in a statement, while announcing a 10 % jump in full-year profit to $13.4 billion. BHP's London-listed shares fell the most in 14 months. A decision to skip a widely anticipated share purchase will disappoint investors, who had expected a $3 billion buyback, Citigroup Inc. said.

Miners are trimming portfolios as commodity prices retreat and after poorly timed acquisitions in a decade-long $616 billion investment spree led to asset writedowns and management clear-outs. The biggest mining investors including BlackRock Inc. have campaigned for greater returns to shareholders after management frittered away cash on failed acquisitions and expansions that flooded metals markets. "The miscalculation was that there had clearly been a very significant expectation in the market for a buyback," Paul Gait, a London-based analyst at Sanford C. Bernstein Ltd., said by phone. "In the absence of that and just getting 'Spinco' you can see why people are disappointed."BHP fell 4.6 % to 1,973 pence at 3:41 p.m. in London, the biggest intraday fall in 14 months. The stock rose 1.4 % in Australia before the announcement.

New Chief

The as yet unnamed company will be based in Perth and be headed by current Chief Financial Officer Graham Kerr. It will hold the world's largest producer of silver in the Cannington silver and lead mine in Australia, the Cerro Matoso nickel operation in Colombia, the Illawarra metallurgical coal business and aluminum assets in Australia, South Africa, Mozambique and Brazil.

"It's not a given that it's going to be ultimately attractive to investors when it lists," Tim Schroeders, a portfolio manager at Pengana Capital Ltd., who helps manage $1 billion in equities, including BHP, said by phone after the announcement. "There are some assets that are attractive within that mix, and some that we are less keen on."

BHP will prioritize iron ore, copper, coal and petroleum assets that stretch from Australia to the Americas, and has identified the soil nutrient potash as a potential fifth unit.

Change Required

"While our current structure has worked well we are now at a point where the status quo no longer positions us to best maximize value," CEO Andrew Mackenzie told analysts. "Change is required."

The new company may be worth about $15 billion when listed and be mining's biggest spinoff in at least a decade, according to CLSA Asia-Pacific Markets. That's more than the 2006 listing of Polyus Gold OJSC in a $14.4 billion transaction by MMC Norilsk Nickel OJSC, according to data compiled by Bloomberg.

It will be listed in Australia and also trade in South Africa, where it will have a regional head office in Johannesburg, BHP said in the statement, adding that it plans to issue shares in the company to its U.K. and Australian stockholders next year. "While the announced de-merger is a catalyst for BHP, we are not convinced that this plan creates long-term

value for shareholders," Chris LaFemina, an analyst at Jefferies LLC, wrote in a note to clients. He now prefers stock in BHP's biggest rival Rio Tinto Group, he said.

Nickel Unit

BHP is continuing a process to sell its Australian nickel unit, which isn't included in the new company, Mackenzie told reporters on a conference call. Mergers and acquisitions won't be studied for a "considerable period," he said.

Assets being divested into the new company are currently cash flow positive with an underlying earnings before interest, tax, depreciation and amortization margin of 21 % in the year to June 30, the producer said in the statement.

BHP's underlying profit rose to $13.4 billion in the 12 months to June 30, from $12.2 billion a year ago, the company said. That missed a $13.6 billion median forecast of 19 analyst estimates compiled by Bloomberg. The remaining core company will target cost cutting and other productivity gains of at least an additional $3.5 billion by the end of June 2017, BHP said. The new company will have about 24,000 employees and contractors. That compares with BHP's current total of about 128,000. David Crawford, a BHP director since 1994, will lead the demerged entity's board and step down from BHP in November.

Returns Slumped

In 2011, as China devoured everything from iron ore to copper to feed economic expansion, BHP's return on invested capital was 35 %, according to data compiled by Bloomberg. The figure slumped to 13 % two years later as Chinese growth slowed, the data show.

BHP's aluminum, manganese and nickel unit accounted for about 12.5 % of revenue in the 12 months ended June 30, according to statement. That's down from about 30 % in the year through June 2007, according to filings. Revenue from iron ore has risen from about 12 % to 31 % over the same period. *(Bloomberg)*

Diamond mining by Maua company due to begin in Angola in September

A diamond project by mining company Sociedade Mineira do Maua, of Angola's Malanje province, is due to start operating in September, following an investment of US$26 million from Israel, said the project's assistant director, Carlos Castro.

The project is located in Mundundo, 85 kilometres from the municipal capital of Marimba, and Sociedade Mineira do Maua, founded in 2009, is a partnership of state diamond company Empresa Nacional de Diamantes de Angola (Endiama) and private companies Socim, Somoa and Cuango Internacional.

Castro said that production was currently in a testing phase, "with satisfactory results" the technical supervision of which is carried out by South African company Metico.

The company has modern mining, washing and diamond-grading equipment, which makes the project very efficient, according to Castro cited by Angolan news agency Angop. *(Macauhub)*

OIL & GAS

Cobalt cuts ties with two Angola oil partners

Cobalt International Energy has severed ties with an Angolan company in which top officials in the oil-rich African state had held concealed stakes, weeks after US regulators probing possible corruption said they planned to bring charges against the Houston-based explorer.

The New York-listed group said in a regulatory filing that two Angolan companies – Nazaki Oil and Gaz, and Alper Oil – had transferred their interests in an offshore oil venture operated by Cobalt to Sonangol, Angola's state-owned oil company.

Following the transactions, Cobalt said it "no longer has any relationship with Nazaki or Alper". It said it still expected Angola's government to give the go-ahead for it to start pumping oil from its Cameia discovery and for production to begin in 2017.

Online summaries of entries in Angola's official gazette confirmed that Nazaki had quit the project and that Alper had been authorised to transfer its stake to Sonangol but gave no further details of either transaction.

A lawyer for Cobalt did not immediately respond when asked whether Sonangol had paid Nazaki and Alper for their stakes in the project. Last year, Nazaki transferred half of its 30 per cent stake to Sonangol. No details were disclosed of what, if any, fee was paid for that 15 per cent interest, which was worth about $1.3bn, according to bankers' valuations.

Cobalt, which is backed by Goldman Sachs and US private equity groups, is developing a major oil find off the coast of Angola, a prime energy frontier controlled by an authoritarian government that perennially ranks close to the bottom of Transparency International's corruption perceptions index.

The Angolan authorities assigned Nazaki and Alper to be Cobalt's partners when the company was awarded exploration rights in 2008, according to previous filings.

In 2012, two top officials confirmed to the Financial Times that they and a former official had held previously concealed stakes in Nazaki. One of the officials was Manuel Vicente, who was head of Sonangol at the time it granted Cobalt its rights and is now Angola's vice-president. The other was General Manuel Hélder Vieira Dias Júnior, known as Kopelipa, the head of the military bureau in the presidency.

Cobalt's stock fell 10 per cent after it announced this month that the US Securities and Exchange Commission had notified the company that it planned to pursue a case following a three-year investigation into possible breaches of the Foreign Corrupt Practices Act.
Charges do not automatically follow such a notification and Joseph Bryant, Cobalt's chief executive and chairman, called the SEC's move "erroneous". Cobalt denies wrongdoing and has said it was unaware of the officials' concealed stakes at the time it agreed to go into business with Nazaki.
Under the terms of the contract for the project, Cobalt was obliged to fund a "free carry" for Alper's 10 per cent stake, meaning that Cobalt paid Alper's share of development costs. Cobalt said that it would recoup its outlay on Alper's free carry from Sonangol's revenues once the project began pumping oil.
Nazaki and Sonangol did not immediately respond to requests for comment. The FT has been unable to reach Alper, whose owners are undisclosed, for comment. Following the transactions, Cobalt and Sonangol are the only shareholders in the venture, with 40 per cent and 60 per cent respectively. *(Financial Times)*

SacOil assigned 20% participating interest in Nigerian OPL233

Independent African upstream oil and gas company SacOil announced that it had been assigned a 20% participating interest in the 126 km2 233 offshore oil prospecting licence (OPL233), off the coast of Nigeria, enabling the company to embark on a broader and more proactive work programme over the asset.
The company said the assignment of the interest was duly granted and authorised by the Nigerian National Petroleum Corporation and perfected the title of the company's 20% working interest in OPL233.
"This is an important milestone in the history of the company, which reflects on our commitment to progress our assets and ensure the growth of the existing portfolio.
"OPL233 fits with our strategy of acquiring and exploiting assets with discovered hydrocarbons. This award now moves us to the next phase of unlocking the resource potential and delivering production," SacOil CEO Dr Thabo Kgogo commented.
The company said its focus would now be on continuing the progress made on the assets by working in collaboration with its joint venture partners to deliver reserves and production.
SacOil noted that a three-dimensional (3D) ocean bottom cable survey was expected to be completed by the end of October, with the equipment already having been mobilised.
"The 3D seismic data will provide valuable subsurface information relevant for the quantification of the licence's resource potential, as well as the selection of optimal drilling locations," it stated. *(Engineering News)*

$250m Gas-Powered Energy Plant Unveiled In Mozambique

A multi-million natural gas powered electricity generation plant was unveiled in Mozambique's Moamba district of Maputo province. The facility will shrink power deficit faced in the southern African country and its neighbours.
"In recent years the city and province of Maputo have had a deficit of around 150 megawatts, so with the launch of the plant the lack of power in the region has been fully overcome," said chairman of EdM Augusto Fernando.
Construction of the $250 million Ressano Garcia Power Plant (CTRG) began in 2012. The contract was overseen by South African energy group Sasol and Mozambique state-owned Electricidade de Moçambique (EdM).
The giant CTRG natural gas power plant has an electricity generation capacity of 180 megawatts. Recently EdM says it needs over $1 billion to provide adequate electricity to the Mozambican populace.
The Southern African nation has been hit by constant power cuts in the past months but it's energy industry remains an attractive sector for foreign investors, beyond its much discussed large offshore gas discoveries.
Mozambique has become one of the most promising countries in Africa in terms of natural gas and coal resources. The country's Tete Province is estimated to hold large untapped coal reserves of 25 billion short tons, according to the International Energy Agency. *(Ventures Africa)*

Mozambican parliament considers proposed tax on oil transactions

The Mozambican parliament is due this week to discuss a proposed law to tax oil transactions intended to adapt legislation to international practices within the sector, according to Mozambican daily newspaper Notícias.
The proposed law to review the Specific Regime on Taxation and Fiscal Benefits Applicable to Oil Transactions is intended to bring together all tax matters related to the oil sector, make interpretation of the law easier, ensure a better business climate and effective action by making use of additional tax revenue.
With this review, which replaces the law that set the original tax level, the specific rules for taxation of oil transactions and applicable tax breaks, the government plans to set out specific tax schemes for oil transactions and update the list of customs tax exempt goods that oil projects may import.
The Specific Regime for Taxation and Fiscal Benefits on Oil Transactions will be applied to Mozambique registered companies as well as to Mozambican or foreign individuals, based on the terms of a concession contract under Mozambican jurisdiction. *(Macauhub)*

Re-launch of production by Angola LNG consortium expected only in 2015

The Angola LNG consortium is only expected to start producing liquid natural gas (LNG) once again in 2015 after a stoppage in April of this year following an accident at the plant, the country's Oil Minister said after a visit to the company's facility in the city of Soy, Zaire province.

Botelho de Vasconcelos said the contractor working at the plant had given assurances that work would be carried out within the stipulated deadlines and noted that work "continued without interruption," according to Angolan news agency Angop.

The minister also said that "the work is of a certain complexity," and that the contractor was still studying the problem, but added he was certain that work would be finished within the expected deadline.

"It is important that the (natural gas liquefaction) plant starts producing again next year as it was an investment of great importance to the local economy," said Botelho de Vasconcelos.

Angola LNG is a partnership between Sonangol, Chevron, BP, ENI and Total, and the Soyo plant cost US$10 billion and has a production capacity of 5.2 million tons of LNG per year.

The company has a fleet of seven transport ships and three LNG, liquid gas and compressed butane loading terminals. *(Macauhub)*

Mozambican government to issue new oil and gas prospecting licenses

The approval of the propose Oil Law will allow the Mozambican government to issue new prospecting licenses to companies that will have to partner state oil and gas company Empresa Nacional de Hidrocarbonetos (ENH), said the country Natural Resources minister.

According to the new legislation, which will come into force at the end of the year, foreign companies interested in oil and natural gas prospecting licenses will have to partner the Mozambican state company and 25 % of all the gas they produce will be sold on the domestic market.

Minister Esperança Bias said that the previous law, which dated from 2001, needed to be updated to reflect changes seen since then and told financial news agency Reuters, "we had said there would be no more licenses granted until the law was updated."

Under the terms of the reviewed law subsidiaries set up in Mozambique by foreign companies interested in prospecting for oil and gas in the country will have to request a listing on the Mozambican Stock Exchange.

Cited by the Mozambican press, Arsénio Mabote, chairman of the National oil Institute, said there were many companies interested in oil and gas prospecting in the sea off Mozambique, but provided no details about these companies.

To date, deposits of around 180 billion cubic feet of natural gas have been found in the Rovuma basin in northern Mozambique. *(Macauhub)*

Ghana Expects Hess Offshore Oil Field to Join Project Lineup

Ghana, the nation seeking to increase its oil output fivefold in the next decade, expects an offshore development by Hess Corp. (HES) to join the nation's project pipeline, according to the Petroleum Commission.

Hess will drill a third appraisal well later this year on the Deepwater Tano/Cape Three Points block to establish commercial viability and reserves, Kwaku Boateng, director of special services at the commission, said in an interview. The results on the first two wells were "fantastic," he said.

Ghana is aiming to increase oil output to 500,000 barrels a day in the next 10 years as projects including Tullow Oil Plc's TEN and Eni SpA's Sankofa-Gye Nyame start production. Tullow operates the Jubilee field that will produce an average of about 100,000 barrels a day this year, according to a July 30 statement.

"We have to wait for the final report but from the numbers that we are seeing we are expecting that Ghana gets its fourth development from Hess," Boateng said Aug. 18 in Accra.

Hess will give results on Ghana by year-end following completion of the appraisal program, Patrick Scanlan, a Hess spokesman at Sard Verbinnen & Co. in New York, said yesterday, declining to comment further.

The TEN, or Tweneboa-Enyenra-Ntomme, and Sankofa-Gye Nyame fields are expected to be developed within the next three years, with combined daily output of about 130,000 barrels, Boateng said. Both fields will also produce natural gas. *(Bloomberg)*

INFRASTRUCTURE

Construction of Logistics Base at Port of Pemba, Mozambique, starts

The first phase of construction of the Logistics Base of the Port of Pemba, in Mozambique's Cabo Delgado province, begun with a ceremony to lay the first stone, state oil and gas company ENH said in a statement cited by Mozambican daily newspaper Notícias.

The work, which will be carried out by "ENH Integrated Logistics Services" (ENHILS), subcontracted by the Portos de Cape Delgado (PCD), is due to be completed by the second half of 2016.

Cost of the work in this phase is estimated at $150 million and includes construction of the logistics base and facilities for the production and installation of undersea equipment used by the oil and gas industry.
ENHILS, which will build, operate and manage the Logistics Base of the Port of Pemba, is owned by ENL Logistics (ENHL), with 51 %, Orlean Invest, Nigeria, with 49 %, in partnership with Sonangol Integrated Logistic Services (Sonils).
Portos de Cabo Delgado (PCD), made up of state companies ENH and Portos e Caminhos de Ferro de Moçambique (CFM) holds the rights to manage the port, its logistics terminal and the Palma and Pemba sea-front. *(Macauhub)*

Grindrod Seeks Africa Rail Projects as Shipping Hurts Profit

Grindrod Ltd. (GND), a South African freight company, is seeking commodity contracts outside its home market to help offset a decline in shipping that contributed to reduce first-half profit by a almost third.
"We are looking at big projects, very capital-intensive projects" in neighboring countries, Chief Executive Officer Alan Olivier said by phone from Johannesburg. "They will have to open up. Grindrod is keen to participate."
While South Africa is investing about 210 billion rand ($19.6 billion) in infrastructure to boost the transportation of commodities including iron ore and coal, neighboring countries are hampered by poor railway networks. Durban-based Grindrod plans to invest in Mozambique, Zimbabwe and Zambia, the continent's second-largest producer of copper, according to Olivier.
Grindrod earnings per share excluding one-time items slumped 32 % to 0.52 rand in the six months through June, the company said in a statement. Revenue rose 22 % to 4.4 billion rand. The interim dividend was set at 13.6 cents, down from 20 cents a year earlier.
"Shipping earnings haven't been good," Olivier said. "We've had a relatively slow start."
'Earnings Pressure'
The Baltic Dry Index (BDIY), a measure of commodity shipping costs, has declined 53 % this year.
Grindrod shares fell as much as 5.6 %, the steepest intraday decline since Aug. 1, and traded 4.6 % lower at 240.9 rand as of 1:28 p.m. in Johannesburg. The stock has declined 14 % this year, compared with an 11 % gain in the FTSE/JSE Africa All Shares Index. (JALSH)
"The market was expecting some earnings pressure from shipping, due to weak shipping rates, trading, due to the closure costs from Atlas Trading, and the impact of industrial action through logistics and the Maputo car terminal," Brent Madel, an analyst at Cape Town-based BPI Capital Africa, said in e-mailed comments. "However, the remaining Freight Services came under more pressure than expected."
Grindrod co-manages Mozambique's biggest port in Maputo. Goods haulage at the facility rose 19 % to nine million metric tons in the half year, Olivier said, led by a "very good demand" for magnetite and coal. Last year, transportation was disrupted by the collapse of a bridge.
"The market will seek to get more clarity on the timing of the capital-expenditure roll out and how quickly some of the freight services operations that performed poorly turn around," Madel said. *(Bloomberg)*

Port of Lobito, Angola, receives investment of US$1.247 billion

The dry dock, container terminal and ore terminal at the port of Lobito, in Angola's Benguela province, costing and estimated US$1.247 billion, were inaugurated by the President of Angola, Angolan news agency Angop reported.
The container terminal is 414 metres long, the ore terminal has a 310-metre jetty and the dry dock is directly connected by road and rail to the port of Lobito and the Benguela Railroad, providing an area of 90,000 square meters.
The container terminal cost US$673 million, the ore terminal US$522 million and the dry dock US$32 million, and the total investment also included acquisition of a multipurpose tugboat (US$16 million) and a speedboat (US$4 million).
The inauguration were included in the meeting of the Economic Commission of the Council of Ministers, chaired in Lobito by the Angolan President, José Eduardo dos Santos.
The connection between sea transport in the port city of Lobito and the Benguela Railroad that runs to the border (Moxico province), is part of Angola's strategy to attract exports from the Angolan interior as well as from other countries in the sub-region, such as Zambia and the Democratic Republic of Congo. *(Macauhub)*

AGRIBUSINESS

Guinea Bissau is world's fourth-largest producer of cashew nuts

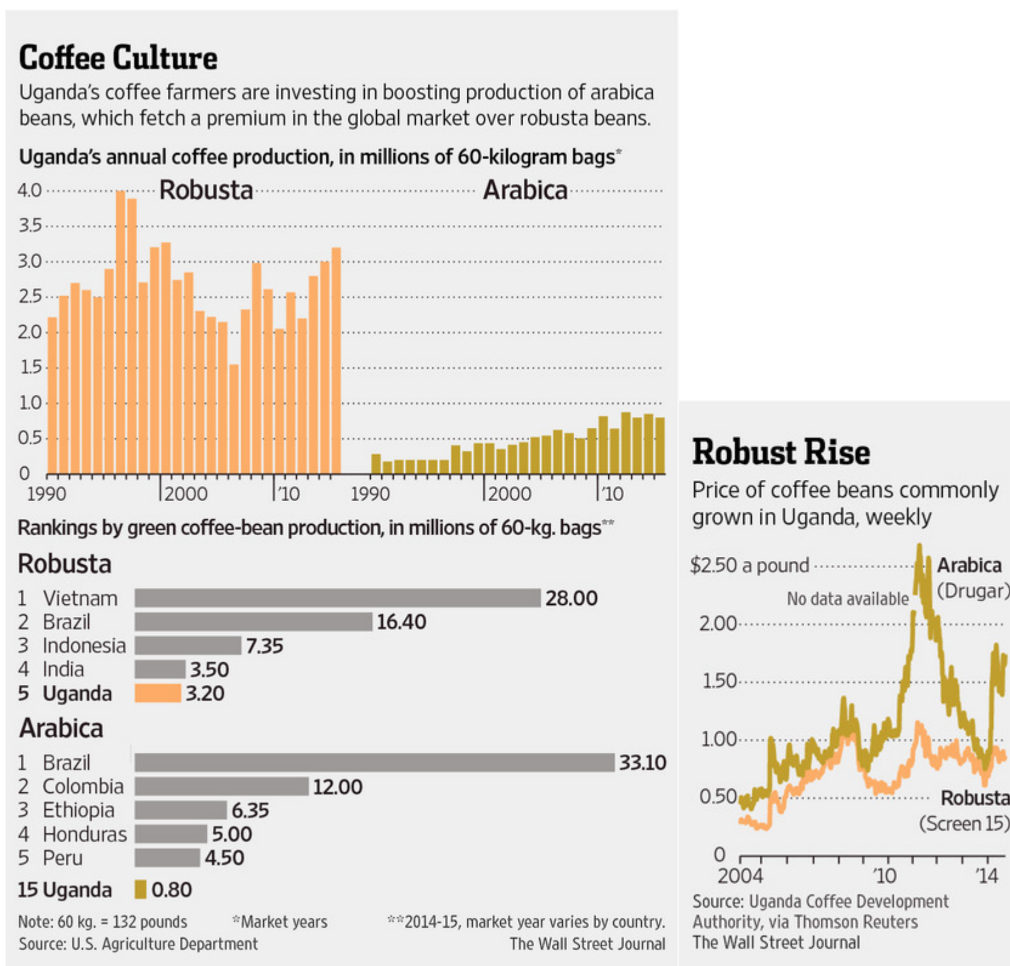
The president of the National Cashew Agency (ANCA) in Guinea Bissau, Henrique Mendes, said the country is the fourth-largest producer of cashew nuts after India, Ivory Coast and Vietnam.
Speaking to Portuguese news agency Lusa, Henrique Mendes also said that annual production of cashews in Guinea Bissau was about 220.000 tons, of which between 60,000 and 70,000 are illegally sold through Senegal whilst the rest is sold through official channels to India.
Mendes noted that Guinea Bissau's cashews are organic, produced in orchards and have no need of pesticides or insecticides, which makes them far more valuable than those that use chemicals in the production process.

He said that the Guinea Bissau's cashews are the best in the world and noted that they were the only cashews in the world that can be harvested, processed and consumed in the same year.
The president of ANCA also noted the "geographical position" of Guinea-Bissau in relation to Europe, which is the world's second-largest buyer of cashews after the United States and noted that it should take advantage of this location to increase the product's international profile. *(Macauhub)*

Coffee Makes Comeback in East Africa as Prices Rise
Resurgence of African Production Could Help Restore Stability to Global Coffee Market

On a gently sloping hill in central Uganda, Stephen Musoke plots the next steps for his 2-acre coffee farm—one of many plantations brought back into production across East Africa after years of neglect as coffee prices have jumped.
This year alone, the price of robusta coffee beans, the cheaper variety used in instant coffees, has increased 17% in London, while the tastier and pricier arabicas have surged by more than 53% on concerns of a global shortfall caused by a historic drought in Brazil, the world's largest grower.
Higher prices since 2010 have triggered a rush back to the coffee fields of East Africa. The Uganda Coffee Development Authority says farmers have renovated thousands of acres of coffee plantations that had been abandoned.
In addition, the state coffee body says, a record 27 million coffee trees have been planted on new, previously uncultivated lands, a nearly 8% increase from the 350 million trees already grown in Uganda, according to UCDA
The story is repeated across Africa's eastern coffee-growing heartland, including Kenya, Rwanda and Tanzania, according to the African Fine Coffee Association, a regional coffee body.
The resurgence of African production could help restore stability to the global coffee market. Africa used to account for about 30% of the world's coffee-bean production, but the industry slumped in the 1970s during a previous price downturn. That left the world increasingly dependent on the fortunes of the crop in Brazil. The new rise in output from a different part of the world should ensure a steadier supply of beans as demand continues to rise.
"African farmers have a chance to seize this opportunity as the global [coffee] deficit continues to widen," says David Muwonge, deputy executive director at Uganda's national coffee-farmers body, known as Nucafe. "But farmers need more supportto access credit and inputs if they are to realize their full potential."
Uganda sells coffee beans mainly to Europe, the U.S. and Asia. The major buyers of the standard coffee beans include companies such as Swiss-based Sucafina SA and Olam International Ltd, while specialty beans go to companies such as Starbucks Corpand Nestlé SA .At least two million Ugandans grow coffee, mostly on small farms.
Mr. Musoke inherited his land in the Mityana district in central Uganda from his father some 15 years ago. The years of low coffee prices drove him out of the business: He decided to leave his farm in 2007 and make a 30-mile journey to the capital city, Kampala, to take a job at a local fruit store. He left the farm under the watch of his relatives, who would once in a while pick the coffee cherries during harvest periods, but yields were poor.
As coffee prices recovered, Mr. Musoke decided to return in 2012. He found the plantation was nearly consumed by weeds and wild bushes, which were competing against the coffee trees for nutrients in soil that was already struggling. He then endured back-to-back poor harvests due to the poor quality of the soil, and global coffee prices slumped again.
But he pressed on. He took out a small loan in 2013 to buy fertilizer, and noticed an immediate difference. The 40-year-old farmer, who once struggled to pay school fees for his four children, earned more from his main harvest this season than he would normally make in two seasons, as yields have improved and prices rose once again.
"The prices have given farmers a pleasant surprise. It's very exciting," Mr. Musoke says with a broad smile.
The coffee beans are just starting to take shape on his trees and, like other farmers in central Uganda, he is optimistic about the next harvest in October.
Coffee output from East Africa is poised to rise about 18% to hit 14.5 million bags during the 2013-14 season and could rise around 15% more next season, aided by acreage expansions and improved crop-husbandry methods, according to the African Fine Coffee Association.
Emanuel Mukasa runs a 1-acre farm in Mpigi, about 30 kilometers (19 miles) west of Kampala. At one stage, as prices remained stubbornly low, Mr. Mukasa considered uprooting all of his coffee trees and switching to crops with a faster turnaround, such as cereals and grains. Now, he says, he plans to double the size of his plantation next season, provided prices remain "good."
But his voice still betrays some doubts. "Coffee prices are very unpredictable," Mr. Mukasa says.
After years of trading below $1 a pound, prices of some varieties of arabica beans began to rise in 2010, and soared well over $2.50 a pound by 2012 as bad weather hit crops in Central America and Asia. They then fell back, to under $1. Now, global prices are back up to $2 a pound on concerns about tight supplies from the Brazilian drought.
But a bumper crop next year in Brazil, or another major coffee producer such as Vietnam, could again push prices lower. It is hard to make the long-term investments needed for coffee trees, which usually take between three and five years to start producing beans.
"Rushing to plant a long-term crop because of misfortunes in another area can be counterproductive," said Andy Kristian Agaba, chief executive of Hiinga Microfinance, a Leola, Pa.-based microfinance firm that provides small loans of roughly $200 to farmers in Africa. "Commodity prices are so volatile that farmers need to diversify and minimize or cover for their risks."

In a bid to ensure they get as high a return as possible, coffee farmers around the world have moved toward developing specialty coffee beans, with stronger or more unique flavors, that can get higher premiums than the low-value coffee berries.



Latin American countries such as Colombia, Ecuador, Guatemala and Mexico have dominated the specialty-coffee markets, accounting for more than 50% of market share.

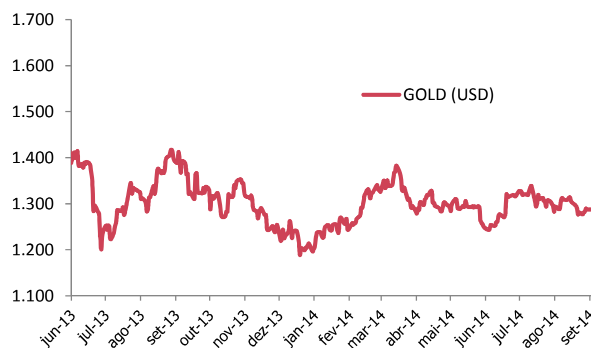
But African producers aren't sitting back. Over the past five years, East African producers, with assistance from buyers such as Starbucks, ED&F Man Holdings Ltd. and Nestlé, have worked hard to improve quality through better farming methods and the introduction of new high-yielding coffee varieties. East Africa's share of the world's specialty-coffee market now stands at 15%, up from 7% in 2012, according to Ecobank, a Pan-African bank.

Back on his plantation in Mityana, Mr. Musoke is upbeat. Harvests have been improving, and he thinks higher coffee-bean yields can offset a minor drop in prices. If the situation were to become unbearable again, he might consider growing other crops. But he thinks he is sticking to his newly recovered farm. "This plantation holds my future, and from the way things are moving, I don't think I will abandon it again," he says. *(Wall Street Journal)*

MARKET INDICATORS
01-09-2014

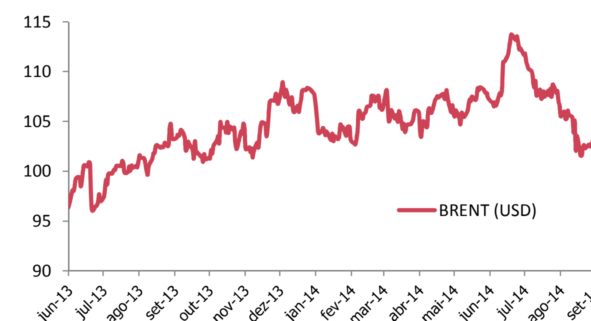
STOCK EXCHANGES		
Index Name (Country)	**01-09-2014**	**YTD % Change**
Botswana Gaborone Domestic Index (Botswana)	9.441,08	25,71%
Bourse Régionale des Valeurs Mobilières (Ivory Coast)	246,68	48,09%
Case 30 Index (Egypt)	9.452,04	73,04%
FTSE NSE Kenya 15 Index (Kenya)	207,75	65,21%
Morocco Casablanca Stock Exchange CFG 25 (Morocco)	19.764,45	3,25%
Nigerian Stock Exchange All Share Index (Nigeria)	41.551,74	47,98%
FTSE/JSE Africa All Shares Index (South Africa)	51.075,77	30,13%
Tunindex (Tunisia)	4.680,13	2,19%

Source: Bloomberg and Eaglestone Securities



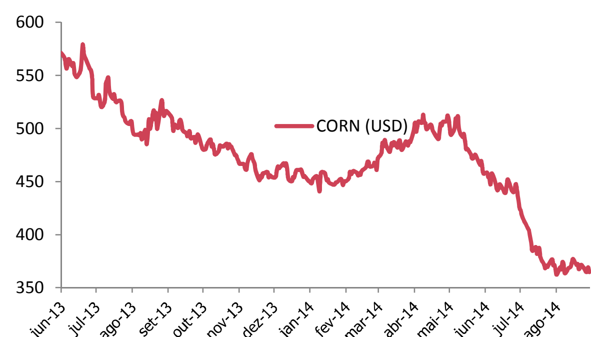
METALS		
	Spot	**YTD % Change**
Gold	1.287	-23,16%
Silver	19	-35,84%
Platinum	1.423	-7,62%
Copper $/mt	6.982	-11,97%

Source: Bloomberg and Eaglestone Securities



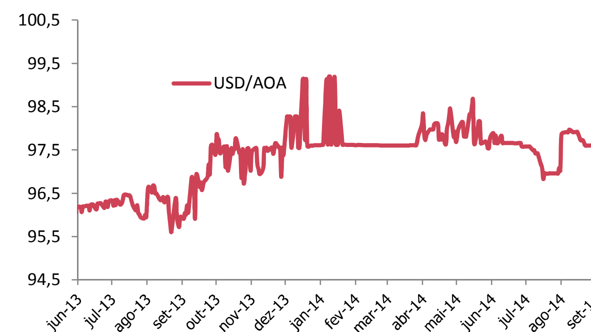
ENERGY		
	Spot	**YTD % Change**
NYMEX WTI Crude (USD/barril)	95,7	2,73%
ICE Brent (USD/barril)	103,1	-5,00%
ICE Gasoil (USD/cents per tonne)	870,3	-4,97%

Source: Bloomberg and Eaglestone Securities



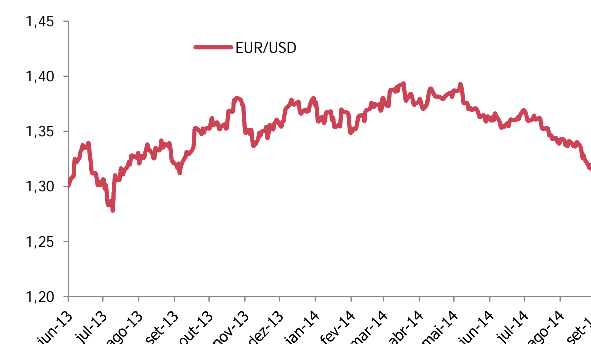
AGRICULTURE		
	Spot	**YTD % Change**
Corn cents/bu.	364,8	-47,91%
Wheat cents/bu.	563,5	-28,47%
Coffee (KC) c/lb	201,2	37,15%
Sugar#11 c/lb	15,5	-21,53%
Cocoa $/mt	3229,0	43,26%
Cotton cents/lb	66,6	-12,25%
Soybeans c/bsh	1024,3	-26,80%

Source: Bloomberg and Eaglestone Securities



CURRENCIES	
	Spot
KWANZAS	
USD	97,610
EUR	128,233
GBP	162,180
ZAR	9,151
BRL	43,624
NEW MOZAMBIQUE METICAL	
USD	30,550
EUR	40,266
GBP	50,925
ZAR	2,873
SOUTH AFRICAN RAND SPOT	
USD	10,661
EUR	14,006
GBP	17,714
BRL	4,767
EUROZONE	
USD	1,31
GBP	0,79
CHF	1,21
JPY	137,03
GBP / USD	1,66

Source: Bloomberg and Eaglestone Securities



UPCOMING EVENTS

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

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

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.

This document has been prepared by Eaglestone Advisory Limited which is authorised and regulated by the Financial Conduct Authority of the United Kingdom and its affiliates ("Eaglestone"), and is provided for information purposes only.

The information and opinions in this document are published for the assistance of the recipients, are for information purposes only, and have been compiled by Eaglestone in good faith using sources of public information considered reliable. Although all reasonable care has been taken to ensure that the information contained herein is not untrue or misleading we make no representation regarding its accuracy or completeness, it should not be relied upon as authoritative or definitive, and should not be taken into account in the exercise of judgments by any recipient. Accordingly, with the exception of information about Eaglestone, Eaglestone makes no representation as to the accuracy or completeness of such information.

This document does not have regard to specific investment objectives, financial situation and the particular needs of any specific recipient. Recipients should seek financial advice regarding the appropriateness of investment strategies discussed or recommended in this document and should understand that the statements regarding future prospects may not be realised. Unless otherwise stated, all views (including estimates, forecasts, assumptions or perspectives) herein contained are solely expression Eaglestone's research department.

This document must not be considered as an offer to sell or a solicitation to buy any investment instrument and distribution of this document does not oblige Eaglestone to enter into any transaction. Nothing in this document constitutes investment, legal, tax or accounting advice. The opinions expressed herein reflect Eaglestone's point of view as of the date of its publication and may be subject to change without prior notice

This document is intended for is made to and directed at (i) existing clients of Eaglestone and/or (ii) persons who would be classified as a professional client or eligible counterparty under the FCA Handbook of Rules and Guidance if taken on as clients by Eaglestone and/or (iii) persons who would come within Article 19 (investment professionals) or Article 49 (high net worth companies, trusts and associations) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2001 and/or (iv) persons to whom this communication could otherwise be lawfully made in the United Kingdom or by respective home jurisdictions regulators for non UK countries. None of the investments or investment services mentioned or described herein are available to "private customers" as defined by the rules of the Financial Conduct Authority ("FCA"). It should not be disclosed to retail clients (or equivalent) and should not be distributed to others or replicated without the consent of Eaglestone. Eaglestone name and the eagle logo are registered trademarks.

Additional information is available upon request.

LONDON-28 Dover Street- T: +44 20 7038 6200

LUANDA-Rua Marechal Bros Tito n° 35/37 - 9th Floor B- Kinaxixi, Ingombotas-T: +244 222 441 362

LISBON-Av. da Liberdade , 131, 6th Floor- T: +351 21 121 44 00

CAPE TOWN-22 Kildare Road Newlands 7700- T: +27 21 674 0304

MAPUTO-Rua dos Desportistas Edificio JAT 5, 4th Floor -T: +258 82 055 17 04

AMSTERDAM-Herengracht 450-454 1017 CA - T: +31 20 240 31 60

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.

EAGLESTONE SECURITIES

Business Intelligence
Caroline Fernandes Ferreira
(+351) 211 214 430
caroline.ferreira@eaglestone.eu

Research
Tiago Bossa Dionísio
(+351) 211 214 431
tiago.dionisio@eaglestone.eu

Guido Varatojo dos Santos
(+351) 211 214 468
guido.santos@eaglestone.eu