INSIDE AFRICA

27 April 2015

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EAGLESTONE SECURITIES

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In-depth:
Africa: End of the Commodity Super-Cycle Weighs on Growth

Sub-Saharan Africa's growth will slow in 2015 to 4.0 % from 4.5 % in 2014, according to World Bank projections released.

This downturn largely reflects the fall in the prices of oil and other commodities, notes Africa's Pulse, a twice-yearly World Bank Group analysis of the issues shaping Africa's economic prospects released at the start of the World Bank Group's 2015 Spring Meetings, which will draw the world's finance and development ministers to Washington, DC, for talks on the state of the global economy and international development.

The 2015 forecast is below the 4.4 % average annual growth rate of the past two decades, and well short of Africa's peak growth rates of 6.4 % in 2002-08. Excluding South Africa, the average growth for the rest of Sub-Saharan Africa is forecast to be around 4.7 %.

"Despite strong headwinds and new challenges, Sub-Saharan Africa is still experiencing growth. And with challenges come opportunities," says Makhtar Diop, World Bank Vice President for Africa. "The end of the commodity super-cycle has provided a window of opportunity to push ahead with the next wave of structural reforms and make Africa's growth more effective at reducing poverty."

African exports still dominated by primary commodities

Sub-Saharan Africa is a net exporter of primary commodities. Oil is the most important commodity traded in the region, followed by gold and natural gas. Over ninety % of the total exports of eight major oil-exporting countries come from the three biggest exports of each country, which represent nearly 30 % of their GDP. But the recent price declines are not confined to oil, and Africa's Pulse reveals that the prices of other commodities are now more closely correlated both with oil prices and with one-another. As a result, terms of trade are declining widely among most countries in the region. The 36 African countries with expected terms-of-trade deterioration are home to 80 % of the population and 70 % of the economic activity in the region.

That said, the continent's huge economic diversity is also mirrored in the impact of commodity price declines – even among oil producers. In Nigeria, for example, although the economy will suffer this year, growth is expected to rebound in 2016 and beyond, driven by a relatively diversified economy, and a buoyant services sector. Low oil prices will continue to weigh down on prospects of less diversified oil exporters such as Angola and Equatorial Guinea. In several oil-importing countries, such as Cote d'Ivoire, Kenya and Senegal, growth is expected to remain strong. In Ghana, still high inflation and fiscal consolidation will weigh on growth. In South Africa, growth continues to be curtailed by problems in the electricity sector.

Foreign direct investment inflows were subdued in 2014, reflecting slower growth in emerging markets and declining commodity prices. African countries continue to tap international bond markets to finance infrastructure projects: Cote d'Ivoire returned to the market this February; and Ethiopia had a debut issue in December 2014. Although debt burdens remain generally manageable, debt-to-GDP ratios for countries with increased bond market access have picked up in recent years. Uncertainty about future global monetary conditions are an additional reason for caution.

"As previously forecast, external tailwinds have turned to headwinds for Africa's development. It is in these challenging times that the region can and must show that it has come of age, and can sustain economic and social progress on its own strength. For starters, recent gains for the poorest Africans must be protected in those countries where fiscal and exchange rate adjustments are needed." says Francisco Ferreira, the World Bank's Chief Economist for Africa.

New and Old Risks to Africa's Economic Future

Persistent conflict in a number of areas, and recent violence by extremist groups such as Boko Haram and Al Shabaab pose security risks with the potential to undermine development gains. Also, the Ebola outbreak in Guinea, Liberia, and Sierra Leone has highlighted preexisting weaknesses in the health systems of the three most affected countries, as well as others.

Although substantial progress has been made against the Ebola epidemic, it remains premature to declare victory until there are zero cases left. A World Bank study released in January estimated that the three hardest-hit countries (Guinea, Liberia and Sierra Leone) will face at least $1.6 billion in forgone economic growth in 2015, and social costs in terms of nutrition, health and education are equally severe. The Bank Group has mobilized about $1 billion in financing to date for the three countries hardest hit by Ebola.

Policy Challenges Remain

The fiscal policy stance is expected to remain tight throughout 2015 in most net oil-exporting countries across the region, as countries take measures to rein in spending in light of anticipated lower revenues. While capital expenditures are expected to bear the brunt of expenditure measures, recurrent expenditures, including fuel subsidies, will also be reduced. Despite these adjustments, fiscal deficits are likely to remain high. Fiscal deficits are also expected to remain elevated in net oil-importing countries.

"Large fiscal deficits and inefficient government spending remain sources of vulnerability for many countries of the region. It is urgent that these countries strengthen their fiscal positions and fortify their resilience against external shocks," saysPunam Chuhan-Pole, a World Bank Lead Economist for Africa and co-author of Africa's Pulse.

Beyond macroeconomic policies, the report stresses the need across the region for structural reforms to ignite and sustain productivity growth in all sectors, and to foster a job-creating, inclusive process of structural transformation. Boosting fundamentals such as lower transport costs, cheaper and more reliable power, and a more educated and skilled labor force will benefit all sectors.

In fiscal year 2015, the World Bank delivered $15.7 billion in new lending for over 160 projects across Africa. They include a new record of $10.2 billion in zero-interest credits and grants from the International Development Association (IDA), the World Bank's fund for the poorest countries, representing the highest level of IDA delivery by any region in the World Bank's history. *(World Bank)*

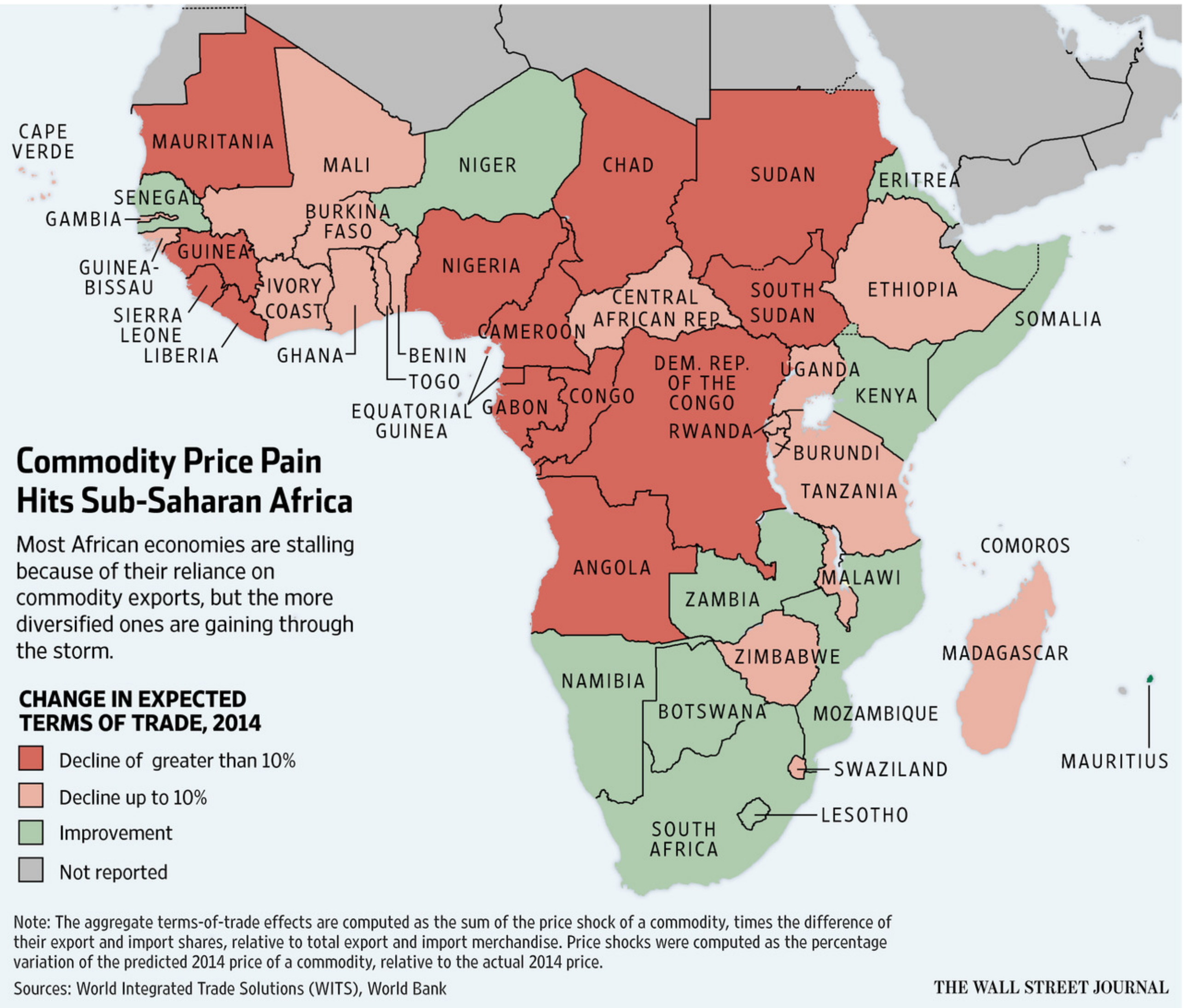
Sub-Saharan Africa's Economic Growth Rate to Stall in 2015

World Bank expects the region's annual growth to be worst in two decades

Plunging oil prices, sluggish growth in the developed world and a slowdown in China's pace of industrialization will bring down sub-Saharan Africa's growth rate this year to its lowest in two decades, the World Bank said.

Economic output is expected to grow by 4% across the region in 2015, the World Bank said in its biannual economy report "Africa Pulse," significantly below the historic average of 4.4%. While that is still well above the global economy average, seen by the World Bank at 2.9% for 2015, the decline highlights how vulnerable the world's second-fastest growing region is, both from trouble at home and abroad.

Growth will pick up in sub-Saharan Africa in 2016 to reach 4.5%, but only "gradually," the report said. And risks are on the downside.



"On the domestic front, a new generation of violent conflict poses security risks with the potential to undermine development gains; and the Ebola epidemic serves to highlight the pre-existing weaknesses in the health systems of much of the continent and the potential for systemic risks from communicable diseases," the report said. It added that "on the external front, a sharper-than-expected slowdown in China, a further decline in oil prices, and a sudden deterioration in global liquidity conditions are the main risks."

Some African nations are feeling the pain a lot more. The report singles out Angola and the Republic of Congo as economies that are so reliant on oil exports they have nowhere to seek refuge in this phase of low global oil prices. Sub-Saharan Africa as a whole is a net exporter of oil and other commodities. The double-whammy of falling fuel prices and the end of the so-called “commodity super-cycle”--a period that started in 2000 marked by extraordinary demand for commodities fueled by China’s rapid expansion—are hitting the region.

Still, economies that are better-diversified and especially net oil importers, may even gain from this rut, most notably East Africa’s economic powerhouse, Kenya, and West Africa’s Senegal, the report said.

The immediate pressure to take action to stem the losses from the oil-price plunge has fallen on central banks—for example, in Nigeria and Angola central banks had to hike rates and take extraordinary actions to control their free-falling currencies.

But in the medium-term, the slowdown underlines the need for policy makers to push ahead with tough structural reforms that will diversify economies away from commodities and oil, and improve their ability to respond with flexibility to deteriorating conditions in the developed world, which largely consumes African exports. *(Wall Street Journal)*

West African Economic and Monetary Union-Common Policies of Member Countries-Staff Report; Press Release; and Statement by the Executive Director

Context: The region continued to experience strong growth in 2014, led by the continued economic expansion in Cote d’Ivoire. The outlook is for further strong growth, subject to a range of downward risks, in particular political instability ahead of upcoming elections in several countries, and security issues in Mali and Niger. With an elevated fiscal deficit exerting pressure on the balance of payments and the regional financial market, delays in fiscal consolidation or structural reforms pose the main medium-term risks.

Policy recommendations:

• Fiscal consolidation. Safeguarding external stability in the region will require governments to adhere to their budget deficit reduction plans while maintaining public investment efforts, which will require increasing tax revenue and controlling current expenditure.

• Monetary policy. Macroeconomic conditions do not warrant a tightening of monetary policy at this juncture. However, if fiscal deficits do not decline as envisaged, the BCEAO should consider increasing its policy rates. In the mean time, the BCEAO should very closely follow the evolution of the macro-prudential risks flowing from its sharp increase in commercial bank refinancing.

• Financial stability. The WAEMU authorities should enforce existing prudential rules and raise standards to international best practice. Ongoing reforms go in the right direction but need to be accelerated.

• Structural transformation and regional integration. Policies to promote structural transformation should focus on addressing weaknesses, such as the lack of education and training, finance, and supportive regulatory environments. Countries should refrain from using the possibility to deviate from the common external tariff of the Economic Community of West African States (ECOWAS) in force since January 1, 2015, in order to protect the gains from regional integration in WAEMU. *(IMF)*

Angola economy: Sovereign wealth fund sets up new investment vehicles

Angola's sovereign wealth fund, the Fundo Soberano de Angola (FSDEA), has announced the launch of five new investment vehicles to focus on mining, timber, agriculture, healthcare and entrepreneurship.

The funds, which involve a total investment of US$1.4bn, are in addition to the FSDEA's US$1.1bn Infrastructure Fund, targeting public-private partnerships and large industrial developments, and its US$500m Hotel Fund for Africa, which were announced in late 2014. The US$1.4bn will be invested in venture capital projects in Angola and other Sub-Saharan states over the next three to five years. However, although the FSDEA has pin-pointed key sectors, no details have yet been announced about specific projects that are likely to receive money, and information on the fund's website remains limited.

Launched to great fanfare in 2012, shortly after Angola's most recent general election, the FSDEA-with starting assets of US$5bn-had a slow start, but now seems to be fully operational and is attracting plenty of market interest. Nonetheless, there are continued questions about whether investing domestically and regionally in these sorts of infrastructure and healthcare projects is really the core mandate of a sovereign wealth fund, when higher yields may be available further afield. The FSDEA insists that it is fulfilling a key role in local and regional development, and misses no opportunity to insist on its commitment to transparency. However, despite its active engagement with international media, and despite its positive rating in the Linaburg-Maduell Transparency Index, the fund's reputation remains clouded by the fact that it is chaired by José Filomeno dos Santos, the eldest son of the Angolan president. *(Economist Intelligence Unit)*

SOVEREIGN RATINGS

Eurozone

27-04-2015	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Austria	Aaa	AA+	AA+	P-1	A-1+	F1+
Belgium	Aa3	AAu	AA	NR	A-1+u	F1+
Cyprus	B3	B+	B-	NP	B	B
Estonia	A1	AA-	A+	NR	A-1+	F1
Finland	Aaa	AA+	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-	CCC+	CCC	NP	C	C
Ireland	Baa1	A	A-	P-2	A-1	F1
Italy	Baa2	BBB- u	BBB+	P-2	A-3u	F2
Latvia	A3	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	Baa3	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

27-04-2015	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	A1	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	Caa3	CCC	CCC	NR	C	C
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		
27-04-2015	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Angola	Ba2	B+	BB-	NR	B	B
Bahrain	Baa3	BBB-	BBB	NR	A-3	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	B3	B-	B	NR	B	B
Emirate of Abu Dhabi	Aa2	AA	AA	NR	A-1+	F1+
Ethiopia	B1	B	B	NR	B	B
Gabon	Ba3	B+	BB-	NR	B	B
Ghana	B3	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	B2	B-	B	NP	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	B+	BB-	NR	B	B
Oman	A1	A-	NR	NR	A-2	NR
Qatar	Aa2	AA	AA	NR	A-1+	F1+
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	Baa2	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 designations ('BB', 'B', 'CCC', etc.) are considered low credit quality, and are commonly referred to as "junk bonds".

IMF, WORLD BANK & AFRICAN DEVELOPMENT BANK

Africa Rising: Economic growth and development successes continue

While the International Monetary Fund and World Bank announced that economic growth in Sub-Saharan Africa remains strong, the agencies predicted a second successive year of slowed growth for 2015. But that news does not change African Development Bank Group (AfDB) President Donald Kaberuka's bullish view of the continent. If fact, he maintains Africa is still rising. “We are now in a place where it is possible to combine sound policies and private sector investment to provide a sweet spot for everyone,” Kaberuka told an audience packed inside the lecture hall at the Brookings Institute.

Kaberuka's keynote speech centered on priorities for economic development in all African countries and he outlined how he positioned the AfDB is to help. He said he set the Bank's focus on breaking down barriers to doing business in Africa, namely fighting infrastructure challenges. “We felt it was the biggest factor in the cost of doing business,” he said. He added as an example, “every single African country has energy at the top of the agenda.”

Because of the size, diversity and depth of the continent, Kaberuka said another Bank priority is creating a single market. “Whether it is power integration, highways, shared services, harmonization of policies, or the free movement of people, we determined that for a continent as diverse as Africa, 54 countries, this is absolutely fundamental," he said. Vice-President and Director of the Brookings Global Economy and Development Program Kemal Derviş provided introductory remarks before Kaberuka delivered his address. Brookings Africa Growth Initiative Director and Senior Fellow Amadou Sy moderated the discussion, which included an opportunity for questions.

When asked about what can be done on the continent to respond to a crisis like Ebola, Kaberuka said the Bank is acting in two major ways. First, AfDB is helping to strengthening primary health care in Africa and, second, supporting the creation of an epidemiological centre of excellence on the continent. But, Kaberuka cautioned, there is a third area for improvement and that is the readiness of the global community to beat back the next epidemic. "Ebola was a reflection of a weak healthcare system and a failure of the international system to handle a big epidemic," Kaberuka said. "It was a disaster."

Kaberuka is completing his second term as President of the African Development Bank. During his tenure the Bank has become Africa's premier financial institution, doubling bank loans and grants in the wake of the 2008 global financial crisis. Today, a large portion of the Bank's portfolio is spent on infrastructure.

The Bank's essential role is to help improve all sectors of African life and business and Kaberuka told his audience that while "money is important, money does not determine the outcome of development." He said "what makes return on investment meaningful is the quality of policies." Kaberuka is in Washington, DC for the Annual World Bank/International Monetary Fund Spring meetings, which conclude on April 19

Accelerating the implementation of PIDA through private sector participation: Launch of the Continental Business Network

The African Development Bank (AfDB) and the Infrastructure Consortium for Africa (ICA) participated at the Validation Meeting for the Programme for Infrastructure Development in Africa (PIDA) Acceleration Strategy Action Plan (PAS) and the preparatory meeting for the launching of the Continental Business Network (CBN) held in Victoria Falls, Zimbabwe, from April 9 to 10, 2015. The Bank's delegation was led by Mohammed Hassan, Coordinator for the ICA for Africa, and comprised Shem Simuyemba, Chief Infrastructure Economist, and Mtchera Chirwa, Chief Infrastructure & PPP Specialist, from the NEPAD, Regional Integration and Trade Department.

The PAS aims to fast-track the implementation of a number of the priority PIDA projects, specifically, the 16 projects agreed at the Dakar Financing Summit (DFS) held in Dakar, Senegal, in June 2013 which constitute projects ready for acceleration. These include the Sambangalou hydro-power project in West Africa; the Batoka Gorge hydro-power project in Zimbabwe; the Serenje-Nakonde road in Zambia, which is part of the North-South Corridor; and the Dar-es-Salaam Port expansion project in East Africa, among others.

The objective of the meeting was therefore to discuss the proposed Action Plan for implementing the PAS. The meeting considered progress, next steps and areas of NEPAD and other partners' intervention required to move these projects forward to preparation and financing. The Bank's head of delegation delivered a statement of support and commitment to the PIDA projects and acceleration processes on behalf of the Vice-President of Operations, Infrastructure, Private Sector and Regional Integration, Solomon Asamoah.

The CBN is intended to be a high-level advocacy and investment platform for increased private sector participation in PIDA financing/investment and implementation, and more generally as a forum for addressing challenges and opportunities relating to the development of Africa's infrastructure. The meeting discussed the rationale and possible set up and operational modalities for the CBN which is set to be launched on June 1, 2015 at the World Economic Forum Africa Summit in Cape Town, South Africa. The Bank is expected to be a key member of the CBN and has continued to play a critical role in the implementation of PIDA, Africa's highest priority infrastructure programme intended to interconnect the continent through priority transformational infrastructure projects in energy, transport, ICT and trans-boundary water.

Speaking at the meeting, Ibrahim Assane Mayaki, the Chief Executive Officer of the NEPAD Agency, commended partners including the Bank for supporting the PIDA process and observed that, "The partnership in the delivery of PIDA must extend from the public to the private sector by involving Africa's business leaders to engage in results-driven dialogue with political leaders and policy-makers so as to create a conducive environment for private sector participation in infrastructure financing in Africa."

AfDB commits US $140 million to Egypt's Sharm El-Sheikh Airport Expansion Project

The Board of Directors of the African Development Bank Group approved a US $140-million loan to Egypt's Sharm El-Sheikh Development Project on April 15, 2015 in Abidjan, Côte d'Ivoire.

The Board also approved a US $1.90-million Middle Income Countries Technical Assistance Fund Grant to finance the project, which includes construction of a new terminal, runway and control tower within the confines of the Sharm El-Sheikh airport.

The project, to be implemented within 44 months, is expected to provide an additional capacity for 10 million passengers per year. This will bring the airport's total passenger capacity to 18 million annually, and operations capacity to 68 operations per hour.

Egypt's economy, Egyptian Airports Company (EAC), private sector enterprises in the tourism, and aviation and services industries are expected to benefit directly from the project. Others beneficiaries are travellers using the airport, airline operators, and Egypt's labour force.

Sharm El-Sheikh airport has been Egypt's fastest-growing facility and is Africa's third-busiest airport, with an average of 10% annual growth rate in traffic over the past decade (excluding year of revolution). The total number of passengers using the airport reached 8.2 million in 2010, which is above its design capacity.

Over the years, the Government of Egypt's development plans have focused on transport infrastructure and the establishment of well-developed transport links and systems as a means to accelerate economic growth. This is in light of the country's large geographical area, and its reliance on economic sectors such as tourism, agriculture, industry and services. All this is aligned with the country's Vision 2022, and its five-year macro-economic policy framework (2014/2015 to 2018/2019). At a recent Economic Development Conference in Sharm El-Sheikh in March, the government launched the Strategic Development Strategy (SDS) entitled Egypt's Vision 2030. The document cites tourism as a key strategic sector for investment, and one that promotes growth of medium-term investment and large scale infrastructure.

In March, a high-level Egyptian delegation led by Prime Minister Ibrahim Mahlab visited the Bank's Executive Directors and management in Abidjan, and sought the Bank's support to the government's ongoing economic reforms. It also asked the Bank to boost its ambitious development and investment programme. The Bank's contribution to the project represents 21% of the total estimated cost of US $671 million. The project is co-financed with the Islamic Development Bank and the Government of Egypt.

AfDB Chief Economist Complex examines Housing Market Dynamics in Africa

On April 8-9, the Chief Economist Complex of the African Development Bank organized a Bank-wide seminar on the Housing Market Dynamics in Africa at the Bank's headquarters in Abidjan. The objective of this seminar was to share preliminary findings of the forthcoming study on the continent's housing market dynamics. Day one of the seminar was co-chaired by Charles Boamah, Finance Vice-President, and Steve Kayizzi-Mugerwa, Acting Chief Economist and Vice-President, while Alex Rugamba, Director of Energy, Environment and Climate Change, chaired the second day session on behalf of the Vice-President for Infrastructure, Private and Regional Integration, Solomon Asamoah.

With an urbanization rate of 3.4%, African cities are experiencing the fastest urban growth rate globally. The continent's rapid urbanization and growing population has sharply increased the demand for affordable housing across the continent. However, this increasing demand has not been met by a proportionate increase in supply, resulting in widespread shortages of affordable housing units in Africa and the proliferation of informal settlements across the continent. The related consequences and challenges are enormous not only in economic and financial terms, but also in terms of human development and social dimensions. The Bank's Research Department investigated the key issues and produced a comprehensive analysis of housing market dynamics on the continent. The housing market dynamics seminar was organized to share some of the preliminary findings of this initiative, with a full report to be released in September.

The first day of the seminar focused on housing finance and land and infrastructure issues. During that session, Boamah underscored the importance of housing finance as well as the political economy of housing including governance-related issues. For his part, Steve Kayizzi-Mugerwa, emphasized the importance of finding credit enhancement schemes in enhancing the flow of private capital into low-income housing. He also highlighted the need to better plan housing-related infrastructure, including drainage systems and how to avoid retrofitting.

Housing affordability – particularly for poor and lower middle-income families, including those with irregular incomes in the informal sector – remains a key challenge to the continent's housing finance market, according to Issa Faye, Manager of the Bank's Research Department. He cited Morocco's guarantee scheme, Fonds de garantie pour populations à revenus modestes et non réguliers (FOGARIM), India's GRUH Finance and Colombia's Fondo Nacional de Garantías as successful business models, which demonstrate that lending to informal sector workers may be feasible.

Land supply for affordable housing also emerged as a key constraint inhibiting the supply of affordable housing. It was noted that only about 10% of land in Sub-Saharan Africa is formally registered to individuals as private property.

Zekebweliwai Geh from the Bank's Research Department argued that the unsecured land tenure and weak property rights in many African countries inhibit the active participation of the private sector in the provision of low-income housing. It was also recommended that stakeholders should do more to reduce the unequal access to land for women.

During the second day, construction and slum upgrading issues were discussed. As per housing construction solutions, Alex Rugamba highlighted the importance of considering regional approaches in order to provide housing construction materials at scale. He also stressed the need to ensure that the link is made with the Bank's Ten Year Strategy and other core strategic priorities of the Bank.

El-Hadj Bah from the Research Department noted the rising costs of labour and material for construction as a key challenge. In Kenya, for example, direct building costs account for an estimated 60% of the total construction costs for formal housing. Regional approaches in terms of industrialization, standardization and financing were recommended as possible solutions in order to leverage economies of scale.

Given that over 200 million Africans live in informal settlements, slum upgrading and affordable housing development must be part of a broader sustainable urban development framework. Rental housing, public-private partnerships, as well as site and service schemes offers an affordable means of housing for low-income families.
The supply of affordable housing in Africa has the potential to contribute to inclusive growth, create thousands of jobs, develop the construction industry, and improve the living conditions of the majority of Africans.
Some proposed measures to narrow the housing deficit included: supporting credit enhancement schemes for both formal and informal sector workers, as well as the diaspora; strengthening the legal framework and governance issues around land; and providing equity to developers and technical assistance programs to build capacity across the housing delivery value chain, including at local government level.

AfDB approves a US $40 million Risk Participation Agreement with Banco Santander S.A. (Spain) to support Trade Finance in Africa
The Board of Directors of the African Development Bank (AfDB) approved on Wednesday, April 22, 2015 an unfunded US $40 million Risk Participation Agreement (RPA) with Banco Santander S.A. (Santander) to support issuing banks in Africa expand their trade finance operations. The facility will help address critical market demand for trade finance in Africa by providing support for trade in vital economic sectors such as agriculture and manufacturing. It will also foster financial sector development and regional integration, and contribute to government revenue generation.
Most African banks are small and therefore find it difficult to obtain adequate trade finance facilities from international confirming banks to support African importers and exporters. AfDB's additionality lies in the use of its "AAA" rating to give greater comfort to Santander to take more risk on local banks in Africa and provide them increased trade finance facilities. Through this risk sharing facility Santander will match AfDB's undertaking in every transaction, thereby creating a trade finance portfolio of at least US $80 million. The facility is expected to support more than US $480 million of trade in Africa over a 3-year period.
This will be the AfDB's first RPA with a Spanish Bank. Santander is a significant player in the global trade finance market. It has significant presence in many emerging markets and is well positioned to support South-South trade involving Africa. The proposed RPA will therefore enable Santander to increase trade financing in Africa, including post-conflict and transition countries.

Countries and Oil Companies Agree to End Routine Gas Flaring
Endorsements of initiative so far represent more than 40% of global gas flaring
WASHINGTON, D.C., April 17, 2015—Chief executives from major oil companies joined together today with senior government officials from several oil-producing countries to commit, for the first time, to ending the practice of routine gas flaring at oil production sites by 2030 at the latest.
The "Zero Routine Flaring by 2030" initiative—already endorsed by nine countries, ten oil companies and six development institutions—was launched today by United Nations Secretary-General Ban Ki-moon and World Bank Group President Jim Yong Kim. They were joined by Royal Dutch Shell Chairman Jorma Ollila; Statoil CEO Eldar Sætre; Norwegian Foreign Minister Børge Brende; Gabonese Minister of Petroleum Etienne Dieudonne Ngoubou; and several other senior government and corporate officials, and representatives of international development banks. The endorsers collectively represent more than 40 % of global gas flaring.
Every year, around 140 billion cubic meters of natural gas produced together with oil is wastefully burned or "flared" at thousands of oil fields around the world. This results in more than 300 million tons of CO2 being emitted to the atmosphere—equivalent to emissions from approximately 77 million cars. If this amount of associated gas were used for power generation, it could provide more electricity (750bn kWh) than the entire African continent is consuming today. But currently, the gas is flared for a variety of technical, regulatory, and economic reasons, or because its use is not given high priority.
"Gas flaring is a visual reminder that we are wastefully sending CO2 into the atmosphere," said World Bank President Jim Yong Kim. "We can do something about this. Together we can take concrete action to end flaring and to use this valuable natural resource to light the darkness for those without electricity."
By endorsing the initiative, governments, oil companies and development institutions recognize that routine gas flaring is unsustainable from a resource management and environmental perspective and agree to cooperate to eliminate ongoing routine flaring as soon as possible and no later than 2030. They will publicly report their flaring and progress towards the target on an annual basis. Furthermore, routine flaring will not take place in new oil fields developments. Governments will provide an operating environment conducive to investments and to the development of functioning energy markets.
"As we head towards the adoption of a meaningful new international climate agreement in Paris in December, these countries and companies are demonstrating real climate action," said U.N. Secretary-General Ban Ki-moon. "Reducing gas flaring can make a significant contribution towards mitigating climate change. I appeal to all oil-producing countries and companies to join this important initiative."

The World Bank has been active on this issue for 15 years, as a founding member of the Global Gas Flaring Reduction Partnership (GGFR). The Bank works with its partners in GGFR and the United Nations Sustainable Energy for All initiative (SE4All) to increase the use of associated gas by helping remove the technical and regulatory barriers to flaring reduction.

Oil companies and governments that have yet to endorse the initiative are currently undertaking comprehensive reviews of their gas flaring. Many are expected to join the Initiative in the coming months.

The following have endorsed the “Zero Routine Flaring by 2030” initiative (in order of date of endorsement received).

Governments	Companies	Development Institutions
Norway	TOTAL	The World Bank
Cameroon	Statoil	United Nations Sustainable
		Energy for All (SE4All)
Russian Federation	Eni	European Bank for Reconstruction and Development (EBRD)
Kazakhstan	Societé Nationale des Hydrocarbures (SNH – Cameroon)	African Development Bank (AfDB)
Gabon	State Oil Company of the Azerbaijan Republic (SOCAR)	Asian Development Bank (ADB)
Uzbekistan	Petroamazonas EP (Ecuador)	Islamic Development Bank
Republic of Congo	Royal Dutch Shell	
Angola	Societé Nationale des Petroles du Congo (SNPC)	
France	Kuwait Oil Company	
	BG Group	

Zero Routine Flaring by 2030
Initiative

During oil production, associated gas is produced from the reservoir together with the oil. Much of this gas is utilized or conserved because governments and oil companies have made substantial investments to capture it; nevertheless, some of it is flared because of technical, regulatory, or economic constraints. As a result, thousands of gas flares at oil production sites around the globe burn approximately 140 billion cubic meters of natural gas annually, causing more than 300 million tons of CO_2 to be emitted to the atmosphere.

Flaring of gas contributes to climate change and impacts the environment through emission of CO_2, black carbon and other pollutants. It also wastes a valuable energy resource that could be used to advance the sustainable development of producing countries. For example, if this amount of gas were used for power generation, it could provide about 750 billion kWh of electricity, or more than the African continent’s current annual electricity consumption. While associated gas cannot always be used to produce power, it can often be utilized in a number of other productive ways or conserved (re-injected into an underground formation).

This “Zero Routine Flaring by 2030” initiative (the Initiative), introduced by the World Bank, brings together governments, oil companies, and development institutions who recognize the flaring situation described above is unsustainable from a resource management and environmental perspective, and who agree to cooperate to eliminate routine flaring no later than 2030.

The Initiative pertains to routine flaring and not to flaring for safety reasons or non-routine flaring, which nevertheless should be minimized. Routine flaring of gas is flaring during normal oil production operations in the absence of sufficient facilities or amenable geology to re-inject the produced gas, utilize it on-site, or dispatch it to a market. Venting is not an acceptable substitute for flaring.

Governments that endorse the Initiative will provide a legal, regulatory, investment, and operating environment that is conducive to upstream investments and to the development of viable markets for utilization of the gas and the infrastructure necessary to deliver the gas to these markets. This will provide companies the confidence and incentive as a basis for investing in flare elimination solutions. Governments will require, and stipulate in their new prospect offers, that field development plans for new oil fields incorporate sustainable utilization or conservation of the field’s associated gas without routine flaring. Furthermore, governments will make every effort to ensure that routine flaring at existing oil fields ends as soon as possible, and no later than 2030.

Oil companies that endorse the Initiative will develop new oil fields they operate according to plans that incorporate sustainable utilization or conservation of the field’s associated gas without routine flaring. Oil companies with routine flaring at existing oil fields they operate will seek to implement economically viable solutions to eliminate this legacy flaring as soon as possible, and no later than 2030.

Development institutions that endorse the Initiative will facilitate cooperation and implementation, and consider the use of financial instruments and other measures, particularly in their client countries. They will endeavor to do so also in client countries that have not endorsed the Initiative.

Governments and oil companies that endorse the Initiative will publicly report their flaring and progress towards the Initiative on an annual basis. They also agree to the World Bank aggregating and reporting the same.

The parties that endorse the Initiative acknowledge that its success requires all involved – governments and oil companies, with the support of development institutions – to fully cooperate and take the action described herein to eliminate routine flaring no later than 2030.

INVESTMENTS

Angola spends US$5 billion on water supply projects

The government of Angola plans to spend about 500 billion kwanzas (US$5 billion) on various water supply projects related between 2013 and 2017, the Secretary of State for Water said. Luís Filipe da Silva, who was speaking at the 7th World Water Forum (WWF), which takes place in the South Korean city of Daegu and Gyeongju from 12 to 17 April, stressed that the concerns related to water supply are a important part of the government's work on both quality of living and water conservation and its sustainable use. South Korea for the first time is hosting the world's largest meeting on water, which this year is attended by 1,800 politicians, businesspeople and environmental activists. Angola is taking part in the forum with a delegation from the Ministry of Energy and Water headed by the Secretary of State, Luís Filipe da Silva, and including the National Director of Water, Lucrécio Costa and Kiala Pierre, director of the International Exchange Office. *(Macauhub)*

Angolan secretary of state calls for more dynamic model for cooperation with China

Cooperation between Angola and China requires a new pace with the introduction of a more dynamic model "to move from contracts to investment in industrialisation," the Angolan Secretary of State for Cooperation said on her arrival in Luanda.

Ângela Bragança, who travelled to China as part of the delegation led by the Minister of State and Chief of Staff, Edeltrudes Costa, said that Angola had the resources and China had the technological capability to support the development of the country "hence we looked at the need to boost the pace of bilateral cooperation."

The Secretary of State, cited by Angolan news agency Angop, announced a meeting of the Joint Committee next May, in China, in the light of the conclusions of the meeting of the Steering Committee for Economic and Commercial Cooperation between Angola and China, to develop the central aspects of the new cooperation model. "In this new model energy comes first, because of the need to expand the electricity grid, followed by agriculture, from production to the sale and processing of products," she said.

During the meeting of the Steering Committee officials restated the need to consolidate the strategic partnership with China, to meet the targets set in the 2013-2017 Angolan National Development Plan. Bragança said the Angolan development fund was one of the issues discussed during the Commission meeting, held last weekend in Beijing. According to the secretary of state all existing financial capacity was discussed, so that funding for the development of Angola can be carried out, to the extent that China is making, "Angola a priority country in its cooperation with Africa."

In a statement issued in Beijing, the embassy of Angola in China stated that the Minister of State and Chief of Staff of the Presidency of the Republic of Angola called for an increase in China's investment in his country to "consolidate the strategic partnership" between the two countries. "Our strategic partnership gains even greater significance in the current uncertain international economic and financial climate," said the Angolan Minister of State at a meeting with Chinese Vice-Premier Wang Yang. Edeltrudes Costa's meeting with Wang Yang was held in Beijing after the first session of the Steering Committee for Economic and Trade Cooperation between Angola and the People's Republic of China, the Angolan minister also called for the transfer of "China's experience in agriculture, food production and development projects in the social and cultural field and staff training." *(Macauhub)*

Guinea-Bissau experiencing "excellent time" for doing business

Guinea-Bissau going through an "excellent time" for doing business, the vice president of the Business Confederation of the Community of Portuguese Speaking Countries (CE-CPLP) told Macauhub in Bissau. Bramia Camará, who is also president of the Chamber of Commerce, Industry, Agriculture and Services (CCIAS) of Guinea-Bissau, said this was a "crucial time to seize the opportunities that the country offers," when explaining his expectations for the meeting of Business Confederation of the Community of Portuguese Speaking Countries (CPLP), which started in Bissau. The Vice President of the CE-CPLP said the meeting would be attended by businesspeople from Angola, Equatorial Guinea, Mozambique, Portugal, São Tomé and Príncipe and Timor-Leste (East Timor), as well as countries in the region, such as Senegal, Gambia and Mali. The vice president of the Business Confederation of the Community of Portuguese Speaking Countries said Guinea-Bissau's business opportunities included cashew nuts, fruit, fish, bauxite, phosphates and heavy minerals. *(Macauhub)*

Kenyan Billionaire Shah Plans Expansion to Quadruple Sales

Bidco Africa, owned by Kenya's wealthiest man, is targeting a quadrupling in sales by expanding regionally by the end of the decade to make the company a multibillion- dollar business. The edible-oils manufacturer is considering building plants in Mozambique, Madagascar or Ethiopia by the end of the decade to add to existing operations in Kenya, Tanzania, Rwanda and Uganda, Chief Executive Officer Vimal Shah said in an interview on April 21. The company trades in 16 African countries outside Kenya and posted sales of $500 million last year, half of that in its home market, he said. "We want to grow fourfold within the next five years," Shah said at his office in Thika, 41 kilometers (25 miles) northeast of the capital, Nairobi. "We are targeting growth of $1 billion in Kenya alone within that period." Bidco is the biggest producer of edible oils in eastern and central Africa, and is a marketer of goods including animal feeds, hygiene products and detergents, it says on its website. The company is tapping increasing consumer spending on the continent, which is expected to grow 6 % annually to $1 trillion by 2020, London-based Investec Asset Management Ltd. said in a report published in August. Kenya attained lower-middle-income status -- with a per- capita gross national income of at least $1,045 -- and became the fifth-largest economy in sub-Saharan Africa last year after the country's statistics agency revised the method for calculating gross domestic product.

Increased Spending

The revision increased the size of the economy by a quarter. Growth is expected to accelerate to 6 % this year from 5.4 % last year, as it benefits from lower oil prices and increased spending on infrastructure projects, the World Bank said last month. In November 2013, Forbes Africa ranked Shah, 54, as the 18th richest man in Africa and the wealthiest in Kenya with a personal wealth estimated at 138 billion shillings ($1.47 billion). The U.K.-based New Wealth Report last year ranked him as East Africa's richest man with a net worth of about 144 billion shillings. Shah said Bidco has no immediate plans to raise cash and will finance its expansion from existing resources. The company may consider a stock-market listing at a later date, he said. "We are still seeing growth and we do not need to go public, but we could raise money using other options to expand the group's business," he said. In February 2014, Bidco sold $10 million of bonds in Tanzania at a yield of 7 %. "If it's a loan that is required to expand the business, we shall go for it," Shah said. "But we have completely ruled out going public for now." Founded in 1970 as a garment-manufacturing company, Bidco employs more than 2,000 people and its products are marketed to 350 million people across eastern and central Africa, according to the company's website. *(Bloomberg)*

BANKING

Banks

Angola takes on US$500 million loan

The government of Angola will borrow US$500 million from French bank Société Générale following a framework agreement approved by a presidential order of 8 April.

The order, cited by Portuguese news agency Lusa, explains the approval based on "the government's strategy with regard to the diversification of funding sources to cover public investment projects."

Meanwhile, Angola has already secured a 500 million-euro loan from Spain's Banco Bilbao Vizcaya Argentaria (BBVA) and US$250 million each from US bank Goldman Sachs and British fund Gemcorp Capital. In addition, and for the same reasons, in August Angola approved a loan of US$1.5 billion from Russia's VTB Capital PLC.

In addition to this, this month a loan of US$123.7 million was approved by the African Development Bank (AfDB) to finance a water supply and sanitation project in Angola. On 26 February there were reports that South Africa's Rand Merchant Bank (RMB) will finance the project for reconstruction of two Angolan national roads (EN 180 and 225) with a loan of US$216 million. The "hole" in Angola's public accounts due to the sharp drop in oil revenues, is now estimated at 806.500 billion kwanza (US$7.4 billion), forcing new borrowing at a time when negotiations are also underway with the World Bank for another US$500 million loan. *(Macauhub)*

Angola Negotiates $500 Million Societe Generale Line of Credit

Angola, sub-Saharan Africa's third-largest economy, is negotiating a $500 million line of credit with Paris-based Societe Generale SA as it struggles to cope with plunging oil revenue.

President Jose Eduardo dos Santos issued a decree April 8 approving a framework agreement for the Finance Ministry to secure the loan, according to the government gazette. The money will be used for public investment projects, state-run Jornal de Angola reported.

The continent's second-largest crude producer is also negotiating loans with Goldman Sachs Group Inc. and London-based Gemcorp Capital LLP, each for $250 million, and with Spain's Banco Bilbao Vizcaya Argentaria SA, for 500 million euros ($537 million). The African Development Bank is funding water and sanitation works for $124 million and the World Bank is due to supply $500 million in May for agricultural projects.

Angola, a member of the Organization of Petroleum Exporting Countries, cut this year's budget by a quarter last month and reduced investment spending by a third after crude lost about half its value since June. Dos Santos said last month that some infrastructure projects would be delayed.

The kwanza has fallen to a record and analysts including Gareth Brickman at ETM Analytics have said the government will have to formally devalue the currency to attract interest in a planned $1.5 billion Eurobond. Moody's Investors Service, Standard & Poor's and Fitch Ratings have cut their outlooks or ratings on the country in recent weeks. *(Bloomberg)*

Angolan bank enters Mozambican market

A new bank has registered to enter the Mozambique market.

The announcement that Angola-based Banco Privado Atlântico will establish banking operations in Mozambique-the company hopes to open its first branch before year-end-is a sign of growing competition in the financial sector. Banco Atlântico, which recently also established business in Namibia, will invest through its Portuguese subsidiary, focusing on corporate, investment and private banking services.

Founded in 2006, the bank made rapid forays into the Angolan banking sector, including by nurturing the country's tiny economic elite through private banking services. In Mozambique it is also likely to aim at attracting this small, but profitable share of the market. According to the private wealth division of Nedbank, a South African bank, there were about 900 high-net-worth individuals-people with investable assets above US$1m, excluding primary residences-in Mozambique in 2014, but this number is growing at about 8% per year.

Banco Atlântico is not the only newcomer in the Mozambican financial sector. Attracted by the economy's buoyant performance since the end of the civil war in 1994-with real GDP growth rates averaging about 8% a year-and the high profitability of incumbent banks, several local and foreign companies have in recent years decided to establish banks in Mozambique. There are currently 19 mostly foreign-owned commercial banks in the country, up from only 12 in 2007, and real output from the financial services sector grew by 27% a year on average in 2012-14, only outpaced by the mining sector.

Despite this growing competition, however, long-standing weaknesses in the banking sector persist. For one thing, the sector remains highly concentrated, with over three-quarters of assets held by the three largest banks. Lending rates also remain prohibitively high, with standard one-year lending interest rates still exceeding 20%. Banks are reluctant to lend, in part because prospective borrowers struggle to find suitable loan collateral (land is usually owned by the state). Inefficiencies in the justice system also mean that banks lack the guarantee that they will be able to enforce contracts and recover assets in case of defaults. As a result, access to banking remains limited. *(Economist Intelligence Unit)*

Standard Bank Mozambique posts profit of US$44.5 million in 2014

Standard Bank Mozambique posted net profit of US$44.5 million in 2014, an increase of 27 % over 2013, said the commercial bank in a statement sent to Macauhub in Maputo. Registering growth of 12 % in the value of assets, to US$1.389 billion, Standard Bank increased its loan portfolio by 21 %, reaching US$645.4 million, a reduction of impairments (40 %) the loss ratio of which stood at 0.84 %. With an increase of 17 % in equity (US$224.2 million), the bank saw customer deposits expand 8 %, to US$1.082 billion, and the bank’s expenses increased 17 % compared to 2013, “a reflection of the level of investments” carried out “to strengthen its competitive position” and its human resources.

Headquartered in Johannesburg, South Africa, Standard Bank Group in 2014 marked its 120th anniversary of operations in Mozambique, a market where 19 commercial banks currently operate. *(Macauhub)*

Angolan bank BAI ends 2014 with a profit of US$117 million

Angolan investment bank Banco Angolano de Investmento (BAI) ended 2014 with a net profit of 12.849 billion kwanza (US$117.2 million), a year-on-year increase of 6 %, according to a statement sent to Macauhub.

The statement said the net result mainly reflected a drop of 34 % in provisions for loan losses, a 17-% increase in administrative costs, an increase in provisions for probable liabilities and costs from impairments at subsidiaries. At the end of the year, BAI had net assets 1.101 billion kwanza (a rise of 6 % compared to 2013), a portfolio of deposits of 950.9 billion kwanza (5 % more compared to 2013) and own funds of 113.6 billion kwanza (an additional 9 % compared to 2013). The loan portfolio totalled 406 billion kwanza, up 43 % on December 2013, an increase which is mainly explained by loans granted to the State (118 billion kwanza in the year). *(Macauhub)*

Atlas Plans $22.5 Million Investment in Banque Populaire Rwanda

Robert Diamond’s Atlas Mara Ltd. said it’s in exclusive talks to invest about $22.5 million in Banque Populaire du Rwanda and merge it with BRD Commercial Bank Ltd., creating one of the central African country’s largest lenders.

Atlas, which will own 45 % of BPR if the deal is concluded, also plans to buy stock from other shareholders to bring its holding in the merged bank to more than 70 %, Atlas said in an e-mailed statement.

Atlas Mara, co-founded by Diamond, 63, and Ugandan entrepreneur Ashish Thakkar, is expanding in Africa by buying financial services companies. The company acquired ABC Holdings Ltd. and ADC African Development Corp. last year and bought a stake in Union Bank of Nigeria Plc. in September.

The merger of BPR and BRD Commercial Bank Ltd. would create Rwanda’s largest bank by branch locations and second largest lender by assets, with combined assets of about $305 million, Atlas said in the statement.

Atlas reported a $63 million loss in March after its first full year. The company said it would have posted a $7.2 million profit if transactions made in 2014 had been completed at the start of the year and one-time costs were excluded. *(Bloomberg)*

Ethiopia’s banking industry slowly evolving

Ethiopia’s financial services industry is one of the least developed in the region. The banking sector is heavily regulated. As at October 2013, pan-African financial services provider Ecobank estimated Ethiopia’s unbanked population to be around 80 million people.

But the industry is slowly evolving, adopting services that are widely used elsewhere in Africa.

“The economy is growing and people need to transact money fast,” says Dawit Nehemia, technical, marketing and research director at SS Communications, a company that offers software development and banking support services. It

was established by an Ethiopian who spent years in the US, and was keen to help change the industry when he returned home.
A few years ago SS Communications worked with Dashen Bank to roll out ATM machines for the first time. Recently, regulators and banks have become more receptive to the introduction of other services, opening opportunities for businesses like SS Communications.
When *How we made it in Africa* visited its offices in Addis Ababa in March, staff at SS Communications were working round the clock to beat the deadline for several tenders issued by banks. At the time 4,000 point-of-sale (POS) terminals had arrived at the port in Djibouti, to be deployed by a local bank.
"Last week we sent out four tenders to four different banks. The market is growing fast," says Arsema Zewdie, chief operations officer of SS Communications.

Still a long way to go

But there is still a lot to be done in the country given that mobile money is only starting, inter-bank transactions do not exist and not many people have debit cards. Zewdie notes that if a supermarket decides to accept card payments it has to have four POS terminals, one for each bank that offers the service. This makes the roll-out expensive and unattractive to businesses. She estimates the number of terminals in the market to be only in the thousands. It has been reported that Ethiopia has about 1,500 automated teller machines (ATMs) and just over 2,200 bank branches.
But the government is currently pushing the adoption of card payments.
"And it is working. Certain people are beginning to demand to pay via cards when they go shopping because they are seeing advertisements on TV," says Nehemia.

Game-changer coming

SS Communications is one of several companies involved in the roll-out of a national switch project expected to go live in a year. The system will allow customers to access their money via ATMs, mobile and internet channels, and POS devices, regardless of with whom they bank.
"That will be a game-changer. It will make more people appreciate the benefits of card and electronic payments," says Nehemia.
Although mobile phone penetration is low at just 25 million, considering Ethiopia's 94 million population and adoption patterns elsewhere in Africa, the entry of mobile money is expected to have a significant impact on the country's financial services sector. The local subsidiary of Netherlands-based BelCash has rolled out the helloCash mobile money service, while MOSS ICT introduced M-Birr last December.
"Things take time to get here. One major issue is the language barrier. Mobile phones are built with Latin [keyboards], but not everyone in Ethiopia speaks English. As more phones are adapted to Amharic, people will be more comfortable using SMS and other mobile services," explains Nehemia.

Business is unusual

Although SS Communications is a pioneer in card payment services in Ethiopia, Zewdie says being a domestic company comes with some challenges. For starters, people doubt the competency of local enterprises.
"Yet as a local company we can respond instantly to issues, we can deploy faster because we understand local dynamics, we speak Amharic and we build our software in-house in cognisance of the local environment," says Zewdie. "It is not as easy and smooth to do business here compared to other countries. In Ethiopia, business is unusual."
Nonetheless, the company expects good growth in coming years as Ethiopia's financial services industry transforms. Foreign investors too seem to be whetting their appetites, with some having set up offices in Addis Ababa despite legislation blocking foreign investors in the banking and insurance sectors. Togo-headquartered Ecobank opened a representative office in 2013, while South Africa's Standard Bank also announced it is establishing a presence. The two want to gain a foothold in the market in anticipation of the deregulation of the banking sector. *(How we made it in Africa)*

Ecobank's Profit Climbs After Pan-African Lender Curbs Expenses

Ecobank Transnational Inc's profit climbed last year as Africa's most diverse lender by geography curbed increases in expenses. Net income more than doubled to $394.8 million from $147.8 million in 2013, the Lome, Togo-based bank said in a statement published on the Nigerian Stock Exchange website. "The focus on driving efficiencies in our businesses paid off, with operating expenses up 6 %," Chief Executive Officer Albert Essien said in the statement. "All our geographic clusters increased revenues higher than operating expenses."
The bank's cost-to-income ratio, a measure of efficiency, improved to 65 % from 70 %, it said in the statement. Assets rose 8 % to $24.2 billion. Ecobank has shares traded in Nigeria, Ghana and Ivory Coast and operates in 36 African countries. The lender is embroiled in a battle with former CEO Thierry Tanoh. Tanoh, who left Ecobank a year ago, won defamation cases against the lender in Ivory Coast and Togo for wrongful dismissal.
Ecobank has been in dispute with Tanoh since 2013 after regulators investigated allegations of management fraud and poor governance. Tanoh has denied any wrongdoing. The bank, ordered to pay Tanoh about 13.2 billion CFA francs ($21.5 million), is appealing the judgments and intends to fight his claims in English courts after appealing judgments made in Ivory Coast and Togo, Essien said in March. *(Bloomberg)*

South Korean bank partners to support growing Africa ties

Although it is the most talked about, China is not the only Asian economy looking to Africa - and bankers are moving to facilitate the flow of capital. A case in point: South Africa's Standard Bank announced a partnership on 23 April with the largest bank in South Korea to provide services for its clients doing business in Africa.

The agreement with Woori Bank, which has been in the process of privatising from state ownership since 2010, aims to support the South Korean lender's clients even though the bank has no presence in the region.

"[A] partnership with a strong African bank like Standard Bank will enable Woori Bank to extend its banking relationship with key Korean clients to its non-presence countries," says Robert Cleasby, Standard Bank's global head of financial institutions. South Korean investment and trade with Africa has increased exponentially over the past decade, paralleling trends in African nations' relationships with other countries in Asia including Japan, Indonesia, Malaysia and Singapore. Foreign direct investment rose from $24.3m to $287m between 2000 and 2010, while bilateral trade rose from $6bn to $25bn between 2000 and 2011.

But even as the business relationship has grown, financial institutions out of Asia have been slower to adapt. Comparatively few Asian commercial banks have a long established presence in Africa. Risk aversion and perception issues may play a significant role. "I think the Asian banks generally are not attuned to the African context, and it is very hard for them to assess the risk there," Raoul Ghosh, director for Middle East and Africa at International Enterprise Singapore, told *This Is Africa* during a June 2014 interview. Some have sought to build partnerships with players with a longer track record on the ground, in similar models to the Standard Bank-Woori deal. Barclays and the China Development Bank, for instance, expanded their partnership agreement to include deal-making in Africa in March 2014, building on CDB's aquiry of a 3.1 % stake in the British bank earlier in the year.

Meanwhile, a much trumpeted 20 % buyout of Standard Bank by the Industrial and Commercial Bank of China (ICBC) in 2006 has so far failed to produce the high profile deals it was expected to.

Meanwhile, more established banks are adapting their services to cater to the growing numbers of Asian clients in Africa. Citigroup, which opened its first branch in the region in South Africa in 1958, now has tailored services to facilitate banking for Chinese clients at many of their outposts in Africa.

"We have set up Chinese desks in a number of countries, so for example we have Mandarin speakers in Kenya, Nigeria and South Africa, which makes it easier to connect with our clients in China," Jim Cowles, Citigroup's CEO for Europe, Middle East and Africa, tells *This Is Africa*. These examples might suggest that Asian banks will soon be crowding out traditional players may be premature. If anything, banking services seem to be crowding in - with plenty of demand to go around. *(This is Africa)*

Kenya says has Qatari help for financial centre plan

Kenya is finalising laws to make it easier for foreign banks to operate in the country, and wants to host a Chinese currency clearing centre, replicating Qatar's model, as it bids to become a regional financial hub.

Finance Minister Henry Rotich also told Reuters that the appointment of a new central bank governor was close, with a shortlist of three candidates submitted to President Uhuru Kenyatta, but the process may not be completed until after a month-long parliamentary recess starting on May 1.

The new legislation for banks would enable international lenders with operations in Kenya to use courts in London and other international arbitration to settle commercial disputes, Rotich said -- moves seen as vital to reassuring investors.

"We are moving fast," said Rotich, adding that a draft of the laws should be ready within three months. The finance minister signed a deal with Qatar's government this month outlining the Gulf state's support for Kenya's plans to build a financial centre in Nairobi, mirroring Doha's international financial centre. Experts involved in Doha's development would help Kenya establish policies and laws to allow international banks to operate more easily. Kenya has set up a secretariat to spearhead the plan, which has also drawn on the City of London as a model. To succeed in the long-mooted plans, experts say Kenya has to overcome issues such as a lack of an effective legal system, deficient company and land registries and a limited number of agreements with neighbours to avoid double taxation.

CHINESE MONEY

Kenya aims to learn from the Qataris on setting up a clearing house for China's yuan currency, also known as the renminbi. "Ultimately, having set up the international financial centre, we will begin to also host the renminbi clearing house for Africa," the minister said, referring to a plan to put Kenya at the heart of Africa's financial dealings with China. Qatar launched the first Chinese yuan clearing house in the Middle East in April. In the past Chinese officials have suggested Kenya could host such an operation. On the next central bank chief, Rotich said the timing would largely depend on parliament, whose recess runs May 1 to June 8. "The interviews have been finished and the interview results have been prepared for President Kenyatta," he said, adding that the president would pick from the shortlist and parliament would approve the choice. Benjamin Langat, chairman of parliament's finance committee which will vet the nominee, said the president could call a sitting during the recess. Parliament is dominated by Kenyatta's Jubilee coalition and is expected to back his choice. Seven out of 10 economists polled by Reuters last month said they expected the top job to go to Haron Sirima, the deputy governor who is currently acting governor. *(Reuters)*

South Africa: Banking system remains health

South Africa's banking system remains sound and well-capitalised, according to the latest six-monthly Financial Stability Review from the South African Reserve Bank (SARB; the central bank) on April 23rd.

The banking system, which is dominated by four players-Standard Bank, First National Bank, Nedbank and ABSA (which together have an 83.2% market share)-boosted its capital buffers in the second half of 2014. The capital-adequacy ratio climbed to 14.7% in December (from 14.5% in July) to remain comfortably above the 10% minimum legal requirement. Moreover, the ratio of non-performing loans (to total loans) dipped to 3.28% at end-2014 (from 3.64% a year earlier) and, according to separate data, continued falling to 3.23% in February 2015, its lowest since September 2008. Gross loans and advances grew by 9% in 2014, thereby equating to real (inflation-adjusted) growth of close to 3%, which is twice as fast as overall GDP growth. Profitability also improved, with return-on-equity rising to 14.5% in December, underpinned by solid growth in net interest income.

Smaller banks, especially those with large unsecured loan portfolios, are at greater risk, as shown by last year's collapse of African Bank (Abil). However, the SARB rescue process showed that the regulator is willing and able to take action when potential threats arise to wider financial stability. The crisis has had no lasting impact on the cost of banks' funds, and growth in unsecured lending (and impaired unsecured loans) has eased, as lenders have become more prudent.

The SARB acknowledges the range of challenges facing banks (and most other enterprises) such as sluggish domestic growth, power shortages, labour militancy, global economic volatility and uncertainty about the timing and speed of prospective US monetary tightening. Local banks' reliance on wholesale funds (as opposed to retail deposits) leaves them more vulnerable to global developments. Fiscal pressures could also translate into a damaging sovereign credit downgrade (to junk status), although this is not an immediate risk. Positively, the Financial Sector Regulation Bill, which may secure passage in 2015, will extend the SARB's formal mandate to encompass financial stability.

Another piece of legislation, the Banks Amendment Act (2014), aims to clarify the process of curatorship used to save Abil. *(Economist Intelligence Unit)*

Markets

Angola’s new Securities Code provides for intervention in financial institutions

Angola’s new Securities Code allows the State to intervene in financial institutions in bankruptcy situations, said in Luanda the Governor of the National Bank of Angola.

José Pedro de Morais, commenting on the new Code, approved by members of the Angolan parliament, also said that it gives the state powers to intervene to ensure stability of the system and that investors and, above all, consumers, will have their interests protected in the event of failure of the institutions.

The new code shall, in accordance with the new bill, reform the basic legal framework of the securities and derivative instruments market. It also seeks to regulate the prospectus, services and investment activities in securities and derivatives. *(Macauhub)*

Angola Central Bank Sells $310m FX at Avg 109.708 Kwanzas/Dlr

Luanda-based bank auctions 4.9b kwanzas of 364-day T-bills at 5.27% last wk, according to statement published on its website.

* Institution issued 2.4b kwanzas of bonds, incl. 2-yr notes at 7%, 3-yr securities at 7.25%, 4-yr debt at 7.50%, 5-yr bonds at 7.77%
* Sold 377.9m kwanzas of debt directly to public, incl. 11.9m kwanzas of 364-day T-bills at 6.35%
* Auctioned 366m kwanzas of 2-yr T-bonds tied to exchange rate variation at 7%
* Overnight Luanda interbank offered rate, known as Luibor, unchanged at 6.25% *(Bloomberg)*

Ivory Coast Signs Deal for Islamic Bonds Worth $490 Billion

Ivory Coast, the biggest economy in francophone West Africa, signed an agreement for Islamic-finance bond as it seeks to raise money for infrastructure.

The Islamic Corp. for the Development of the Private Sector, a unit of Jeddah, Saudi Arabia-based Islamic Development Bank, will oversee the 300 billion-CFA franc ($490 million) sukuk, the company known as ICD said in an e-mailed statement.

The program will be implemented in two tranches, each worth 150 billion francs, between this year and 2020, it said.

The sukuk will be an “alternative financing means for developmental” projects, Ivorian Minister Delegate to Finance Niale Kaba said in the ICD statement, without giving details on what the funds will be used for.

Ivory Coast joins a growing number of sub-Saharan African nations tapping Islamic finance debt markets seeking cash for development projects. ICD said in February it set up a $258 million sukuk program with Niger, while South Africa sold Africa’s first Shariah-compliant dollar debt in September.

About $1.8 trillion in assets are held by Islamic financial institutions worldwide, according to Standard & Poor’s Islamic Finance Outlook 2015, which was published in September, from about $1 trillion five years ago. Islamic finance is an industry that Ernst & Young LLP estimates will grow to $3.4 trillion by 2018. *(Bloomberg)*

Tanzania's METL Group eyes Africa expansion as middle class grows

Manufacturing and trading firm Mohammed Enterprises Tanzania Ltd, one of the country's biggest private employers, said it would invest $250 million to expand its business in Africa to capitalise on a growing middle class demand. Chief Executive Officer Mohammed Dewji also told Reuters he was upbeat about prospects in Tanzania, whose economy has been growing at about 7 % a year and which he said could accelerate to 10 % as natural gas finds were exploited.

Despite the global financial crisis, African economies have recorded some of the fastest growth rates outside Asia, creating a bigger middle class and drawing local and foreign investment. "Our vision is that by 2020/21, we want to be a $5 billion revenue company," said the CEO of the firm also known as METL Group. Revenue was expected to reach $1.9 billion in 2014/15. Regarding plans to invest $250 million over two years, Dewji said: "Half of this ... will be our equity and the other half will be raised through banks."

Tanzania's capital market authorities have been trying to encourage family-owned firms like METL Group to list, saying it would offer cheaper financing. But many such firms are reluctant to cede control to outside shareholders.

"I don’t see us listing on the stock exchange in the near future," said Dewji. "We are still building the company."

The company operates in 11 African nations, mostly in east Africa, including Kenya and Uganda, as well central and southern states such as the Democratic Republic of Congo and Mozambique. "We want to expand our presence in countries such as Zambia, Mozambique, Rwanda, Burundi, Madagascar and Ethiopia," he said, adding the focus for investment would be in manufacturing, particularly cotton, without giving further details. The group already has cotton mills in Mozambique and Zambia. Established in the 1970s, the firm has more than 30 factories making consumer products ranging from bicycles and detergents to edible oil and beverages. Other investments cover the agriculture, infrastructure, energy and mobile phone sectors. Dewji said a growing middle class was driving demand. "Over the last decade, Tanzania for example has recorded an annual formal growth of 7 %. I think, informally, we are growing at a much faster pace," he said, a reference to the large number of unregistered businesses and informal workers. He said large offshore gas finds could lift growth further. METL employs 24,000 mostly in Tanzania. Dewji said he expected this to rise to more than 100,000 in five years. *(Reuters)*

Ending Egypt's currency black market brings new challenges

Egypt's currency black market, a thorn in the side of successive governments, has virtually disappeared in the past two months following a central bank crackdown. Yet, while the authorities hope this will signal to foreign investors that the economy has returned to normal after four years of turmoil, Egyptian businesses are suffering.

Importers and exporters in particular say official measures to cap dollar deposits at Egyptian banks have reduced foreign exchange liquidity and stifled business activity -- without achieving long-term stability in the currency market.

The black market had flourished as a slump in tourism and investment since the overthrow of Hosni Mubarak in 2011 limited supply of hard currency -- undermining an image of relative price stability that authorities have sought to portray for decades.

After promising for months to eliminate the black market, the central bank in February placed limits on dollar-denominated bank deposits of $10,000 a day and $50,000 a month, soon after weakening the pound by 5 % over a few weeks. The spread between the official and black market rates, above 10 % two years ago, sank to virtually zero. Since then, the pound has been officially trading between banks at 7.53 to the dollar.

Black market traders say volumes have fallen dramatically since the cap on deposits was introduced, with those who exchanged dollars outside official channels deprived of a place to keep their funds. "(The) measures massacred the currency exchange companies," the manager of a Cairo exchange bureau said. "There is no demand (for dollars)."

The International Monetary Fund welcomed the central bank's measures as a step that will make Egypt more attractive to foreign investors. But many local businesses are struggling to cope. Mohamed Abu Basha, economist at EFG Hermes, said the deposit cap has made it harder for businesses to open letters of credit.

Demand for dollars from banks has outpaced supply, which businesses say is squeezing the market. "Since companies cannot really access the parallel market at large, your place on the central bank's priority list becomes really important," said Abu Basha.

The central bank, which declined to comment, emphasises strategic needs such as food and energy in weekly dollar auctions. Hard currency for other products is lower priority, which businessmen complain has hurt commercial enterprises, especially those that import costly goods like cars and electronics goods. Medhat Khalil, chief executive of Raya Holding which imports computers and telecommunications equipment, said the central bank's failure to supply currency to importers like him has slowed down business. "We are importing, nobody will stop," he told Reuters. "(But) I'm spending most of my time finding ways to bypass the rules and regulations instead of concentrating on my business," he told Reuters, referring to the cap on dollar deposits.

The IMF's Middle East and Central Asia director, Masood Ahmed, said last week that the central bank's measures to stamp out the black market "would help to create the basis for more investment, and better functioning of the exchange markets." Black market trading helped drive down the official exchange rate by 22 % since late 2012 when the central bank introduced an auction system for dollars to ration hard currency. Sharp currency depreciations jeopardise Egypt's ability to import staples like wheat and gas.

However, the Cairo Chamber of Commerce, which counts 800,000 importers among its members, says introducing a deposit cap has reduced the supply of items like fertilizers, or forced companies to raise consumer prices, and has called for its removal. Effat Abdelatty, head of the chamber's automobiles division, said car imports have dropped 70-80 % since the cap was introduced, although inventories and generous terms from suppliers have so far prevented the shortage from affecting consumers.
Analysts say that with dollar demand outstripping supply, the pound should depreciate further -- some estimate by up to 10 % -- so availability is likely to concern investors more than price. Administrative measures are only part of the equation. To restore foreign exchange liquidity in the long run, Egypt will need sustained economic growth, which the government has said requires investments of up to $300 million. *(Reuters)*

Fund

Angola Sovereign Fund creates five more venture capital funds

The Angola Sovereign Fund has set up five venture capital funds for high-growth industries and the economic and social development of Angola and sub-Saharan Africa, the fund said in a statement sent to Macauhub.
The statement said that the five funds have starting capital of US$ 1.4 billion to be invested in venture capital investments over the next three to five years in projects in the mining, logging, agriculture and health sectors.
The fifth fund, called “Mezzanine Fund” is intended to support entrepreneurs where financing through traditional debt does not apply, providing US$250 million over the next five years.
A “Mezzanine Fund” is basically a fund for capital investments in which the lender wins the right to convert the loan into equity of the company if the loan is not paid on time and in full.
The Angola Sovereign Fund also announced it had founded a company focused on creating micro-business incubators for Angolan entrepreneurs. José Filomeno dos Santos, the President of the Fund, in the statement said, “the new sectors covered by the investments of the Angola Sovereign Fund have high potential and sustainability, with various non-financial benefits such as creation of new jobs and vocational training.”
The five new investment funds are added to two existing funds, announced in the third quarter of 2014: a Fund with capital of US$1.1 billion focused on infrastructure, which invests in public-private partnerships, privatisation and major industrial developments and the Hospitality Fund with capital of US$500 million, which plans to fill a significant gap in hotel management capacity with international standards in the region. *(Macauhub)*

This sovereign wealth fund is primed to become Africa’s biggest investor

World’s biggest Sovereign Wealth Fund (SWF), Norway’s Government Pension Fund Global (GPFG), last year added five African states to the number of countries it approves as marketplaces for trading in equities. It is keen to take advantage of the pace of economic growth across Africa to garner profitable returns on equity investments.
The Norwegian fund’s investment in Africa has now been extended to Kenya, Tunisia, Ghana, Mauritius and Nigeria. Its investments in Nigeria, as at the end of 2014 was 497 million kroner ($63 million), which included stocks in companies listed on the Nigerian Stock Exchange (NSE).
The fund’s investment is highest in Zenith Bank, Nigeria’s largest bank, at 23.5 %. This is followed by another lender, Guaranty Trust Bank at 21 %. Access Bank has so far received the least investment from the wealth fund (3.2 %).
The fund also invested 630 million kroner ($80 million) in Kenya’s equity market as of December 2014. These investments were spread across 11 companies. In total, it had investments in 169 African companies and 22 bonds from 4 issuers.
Although the slump in global oil prices has hurt Nigeria, Africa’s largest economy, the International Monetary Fund (IMF) still projects impressive growth rates for Sub-Saharan Africa. Also, the number of middle-class households in the region has grown exponentially in the last decade. The Norwegian SWF is, therefore, determined to pour more cash into this emerging market. “Which new markets we enter depends on which markets are available for investment, what market opportunities there are, and market standards,” the fund said in its latest report. “We will continue to add new markets to the portfolio as soon as they meet our requirements for market standards.”

	Holdings (%)	Value ($)
Access Bank	0,25	2.094.739,00
GTB	0,35	13.929.131,00
Intl. Breweries	0,87	3.607.887,00
Lafarge Africa	0,21	4.117.928,00
Nestle	0,10	4.579.247,00
Nigeria Breweries	0,17	11.527.775,00
Seplat	0,23	2.896.164,00
Stanbic IBTC	0,20	2.930.635,00
UACN Plc	1,38	4.989.210,00
Zenith	0,49	15.601.449,00
Total	**0,17**	**66.274.165,00**

Source: Nairametrics

Although only 0.7 % of the $814 billion fund’s investment was in the continent by December 2014, the fund is poised to increase its equity outlays in Africa. In a strategy report for 2014 – 2016 released last year, Norges Bank Investment Management (NBIM), manager of the wealth fund, said it would add external mandates as it enters into new markets and segments. It said it expects to have 100 external mandates by 2016, with the share of funds managed by external bodies expected to have risen by 5 %. “We use external equity managers for the majority of our emerging markets investments and for all our investments in frontier markets,” the fund said. *(Ventures Africa)*

Nigeria Plans to Invest 20% of Pension Assets in Infrastructure
15% of pension fund assets to be invested in infrastructure bonds, 5% in infrastructure funds, Abuja-based National Pension Commission says in proposed regulation sent by e-mail.

* Pension fund assets currently >4.6t naira
* Pension funds to be invested in "individual projects," with minimum value of 5b naira*(Bloomberg)*

How healthy is Africa's sovereign bond debt?
When Uganda dropped plans last year to raise money by issuing dollar-denominated debt, some experts faulted the decision and its timing as ill-advised when interest rates on global capital markets were at historic lows. By stepping back, the country resisted a trend that has gradually become a bond-selling spree in Africa, an attractive alternative for getting money on the cheap to finance crucial infrastructure with less strings attached. And Uganda did not go quietly; it warned other African countries to stay away from dollar-denominated debt because if not properly managed, it could become a major millstone when economic fortunes change.
According to the UK-based Overseas Development Institute (ODI) in a recent report on sub-Saharan Africa sovereign bonds, the region has significantly increased its borrowing through bond sales from $6bn in 2012 to a record $11bn in 2014. This year several other countries are expected to tap into the market for sovereign bonds, which are debt securities issued by a country and usually denominated in foreign currency.
The current economic outlook offers sub-Saharan Africa a chance to develop infrastructure on the cheap. Despite apprehensions over falling commodity prices, most significantly oil, Africa still ranks as the second fastest-growing region in the world after Asia. A slump in the rest of the global economy ignited strong appetite among investors for higher yielding debt outside the traditional markets of Europe and the US. The resultant recession drove interest rates in rich countries to historic low levels – even negative in others, forcing investors to seek profitable ventures in developing countries, especially in Africa, where growth has averaged 5% annually over the past decade.
A decade ago, African countries were unable to raise money through bond sales because their economies were considered too risky by international investors. Most were not even rated by credit companies. However, the quest for profitable investments is being powered by an optimistic narrative of Africa's economic prospects dubbed "Africa Rising", fuelled by high commodity prices, sound economic policies and improved governance. As a consequence, and for the first time, several African countries found themselves eligible to raise money by issuing bonds.
First to test the waters was Seychelles, which in 2006 was the first in sub-Saharan Africa, outside South Africa, to issue bonds. It was quickly followed by Ghana, which raised $750m in 2007, and later joined by several others that included Côte d'Ivoire, Nigeria, Rwanda, Namibia, Zambia and most recently, first-time issuers led by Ethiopia and Kenya, which in 2014 raised $1.5bn and $2bn respectively. Kenya's entry into the bond market in June was one of the largest ever debut deals from an African country, according to the *Wall Street Journal*. Virtually all the bond sales were hugely over-subscribed, a testimony to the investors' appetite for risk in frontier markets.
Despite the current positive economic outlook for Africa, its debt could pose acute challenges in the face of economic headwinds turned negative from falling commodity prices, a slowing Chinese economy that has been gobbling African commodities, and declining global demand for exports. There is growing concern that the countries likely to be hit hardest by soaring debt repayments are those that cashed in on low interest rates by issuing bonds. Uganda's ominous warning against piling up debts could prove prophetic.
Already, Ghana and Zambia have appealed to the International Monetary Fund (IMF) for help in repaying debts acquired through sovereign bonds. Declining prices for gold and cocoa, rising trade and fiscal deficits and a burgeoning debt forced Ghana to reach an agreement with the IMF in February for a $1bn loan. The money is expected to shore up an economy saddled with unsustainable debt levels of more than 60% of gross domestic product. While Ghana's misfortunes underscore the risks associated with borrowing in dollars, the deal with the IMF was expected to restore investor confidence in what was until recently one of Africa's high-flying economies.
Zambia has also opened loan negotiations with the IMF after it was stung by declining prices for copper, its main export commodity, which accounts for more than two-thirds of total export earnings. As if this was not enough, Zambia had unwisely spent a big chunk of the money from the sovereign debt on salary increases for its public servants. According to the ODI, Mozambique borrowed $850m for its national fishing industry but instead spent the money on military boats and equipment.
Not all debt is bad debt
Despite Uganda's misgivings, acquiring debt is not inherently a bad policy; what matters is how the money is spent. Most African countries that raised money from sovereign bonds have used it to pay for infrastructure investment like transport and energy in Ethiopia, Rwanda, Nigeria, Senegal and Zambia. Others, like Côte d'Ivoire and Zambia, used the money to pay for development-related current expenditures such as health and education. The recent outbreak of the Ebola virus has illustrated the need to invest in Africa's poor health systems.
There are several advantages attached to government borrowing through bond sales: they offer an alternative source of finance; the money is not subject to the conditions usually attached to loans from rich countries or multilateral organisations; critical infrastructure can be financed at cheap rates generated by relaxed monetary policies pursued by developed countries; and bonds carry less stringent terms with reasonable periods of repayment. For investors, bond

sales by Africa are more desirable because they give them the opportunity to diversify risks and reap higher returns than they would get in rich countries.

Potential risks from bonds

However, debt acquired through bond sales is a double-edged sword. To attract international investors, the debt is issued in foreign currency, usually in dollars or euros. This makes the debt vulnerable to currency risks whenever the value of the dollar or euro strengthens. According to the ODI, sub-Saharan Africa could face more than $10bn in losses, or 1.1% of its GDP, servicing debt acquired in 2013 and 2014 should exchange rates take a hit from a strong dollar. Furthermore, debts can destabilise economies if investors decide to reduce their exposure to African debt, notes the ODI. Bond sales could also have negative impact in terms of cost and maturity compared to concessional loans from international financial institutions.

Given the potential risks from bonds, the current enthusiasm has prompted analysts to start questioning the wisdom of piling up dollar-denominated debt. A downturn in the global economy or market volatility could have a negative effect on African debt, as evidenced by the Ebola outbreak and the plunge in oil prices. The US Federal Reserve has also signalled it might end the era of rock-bottom interest rates, which could also spell problems for African bond issuers who will be faced with rising debt repayments. Countries like Angola and Nigeria, for instance, which depend heavily on oil revenues, are already feeling the pinch.

IMF managing director Christine Lagarde warned African countries last year against accruing high debt. “Governments should be attentive and they should be cautious about not overloading their countries with too much debt,” she told the *Financial Times*.

Thanks to previous measures that rescheduled or cancelled Africa’s debt, robust economic growth and concessional interest rates, Africa’s debt burden today is still within manageable range and relatively low compared with the strength of its economies. Hence, it’s not yet crunch time for African debtors who have taken advantage of current low interest rates and favourable markets conditions to issue bonds. Prudent use of the borrowed funds backed by sound economic policies will see them weather the storm from declining commodity prices and future interest rate hikes. *(African Renewal)*

Tech

Mobile payment methods are game changer for Africa

WRITING in his latest annual “Gates Notes” letter, Microsoft founder and philanthropist Bill Gates highlighted the digital banking sector and observed that smartphones and mobile technology would define banking in Africa, especially in those communities where the cost of banking and a lack of infrastructure remain major barriers to entry.

Gates’ view is reflected in part by figures from technology company Ericsson. It indicates that mobile is the communication tool of choice in Africa where competitors are scrambling to tap into the “unbanked” market by providing platforms for money transfers using mobile technology.

According to the GSMA 2013 Mobile Money Adoption Survey, sub-Saharan Africa is home to 53 % of all live mobile money services in the world. These services, which allow users to withdraw and send cash from one cellphone user to another, using local retailers and trading stores as ATMs, are available in 36 out of 47 countries in the region.

In Kenya, which has the highest use of mobile money transfers, more than $3 billion (R36bn) is shifted in this way every month, according to Vodacom. That’s $36bn a year. Neighbouring Tanzania sees more than $12bn transferred annually.

The rapid adoption of feature phones, smartphones and online technology is providing new, highly-convenient ways for consumers to pay themselves, other people, bills and retailers. With this mobile revolution has come an array of mobile payment solutions. (Examples include Standard Bank’s snapscan, Absa’s payment pebble and payment pebble handset, Vodacom’s m-pesa, the zapper app, Nedbank’s pocket pos, MTN’s mobile money, First National Bank’s e-wallet and Nedbank’s send imali).

In the relationship between retailers, banks and customers, what role will these new technologies play?

Retailers are exploring opportunities to solicit new ways of being paid and differentiating themselves. Adopting alternative services at the point of sale (POS) will play a key role in this. Therefore, understanding customer needs and wants is a focus point for retailers and banks. The way people pay for transactions is changing.

A breakdown of customer payment methods provides insight. Cash is still “king” – it accounts for most of the value transfer in commerce in Africa. But alternative payments are gaining traction. In many markets across Africa, card payments, while still limited, are growing and e-commerce is growing aggressively.

Point of sale

Mobile point of sale (mPOS) growth has been nothing short of phenomenal. In South Africa, a fairly conservative market when it comes to mPOS adoption, we have more than 10 000 mPOS devices in circulation since first being brought to market. Nigeria, with Africa’s highest cellphone penetration, is regarded as the next big mobile payment opportunity. Much of the rhetoric behind the product revolution involves tapping into the unbanked sector of the market.

According to Vodacom’s estimates, there are 7 million people in South Africa who earn salaries but do not have their own bank accounts. In the rest of Africa, this figure is a lot higher. It is small wonder that non-traditional financial firms, such as Google, Apple and now Samsung, are all vying for a slice of the mPOS pie.

Meanwhile, crypto currency is also gaining traction on the continent. In August, Africa's first Bitcoin ATM opened in Johannesburg while Nigeria's Bitcoin exchange launched in January – and more are to follow.
So if one takes a look at the changing ways of paying or being paid, cash is losing ground, and being replaced by card payments, online payments, mobile payments, wearable technology, biometrics and crypto currency. These payment methods are growing at different rates, in different markets for various reasons.
In Africa, three factors are key to the growth of payment methods: security, market demand and a push towards integration. The availability of secure payment facilities is most critical and is a major differentiator that all entrants to the African market will have to take into account. In terms of demand, we've seen in markets where the demand for mPOS is outstripping that of traditional POS and any attempts to enter such a market should include strong mPOS solutions.
And in terms of the integration push, many multi-nationals and large retailers already use payment methods that are integrated with their sales infrastructure and treasuries, and therefore prefer to roll out standard solutions across their outlets. Customers are then pushed into using the retailer's preferred payment methods that play into the traditional POS space.
The future of payments in Africa is changing rapidly. Merchants and banks that are moving into new countries in Africa need to be mindful of the rapid technological growth and the particular constraints that make each territory different.
Arrie Rautenbach is the chief executive at Barclays Africa Retail Banking (iol.co.za)

ENERGY

SA to mop up near-term renewables prospects, ahead of revamped process for 6 300 MW more
Energy Minister Tina Joemat-Pettersson has announced plans to accelerate and expand the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP), reporting that she will be seeking the concurrence of the National Energy Regulator of South Africa (Nersa) for an additional 6 300 MW of renewable energy.To date, South Africa has procured or is procuring, following four competitive bidding rounds, 5 243 MW from 79 mostly solar and wind projects, which represent a collective private investment into the country's electricity sector of R168-billion.
These procurements have been pursued in line with the Integrated Resource Plan (IRP) and have been facilitated by Ministerial Determinations for around 7 000 MW. Joemat-Pettersson indicated that, owing to the competitive nature of the 77 bids received during the fourth REIPPPP bid window she would consider naming additional preferred bidders over and above the 13 selected on April 11. The 13 projects already identified were expected to reach financial close during the fourth quarter and should be operational by November 2016. The Minister had requested the IPP Office to deliver a "firm report" on an additional allocation of megawatts from round four by month end, so that an announcement could be made by the end of May 2015. In addition, a 'Request for Further Proposals' would be released by early June for a further 1 800 MW to be procured under an accelerated programme, with bidding open to unsuccessful bidders from all previous bid windows.
However, the Department of Energy's Ompi Aphane stresses that bidding will also be open to those that had not previously made a submission under the REIPPPP. Once those two mop-up processes were completed, the tender documentation would be redesigned ahead of a fifth bid submission phase, with the reworked request for proposals (RFP) documents expected to be ready for release in the second quarter of 2016. Key aspects of the RFP that will be redesigned included the definition of local community, the mechanisms to ensure early, efficient and equitable benefits to the communities and the local content or industrialisation regime. The new RFP would also take South Africa's distribution and transmission system constraints into account – these constraints had been held up as being largely responsible for recent delays to the conclusion of bid windows three and four.
In fact, Aphane confirmed that, had the process not been tightened in recent rounds, Eskom would have run a real risk of having to contract with plants whose power could not have been evacuated. He also revealed that there had been at least one case during the REIPPPP where this risk had actually become a reality. Joemat-Pettersson said the additional 6 300 MW determination was in line with the IRP 2010-2030 and that the allocation would "maintain the momentum of the programme, especially for future bid-submission phases". The Minister also said that the 'Small Projects Programme', which would seek to procure 50 MW from facilities ranging between 1 MW and 5 MW in size, was also under way, with 29 bids having been received totalling 139 MW. The evaluation of bids would be finalised during April.
FAR-REACHING DEVELOPMENT
The South African Wind Energy Association described Joemat-Pettersson's announcement as "far-reaching", with CEO Johan van den Berg arguing that the new allocation could mean that an additional 2 500 to 3 000 MW of wind power would be procured over the coming four years. "This, once Gazetted, should give comfort to international investors to invest in local factories that can push the local content of wind farms to about 54%, with the upper 60's in reach. Moreover, the money being put into local community development around wind farms will rise from the present R5-billion over the next 20 years, to at least R10-billion and perhaps much more." Van den Berg also added that prices for wind power in round four were understood to have fallen to an average of 62c/kWh, which is a market improvement on the prices of over R1/MW achieved during the first bid window. "Renewable energy is coming just at

the right time. There is a lot of it ready to be built immediately. Government is recognising this and has now communicated a vision that, given the volatility in our sector, is remarkable for its courage and perspicacity," Van den Berg concluded. *(Engineering News)*

INFRASTRUCTURE

Angola seeks $10bn for infrastructure despite oil price collapse

Angola, Africa’s second-largest oil producer, is seeking to raise up to $10bn from foreign creditors as it attempts to push ahead with key infrastructure projects in the face of severe headwinds triggered by the collapse in crude prices.

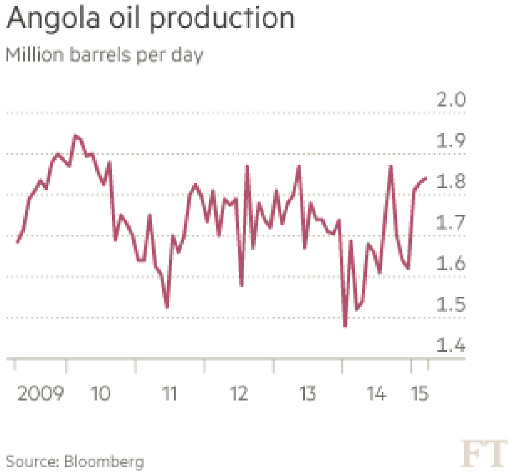
The southern African nation has slashed its budget for the year by a quarter, or about $15bn, after revising expenditure and halving its assumptions for oil price to $40 a barrel.

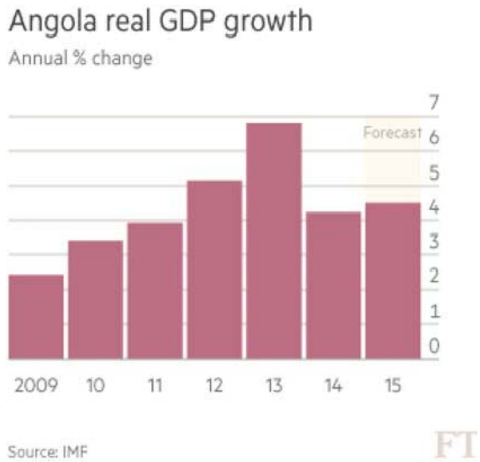
But in a rare interview with a member of Angola’s government, Abrãhao Gourgel, economy minister, said the country would continue to prioritise vital infrastructure spending, including building a $6bn refinery. “There are projects that are being delayed and there are projects that did not begin . . . and ongoing projects will slow down,” he says. “But a big part of the [infrastructure] projects [are] financed by foreign credit lines, so these will not feel any impact.” Until 2014, the government spent roughly $15bn annually on infrastructure. Angola illustrates how vulnerable Africa’s crude exporters are to falling oil prices. Sub-Saharan Africa’s eight oil exporters account for half the region’s gross domestic product.

To raise funds, Mr Gourgel said Angola was seeking to launch its debut Eurobond — which would be the first test of investors’ appetite towards frontier market African debt since crude prices began to slump last year. The Eurobond would raise between $1bn and $1.5bn.

The World Bank is also preparing a $500m loan for Angola — the first of its kind of the country, while Mr Gourgel said bilateral credit lines could be extended with the likes of Brazil, Spain and China. Beijing is already a major investor in the country. Luanda has also approached Goldman Sachs and another London-based investment firm for loans.

In total, the government aims to raise 1,654bn kwanza ($15.2bn) through domestic financing and a further 1,105bn kwanza via external financing. The currency has depreciated sharply this year and is trading at about Kw110 against the dollar.





Angola’s government has set an ambitious growth target for Angola of 6.6 per cent this year, while the International Monetary Fund forecast growth of 4.5 per cent, down from its prediction of 5.9 per cent in August.

The former Portuguese colony has been among Africa’s fastest growing economies over the past decade, as it has sought to rebuild following the devastating civil war that ended in 2002. The ramping up of oil production has helped Angola achieve strong growth — including growth of almost 23 per cent in 2007 alone. Oil accounts for 98 per cent of Angola’s export earnings, three quarters of government revenue and 44 per cent of GDP. Angola’s economy is also heavily centralised, with state- related activity estimated to account for 80 per cent of GDP. The private sector operates predominantly in the informal economy. However, officials and bankers say the country is better prepared to handle the oil price slide than in 2009 when the ripple effects of the global economic crisis forced it to seek a $1.4bn IMF loan. This time, the central bank has prioritised the allocation of foreign currency to the oil and food sectors to maintain its reserves, currently about $25.7bn.

While the policy has had a detrimental impact on struggling companies that face delays accessing dollars for imports, the government has insisted the measures are necessary to avoid a repeat of 2009, even as jobs are being shed in key sectors such as oil and construction.

José Filomeno dos Santos, son of veteran president, José Eduardo dos Santos, and head of a $5bn sovereign wealth fund, adds: “Obviously there is a sense of worry . . . . [but there is] much more calm and more stability than we experienced in 2009. “We believe this situation will be managed much more smoothly.” Mr Gourgel said the crude slump was a wake-up call that would help Angola diversify from oil and develop its non-oil private sector, including agriculture, mining, fishing and manufacturing. "Now we have to increase the speed of implementation of the diversification — there is no way back," he says. *(Financial Times)*

Angola: New offshore fuelling facility for Luanda port

A US$100m offshore fuel-loading facility opened in Luanda on April 22nd.

One of the largest of its kind in the world, the conventional buoy mooring system (CBM) for boat and tanker refuelling is located next to the Port of Luanda. In its first phase, it has an initial storage capacity of 276,000 cu metres (equivalent to 1.7m barrels of oil- roughly Angola's daily output), but there are plans to expand that to 393,000 cu metres (2.4m barrels) in a second stage of development.

The firm behind the CBM, Puma Energy, has been operating in Angola since 2004. It operates a national network of petrol stations as well as fuel bunkering, direct fuel sales, and a bitumen storage and distribution business in the country. Puma Energy's largest shareholder is a global commodity trader, Trafigura Beheer, while other shareholders include a private firm, Cochan, and Angola's state oil company, Sonangol.

Burmuda-listed Cochan's most high-profile shareholder is General Leopoldino Fragoso do Nascimento (known as Dino), the former head of communications for the Angolan presidency, and now a special adviser to the president's chief of military staff. General Dino was a shareholder in Nazaki, an Angolan oil firm whose partnership with US-based Cobalt Energy International was subject to a Securities and Exchange Commission (SEC) investigation over concerns about beneficial ownership. The SEC probe was wrapped up without charge, but anti-corruption activists have nonetheless raised concerns about how General Dino has been in a position to secure lucrative joint-venture contracts with Sonangol, breaking into a previously closed monopoly of downstream distribution networks.

The opening of the CBM is the latest in a series of upgrades to areas around the port of Luanda and its adjacent oil terminal, SONILS. The government is also keen to improve overall efficiency at Luanda port, where the time taken to import and export goods averages 43 and 40 days, as against sub-Saharan averages of 37.6 and 30.5 days respectively. *(Economist Intelligence Unit)*

CSIR signs partnership agreement with Roads Agency Limpopo

To better manage, maintain and improve Limpopo's ailing road infrastructure, the Council for Scientific and Industrial Research (CSIR) has signed a partnership agreement with the Roads Agency Limpopo (RAL). RAL had calculated that it would need R122-billion to perform the required maintenance of road infrastructure under its jurisdiction and the CSIR would support the RAL's efforts.

"Those kinds of funds are not available to us in the fiscus. Therefore, we need to work smarter with the resources we have and we are confident that the engineers and scientists at the CSIR will be able to assist us in this regard. We expect big things from this partnership and we feel it will truly make a difference," commented RAL CEO Petrus Matji. CSIR built environment executive director Dr Cornelius Ruiters added that the partnership was important, as it would have an impact beyond the borders of Limpopo. "Roads drive the economy; they are the veins that carry the country's lifeblood. In Limpopo, roads play a particularly important role as it shares its borders with three neighbouring countries. It is South Africa's gateway for freight transport deeper into Africa and the province is well-known as an eco-tourism destination," he added. Further, the road network and corridors formed part of the strategic integrated projects under the Presidential Infrastructure Coordinating Commission. "For these reasons, we are humbled that the RAL chose to partner with us and we look forward to working with them to better Limpopo's road infrastructure." Matji said the partnership would initially focus on Limpopo's road asset management. This would entail creating a detailed inventory of the province's road assets, assessing the condition of these assets and calculating the likely rate of its deterioration to ascertain which assets were most in need of urgent maintenance or upgrades. In this way, an informed road asset management strategy could be developed to accurately determine how the road infrastructure budget should best be applied and to tackle Limpopo's road infrastructure challenges in a cost-effective, holistic fashion. CSIR strategic alliances and communication group executive Dr Rachel Chikwamba said improving road infrastructure had an impact far beyond just creating better and safer roads. "When you create better, safer and more functional road infrastructure, you make communities more efficient and you bring about social change in terms of better access and peace of mind," she noted. *(Engineering News)*

South Africa Looks to Middle East, Asia as New Corn Markets

South Africa is seeking new markets for its grains even after the continent's biggest corn producer started importing the yellow variety following the nation's worst drought since 1992 and as transport constraints hamper delivery.

Local farmers want to increase sales to Middle Eastern nations, such as Saudi Arabia, and to Asian countries including Vietnam, Jannie de Villiers, chief executive officer of Grain SA, the country's largest cereal and oilseed farmers' lobby, said in an interview at Bloomberg's offices in Johannesburg. "Every one of them is importing round about 4 million tons from the world market and South Africa has a bigger scope to actually get into that," Wandile Sihlobo, an economist at Grain SA, said during the same interview. Growers in South Africa, which has exported an average of 1.9 million metric tons a year for past seven years, are looking for new buyers even though this season's crop may shrink 32 % because of the drought in key harvest areas. Last year's intake was 14.3 million tons, the largest in 33 years. South

Africa has had success in finding new destinations for its corn, signing a supply agreement with China in December, De Villiers said. In 2010, farmers had a record surplus and new markets sourced then included South Korea, Italy and Mexico. The price of white corn, which is used to make staple food in South Africa, has climbed 21 % this year, while the yellow type, mainly fed to animals, has risen 9.3 %.

Logistics Requirements

"We want to maintain our food security and have a surplus of maize," De Villiers said, using the local term for corn. "Our infrastructure is not, hopefully, going to limit us." While Transnet SOC Ltd., South Africa's state-owned logistics utility, is in the third year of a seven-year, 312 billion-rand ($25.7 billion) plan to increase rail and port capacity, upgrades in service to the agricultural industry are only scheduled for 2024, De Villiers said. About 20 % of grains are transported by train compared with 85 % in the 1980s, he said. "Transport isn't functioning on rail," he said. "The railway is a great asset to the country but it's sad we're not utilizing it."

Harbor Infrastructure

Transnet's three agricultural bulk harbors are capable of handling a combined 4.03 million tons of produce annually, but silos at the East London port in the Eastern Cape province, with 760,000 tons of annual capacity, aren't functioning optimally, limiting the amount the country can import and export, De Villiers said. South Africa wants to raise annual output of corn in the Eastern Cape ninefold to 1 million tons by 2018 as coal mining renders land unsuitable for farming in the northeastern province of Mpumalanga, the government's Bureau for Food and Agricultural Policy said in a report.

Transnet is prioritizing improvements for mined commodities such as coal and manganese and will look at bettering grain transport in future, Chief Executive Officer Brian Molefe said in a March 19 interview in Pretoria, the capital.

"The problem with grain is that once we deploy locomotives, they're seasonal and sometimes there's a lot of volatility, but we are working on it," Molefe said. *(Bloomberg)*

Pumangol installs buoy system for mooring ships in Luanda bay, Angola

Pumangol, the Angolan subsidiary of Singapore-based group Puma Energy, inaugurated a conventional buoy mooring (CBM) system in Luanda bay, the company said.

The CBM is currently one of the largest systems of its kind in the world, is anchored at sea and will cater to small and large tankers of up to 225 tons and a maximum draft of 19.3 metres for unloading and loading of petroleum products.

According to a statement issued in Luanda, the new CBM is located in Luanda bay , near the Pumangol facilities at the Fishing Port, which is undergoing expansion to increase its storage capacity. The expansion of the Pumangol facilities will increase storage capacity to 276 cubic metres initially and this may later be expanded to 393 cubic metres and once completed will cost US$400 million. Pumangol entered Angola in 2004 and established a partnership with Sonangol to invest, recover and liberalise the oil sales and distribution industry. The company currently has four business areas, including Pumangol Retalho, which operates fuel pumps, Pumangol Industrial, which sells fuel to industries, Pumangol Bunkering, which supplies fuel to ships and Angobetumes, which stores and distributes bitumen. Pumangol is a subsidiary of Puma Energy, whose main shareholder is the Trafigura Beheer BV group of the Netherlands, focusing its activity on refining, distribution and transport of refinery products to consumers. *(Macauhub)*

Port of Ngqura takes delivery of high-tech automated mooring units

The last of the 26 mooring units comprising the Port of Ngqura's automated mooring system (AMS) have arrived at the port and are expected to improve port efficiency and safety, further driving the Transnet National Ports Authority's (TNPA's) objective of establishing the port as a leading transshipment hub for the sub-Saharan Africa region. "Procured from global engineering group Cavotec the mooring units were designed, custom manufactured and installed to meet the specific environmental conditions of the Port of Ngqura. "They will complement manual berthing teams at the port by stabilising container vessels on the quayside at the click of a button, reducing docking and undocking times from between 10 and 40 minutes to less than ten seconds," TNPA CEO Richard Vallihu explained. The AMS technology used remote-controlled vacuum pads recessed in, or mounted on the quayside, to moor and release vessels in seconds, increasing productivity. Ngqura port engineer Gerrit du Plessis added that a unique capability of the AMS was that the vessel would be kept almost static while alongside the quay with minimal movements of up to 50 mm only. This was made possible by the unique design of the pneumatic AMS units that could move both vertically and horizontally owing to wind and wave actions and also "walk" up and down the vessel to accommodate tidal variations. Vallihu noted that TNPA would be "leading the pack" in the African maritime industry by acquiring this technology. According to port manager Mpumi Dweba, Ngqura experienced significant long wave effects and strong winds, particularly in the winter months, which frequently caused berthed vessels to move excessively, impacting on cargo operations, safety and the port's efficiency. "This unique vacuum-based automated mooring technology is used in a few ports internationally, but will be the first in the South African port system, proving that the Port of Ngqura is the leader in deploying new technologies to improve port operations and the safety of vessels," she commented. Technicians from Cavotec had been on site since November, assembling and testing units at Berth D100 – one of four berths at the Ngqura container terminal that would be equipped with the technology. Dweba said the pilot berth was selected because it was most severely affected by weather conditions. "We certainly look forward to fewer interruptions in the loading and unloading of ships, which we know will yield significant improvements in our operational efficiency and our ability to better serve clients," she outlined. As part of the contract, Cavotec would upskill local mechanical and electrical companies to enable them to provide ongoing technical support, maintenance and repairs to the port. Ngqura maintenance staff had also received specialised training, while operational training would take place after the units has all been installed by the end of August. The system would, thereafter, be rolled out to three additional berths at the Ngqura container terminal. *(Engineering News)*

MINING

Lucapa Diamond Company finds large diamond in Angola

Australia's Lucapa Diamond Company found a 63.05 carat (12.61 grams) diamond in the Lulo mining concession in Angola, the company said in a statement recently. Lucapa Diamond said the diamond was the largest found since the company and its partners began prospecting operations of alluvial diamonds in the concession in January 2015. "This discovery highlights the potential for the extraction of large diamonds in this mine which may exceed the production of Sociedade Mineira de Catoca," the statement said. The Lucapa Diamond Company's partners in this project are Angolan companies Endiama and private group Rosas & Pétalas. The Lulo concession lies 150 kilometres from the Catoca diamond mine, which has the largest kimberlite in Angola and the fourth largest in the world, and both are located in the same geological area. *(Macauhub)*

Weak commodity outlook puts revenue diversification at top of Gama's Transnet agenda

Acting Transnet CEO Siyabonga Gama, who was appointed to the position following the surprise secondment of Brian Molefe to Eskom, has placed revenue diversification at the top of his list of immediate priorities, with the weak commodity outlook seen as having the potential to undermine the State-owned company's future prospects. In an interview with Engineering News Online, Gama said Transnet's current reliance on a few commodities, such as coal and iron-ore, had increased the urgency to implement the group's road-to-rail strategy in noncommodity sectors. He also confirmed that seasoned railways man Ravi Nair, who had been overseeing the road-to-rail strategy, had been appointed acting CEO of Transnet Freight Rail (TFR) in his absence.

Officially, Molefe had been appointed to temporarily strengthen an Eskom executive team decimated since mid-March by the three-month suspension of four senior executives, including CEO Tshediso Matona. But Public Enterprises Minister Lynne Brown had indicated that she expected Molefe to remain at Eskom for at least a year and possibly longer. For this reason, Gama stressed that both he and Nair have been given full authority over their respective portfolios and that both would seek to balance the longer-term imperatives of the R300-billion-plus Market Demand Strategy (MDS) with immediate pressures associated with the weak economic climate. Gama emphasised that the MDS – the Molefe-inspired counter-cyclical investment plan aimed at rejuvenating and expanding the group's infrastructure and rolling-stock assets ahead of demand – remained strongly intact and that he would continue to drive and consolidate it. "But we are working in a context of very depressed commodity prices . . . and as Transnet we are reflecting on how this might affect us . . . for the longer term; we are convinced that need to diversify our sources revenue, because we are probably too mining dependent," Gama outlined in the interview, having taken up his new position at Transnet's Carlton Centre head office only days earlier. The road-to-rail action plan was viewed as core to the diversification strategy, with Transnet keen to leverage its new, more reliable, rolling stock to raise container volumes and capture higher levels of market share in the transport of manufactured and fast-moving consumer goods. Some recently acquired locomotives, meanwhile, would also be deployed to areas where service levels had been lagging. Gama revealed, for instance, that 28 new electric locomotives were set to be deployed to improve the services to ArcelorMittal South Africa, which had raised serious concerns about TFR's recent reliability. The larger rejuvenation of its rolling stock would continue in parallel, with the four suppliers of 1 064 diesel and electric locomotives putting the final touches to their prototypes ahead of the July deadline, with CSR Zhuzhou Electric Locomotive having already delivered its prototype. The four locomotive suppliers selected to fulfil the R50-billion order were General Electric South Africa Technologies and CNR Rolling Stock South Africa, which would supply 233 and 232 diesel locomotives respectively, and CSR Zhuzhou Electric Locomotive and Bombardier Transportation South Africa, which would supply 359 and 240 electric locomotives apiece. TFR, which had hitherto also focused primarily on the transport import and export cargo, would now also pay closer attention to "point-to-point" inland-market prospects – many of these opportunities that would be pursued in alliance with other private logistics providers. In the coming months, for instance, the utility would begin piloting a road-rail solution on the Cape and Natal corridors, whereby vehicles capable of operating both on rail tracks and on roads would be tested. The aspiration was to improve the interchange between modes, as had been done in countries such as the US and Canada. Should it prove successful, Transnet would be looking to implement the technology more widely across its network in the coming years.

Despite the economic headwinds, Gama also stressed that there was no intention to scale back on the MDS investment programme, nor materially alter the associated funding plan. The intention was still to secure two-thirds of the funding from revenues generated by the group's rail, ports and pipeline businesses and to finance the balance through borrowings, including through continued bond raising. Notwithstanding the depressed commodity environment, Transnet had managed to grow its coal and iron-ore volumes in 2014/15. The group was yet to release figures for the full year, but during the six months to the end of September, it reported that export coal volumes rose 4.3% to 43.7-million tons and that it still expected to rail 74.2-million tons for the year as a whole. Iron-ore volumes along the Sishen-Saldanha corridor rose 3% to 27.9-million tons, with 57.1-million budgeted for the full year. In a bid to shore up future volumes and lower the risk associated with its large-scale investment programmes, TFR had migrated the iron-ore line across from yearly tariff negotiations to take-or-pay contracts, and Gama said it was on the cusp of concluding similar arrangements with all 36 of its coal customers. The utility had hoped to conclude all the coal negotiations by the end of March, but Gama said only “governance processes” stood in the way of the final signatures and that he remained confident that the “last one or two” outstanding agreements would be concluded soon. Mining group Glencore had strong reservations about the take-or-pay model, warning that such agreements could undermine security of coal supply to Eskom. However, Gama quipped that he hoped to be able to host a “gala dinner” in the not-too-distant future where he would thank the coal miners for their cooperation, following two years of tough negotiation. He also remained optimistic about prospects for major coal-linked projects, saying that a final investment decision on the SwaziLink project, which would divert general freight off the coal export corridor and raise the Richards Bay-line’s yearly capacity to close to 100-million tons, should be made by August. Studies were also progressing on ways to open up the Waterberg coalfields to the export markets. In both instances, funding plans would deviate from Transnet’s traditional model, with the Waterberg initiative likely to be implemented as a public-private partnership and with the crossborder SwaziLink project likely to be pursued under the aegis of a special purpose vehicle, owned by Transnet and Swaziland Railways. The latter project was also expected to attract high levels of development-finance interest. In taking over the reins at the 61 000-employee-strong freight logistics group Gama said he would continue to draw inspiration from Molefe’s tenure, which had been characterised by “bold” decision-making and a diligent execution of strategy. “[Molefe] showed a lot of courage in saying that we should go for the MDS. He was always dedicated and committed to our cause . . . and did not turn back at the first sign of turbulence. He was always resilient, saying: ‘Guys, as long as we know that the strategy is the correct one . . . we must push ahead’,” Gama mused. *(Engineering News)*

Petra plans $300m notes issue to fund R1.65bn overhaul of 58-yr-old Cullinan plant

Jersey-headquartered Petra Diamonds plans to launch a $300-million notes issue and increase its senior lender debt facilities to fund the construction of a R1.65-billion processing plant at the Cullinan mine, in South Africa, by the end of 2017. The group outlined that it intended to offer $300-million in aggregate principal amount of senior secured notes, which would be issued by its US subsidiary. Proceeds from the notes would be used to settle certain existing debt and, together with future drawdowns from the group's debt facilities, to fund the construction of the processing plant at Cullinan, as well as for general corporate purposes and to pay fees and expenses associated with the notes. Moreover, Petra's lender group, comprising Absa, FirstRand and the International Finance Corporation, had agreed, in principle, and subject to the closing of the notes, to increase the group's debt facilities by $81.6-million to $302.4-million, along with certain amended availability and repayment terms. “The notes, along with the increase in lender group debt facilities, will diversify Petra's sources of funding, providing the group with additional financial flexibility as it pursues its stated growth strategy,” the company said in a statement. Petra outlined that the existing Cullinan plant had been commissioned in 1947 and had since undergone various refurbishments over the years. Owing to its age and operational complexity, it was expensive to maintain and costly to operate, requiring significant stay-in-business capital expenditure. “The plant is also based on old crushing technology, which we believe does not offer the best potential for optimal diamond recoveries,” Petra maintained. The diamond producer explained that it was planning the construction of a modern, fit-for-purpose processing plant at Cullinan with a throughput capacity of six-million tons a year. The new plant was expected to improve the recovery of the full spectrum of diamonds –thereby increasing the volume of stones recovered, as well as better protecting large stones from breakage – and improve the efficiency of the material flow, thereby significantly lowering operating costs. It would incorporate an autogenous mill, which Petra believed offered a gentler recovery process that broke down ore through attrition rather than crushing, thereby better protecting the large, high-value stones for which the Cullinan mine was known. High-pressure grinding roll technology, which was considered a gentler liberation technique incorporating interparticle crushing that moved away from high-impact cone crushing, would also be included in the design. X-ray fluorescence technology would, meanwhile, replace the conventional dense media separation plants, enabling the plant to treat coarser material over 12 mm in diameter. “Cullinan is known to consistently produce large, high-value diamonds, including the 3 106 ct Cullinan diamond – the largest gem diamond ever recovered. At the time the mine was taken over by Petra it had produced one-quarter of all the world's diamonds greater than 400 ct. “The new plant is expected to reduce large stone breakage with a resultant positive impact on recoveries and sales revenues,” the diamond producer noted. In addition to the benefits to large stone recoveries, Petra believed the improved diamond liberation technologies were expected to lead to an improvement in the currently guided overall grade achieved at Cullinan. The new plant would also reduce the processing footprint at Cullinan from 26 ha to 5 ha, with the associated reduction of engineering infrastructure deployed, including an expected reduction in the number of conveyor belts used from 151 to 22. “Operating efficiencies and security improvements will be driven through increased automation, reduced tonnes in circulation and improved energy efficiencies, with an expected improvement in energy efficiency. “Based on these efficiencies, the company will target overall direct cash cost savings of up to R15/t treated," it stated. The bulk of the project related work would be executed by MDM Engineering and the company did not expect there to be any impact on current day-to-day operations or throughput at Cullinan while the new plant was being built. *(Mining Weekly)*

Barrick will not suspend copper mine as Zambia backs down on royalties
Barrick Gold Corp, the world's biggest gold producer, said it will not suspend operations at its Lumwana open-pit copper mine in Zambia now that the country's government has reduced mining royalties. Zambia's cabinet set the royalty tax rate for open-pit and underground mining at 9%. The corporate income tax rate will be 30% and the mineral processing tax rate will be 35% when the law takes effect on July 1. "We appreciate the leadership and engagement of President (Edgar) Lungu and the government of Zambia on this matter," Barrick Co-President Kelvin Dushinsky in a statement. "While Lumwana still faces challenges, in light of the government's recent announcement we intend to continue operations at this time" The changes are yet to be approved by the parliament in Africa's second-largest copper producer, but are expected to receive support from the assembly. Zambia decided in January to increase royalties for open pit mines to 20% from 6% and raise rates for underground mines to 8% from 6%. The move rattled unions and mining companies and forced the government to review the plan. Barrick had warned in December that it would suspend operations at Lumwana due to the royalty rate hike, which it said would make the mine uneconomic. Some 2 000 workers at Lumwana held a one-day strike in February to protest possible job losses but Zambia's president said his government would not allow mining jobs to be lost, and directed his cabinet to review the royalties. However, Vedanta Resources' Zambian copper unit, Konkola Copper Mines, said it would continue to lose money under the new tax regime. Steven Din, chief executive of KCM, which runs an open pit and underground mine as well as a copper smelting plant, said and that he was comforted by the government's willingness to talk to mining companies. "So if the mining companies certainly feel that they still have difficulties, I believe that the government will be listening and then we will have a win-win solution," Din said. Other foreign companies running mines in Zambia include Glencore and Canada's First Quantum Minerals. *(Mining Weekly)*

Drilling kicks off at Burkina Faso gold project
Canadian exploration company Savary Gold has started a 15 000 m drill programme at its Karankasso project, in Burkina Faso. The project was a joint venture between Savary and West Africa-focused gold explorer Sarama Resources. A drill contractor and geological and service personnel were mobilised to the south-western Burkina Faso site to initiate the programme aimed at following up on ore-grade intercepts from five previously modelled zones and testing nine newly developed targets. "We look forward to receiving the results of this programme, which will advance the project and hopefully move it toward the estimation of a maiden mineral resource," Sarama president and CEO Andrew Dinning said. Sarama, which had a 35% interest in the project, said the first phase of the drill programme would comprise 63 reverse circulation drill holes totalling 6 600 m, with additional drill holes planned and executed following the completion and review of the first-phase results. *(Mining Weekly)*

Zambian bankers applaud new mining tax structure
Zambia recently set its royalty tax rate for open cast and underground mining at 9 %, a downward revision from the earlier planned rate of 20 %. This move has been applauded not only by key foreign investors, but by the Bankers Association of Zambia (BAZ). The association believes it will help instill trust and confidence in the Zambian economy. "The reversal of the 2015 mineral tax brings relief to the mining tax impasse, especially that this immediately follows relaxed rules on VAT rule 18 and we hope this turns a new chapter and brings back trust and confidence between the Government and the Mining sector," said Mr Mwanza, CEO of the BAZ. "As a sector, our view is that fiscal issues must be given an equal weighting in addressing economic challenges as opposed to reliance on monetary policies alone to ensure economic fundamentals were evenly balanced in the market," he added, indicating the association's dissatisfaction with the current imbalances. The association urged mining companies to unlock their investment muscle as the contentious issues regarding taxation had been addressed.
In a bid to boost revenue from its mining sector, Zambia had earlier planned to increase royalties for open pit mines to 20 %, from an initial 6 %. Underground mines were to be slightly increased to 8 %. The reaction to this was overwhelmingly negative as the country's chamber of mining warned that it could cost the country $7 billion in output over the next half-decade as well as an estimated job loss pegged at 12,000. The move also aggravated unions, miners, and investors, who threatened to pull out of the country. *(Ventures Africa)*

OIL & GAS

Anadarko Petroleum to make decision on investment in Mozambique
US group Anadarko Petroleum will soon sign the sales contract allowing it to advance in the natural gas exploration project in northern Mozambique, said in Maputo John Peffer, director of the group in Mozambique.

Peffer said that if the sales contracts are signed "in the coming months" and the government permits come in time the group can make a decision and "production can begin in 2019," according to financial news agency Bloomberg.
The Area 1 block, in which the US group is the operator, has natural gas reserves estimated at 75 trillion cubic feet, enough to make Mozambique the world's third largest supplier of natural gas, after the Qatar and Australia.
A final investment decision depends on the conversion of non-binding agreements into binding ones that the Anadarko Petroleum group has closed to export 8 million tons of natural gas per year to customers in Japan, China, Thailand and Singapore. *(Macauhub)*

LNG Takes Off in Gas-Rich Mideast as Conflict Thwarts Pipelines
Pipelines are a cheaper way to deliver natural gas than tanker ships. They're also easier to blow up. That's one reason countries in North Africa and the Middle East are going full steam ahead on sea transport. They also want diversity of supply. Middle Eastern imports of liquefied natural gas rose 31 % last year as deliveries to Kuwait, Dubai and Israel increased at the fastest pace in four years. The fuel -- natural gas chilled to a liquid for transport - is in demand as electricity usage surges for growing populations and industries. The Middle East and North Africa will spend $120 billion on gas-fired power plants by 2035, more than either China or the 28 member states of the European Union, according to the International Energy Agency. Strife between nations such as Morocco and Algeria have made pipelines pawns in political power plays as well as increasingly attractive targets for sabotage. "There is no question that pipeline gas is cheaper than LNG, but we can't rely on a single source for natural gas," Morocco's Minister of Energy & Mines Abdelkader Amara said. "It's a strategic decision." The region is home to more than half the world's natural gas reserves. Even so, Dubai and Kuwait already are major importers, and Egypt, Jordan and Pakistan are adding import terminals with combined annual capacity equal to 80 % of all facilities built worldwide last year, according to the International Group of Liquefied Natural Gas Importers.

Cost Comparison
Natural gas cost only $2.592 per million British thermal units on the New York Mercantile Exchange. The price for LNG in May to northeast Asia was almost three times as much at $7.38 per million Btu, according to Platts, a unit of McGraw Hill Financial Inc. Morocco, which closed its border with gas-rich Algeria in 1994, is building a $4.6 billion power-plant complex to be supplied with LNG from as far away as Qatar, Russia and the U.S. Amara, the country's energy minister, said last month that "uncertainty" over the future of a pipeline network for Algerian gas exports motivated his country to secure LNG as an alternative. Egypt halted exports by pipeline to Israel in 2012 and Jordan in 2013 amid sabotage attacks on its network in the Sinai Peninsula. Egypt's government began importing Algerian and Russian LNG in March. Dubai, Kuwait and Israel imported 4.1 million metric tons of LNG in 2014, up from 3.1 million a year earlier.

Growing Imports
Jordan will start receiving 150 million cubic feet per day of LNG from Royal Dutch Shell Plc in May. The country will seek offers for an additional 100 million cubic feet of the fuel in July, Mohammad Hamed, a former energy minister, said Jan. 21. "The region is emerging as an LNG importer," Robin Mills of Dubai-based consultants Manaar Energy, said by phone on April 2. "Major energy producers as well as countries with few resources like Morocco and Jordan are looking at global energy markets because of the difficulty of getting regional gas."
A 61 % drop in LNG prices since February 2014 may be spurring deals, he said. LNG deliveries to the Middle East and North Africa are set to more than double to 8.4 million tons in 2015, the fastest growth rate in the world, according to London- based consultants Energy Aspects Ltd. A $7.4 billion project for a pipeline to Pakistan from neighboring Iran, holder of the world's largest gas reserves, has stalled. Pakistan joined a coalition fighting in Yemen against rebels from a branch of Shiite Islam, Iran's main religion, and started buying LNG from Qatar in March.

Iran Constraints
Qatar, the biggest LNG producer in the Middle East, ships 77 million tons of the fuel per year. Iran is constrained by international sanctions over its nuclear program and has postponed plans to build a $3.3 billion LNG plant, Alireza Kameli, managing director of National Iranian Gas Export Co., said in a Dec. 18 interview in Doha.
"Politics has stopped pipeline projects even though the economics of sending gas from countries with surplus supply to those with demand makes sense," Mohamed Ramady, an associate professor at King Fahd University of Petroleum and Minerals in Dhahran, Saudi Arabia, said by phone on April 14. Most of Iran's current gas exports go by pipeline to Turkey. The Islamic Republic has also signed deals to build pipelines to Iraq and Oman, but like the link to Pakistan, both have been delayed. Construction of the pipeline inside Iraq has been postponed as the country battles Islamic State militants, Kameli said. Iran has discussed possible exports to Kuwait, 30 miles (48 kilometers) away, for more than a decade. A pipeline from Iran to the United Arab Emirates has been dormant since its completion in 2006. The U.A.E., which receives pipeline gas from Qatar, is boosting LNG capacity to allow more flexibility for power generation.
Lower prices compared with last year's peak and a wider variety of supplies are part of the liquefied fuel's appeal, Manaar's Mills said. "It stops a country from being held hostage by a neighbor that controls a pipeline," he said. *(Bloomberg)*

Mozambique economy: Quick View - Energy companies moving closer to investment

US-based Anadarko has confirmed that final approval of investment in its liquefied natural gas (LNG) project is possible this year, with the company hoping that this will make production possible by 2019.

The announcement by Anadarko that an investment decision on its US$20bn LNG project could be made later this year is a positive sign that the development of gas resources, which will have a transformational impact on Mozambique, is edging closer.

According to Anadarko, which leads a consortium of companies developing the offshore Area-1 in Cabo Delgado province, if a final investment decision (FID) is made in 2015, development of the project would proceed with production possible by 2019. The project still requires final approval from Mozambican authorities on certain components, including a development plan for one of the gasfields and a resettlement plan at the project site. A FID also depends on converting the heads of agreements, signed with Asian customers in March 2014, into binding sales contracts to secure a long-term market for Mozambique's gas.

Adding some uncertainty, however, there is market speculation that Anadarko is considering selling part, or all, of its stake in the Area-1 development. US-based ExxonMobil and Qatar Petroleum have both been named as potential buyers, but as yet none of the companies involved have confirmed a deal. Anadarko has long been reducing its direct participation in the project to boost cash flows and spread the project's associated risks. Most recently, in March 2013 India's ONGC Videsh jointly purchased a 10% stake for US$2.5bn, although this may not be reflective of the project's current valuation given depressed energy prices.

Separately, the group of Indian companies that already hold a combined 30% stake in the Area-1 development have met the Mozambique authorities to discuss further co-operation. The companies concerned-ONGC Videsh, Bharat Petroleum and Oil India-committed US$6bn to the project, pending a FID, in addition to the US$6bn that they have already invested. The companies' 30% stake in the project translates to approximately 22trn cu ft of gas, which is a significant amount in relation to India's domestic gas supply deficit. *(Bloomberg)*

Tullow Says Ghana Oil Project Can Move Ahead After Court Ruling

The $4.9 billion development in an offshore zone under dispute between Ghana and Ivory Coast is expected to produce up to 80,000 barrels of oil a day

Tullow Oil PLC was handed positive news Saturday 25th April, when an international tribunal ruled against suspending all petroleum operations in an offshore zone that is under dispute between Ghana and Ivory Coast.

The International Tribunal for the Law of the Sea, or ITLOS, ruled that no new drilling either by Ghana or under its control could take place in the disputed area. However, Tullow has already completed the drilling required for oil to flow next year from the development. “Following this ruling, the TEN project can move ahead and we will now await instructions from the Government of Ghana with regard to implementing those provisional measures that have been ordered by ITLOS,” a Tullow spokesman said. The Tullow-led development of the TEN offshore oil fields are expected to add to the company’s cash flow and profits. The $4.9 billion development is expected to produce up to 80,000 barrels of oil a day.

Ivory Coast, which neighbors Ghana, had asked for the international tribunal to force Ghana to suspend all exploration and development in the disputed area. Final judgment on the case is expected late 2017. *(Wall Street Journal)*

Europe’s Oil Companies Eyed for Takeover

Investors are now betting on who will be next after Shell’s $70 billion deal to buy BG Group

Europe’s biggest independent oil companies are flush with energy assets, but battered by the collapse of crude prices.

Investors are now betting on which one could be the next big acquisition target, following Royal Dutch Shell PLC’s deal earlier this month to buy BG Group PLC for $70 billion.

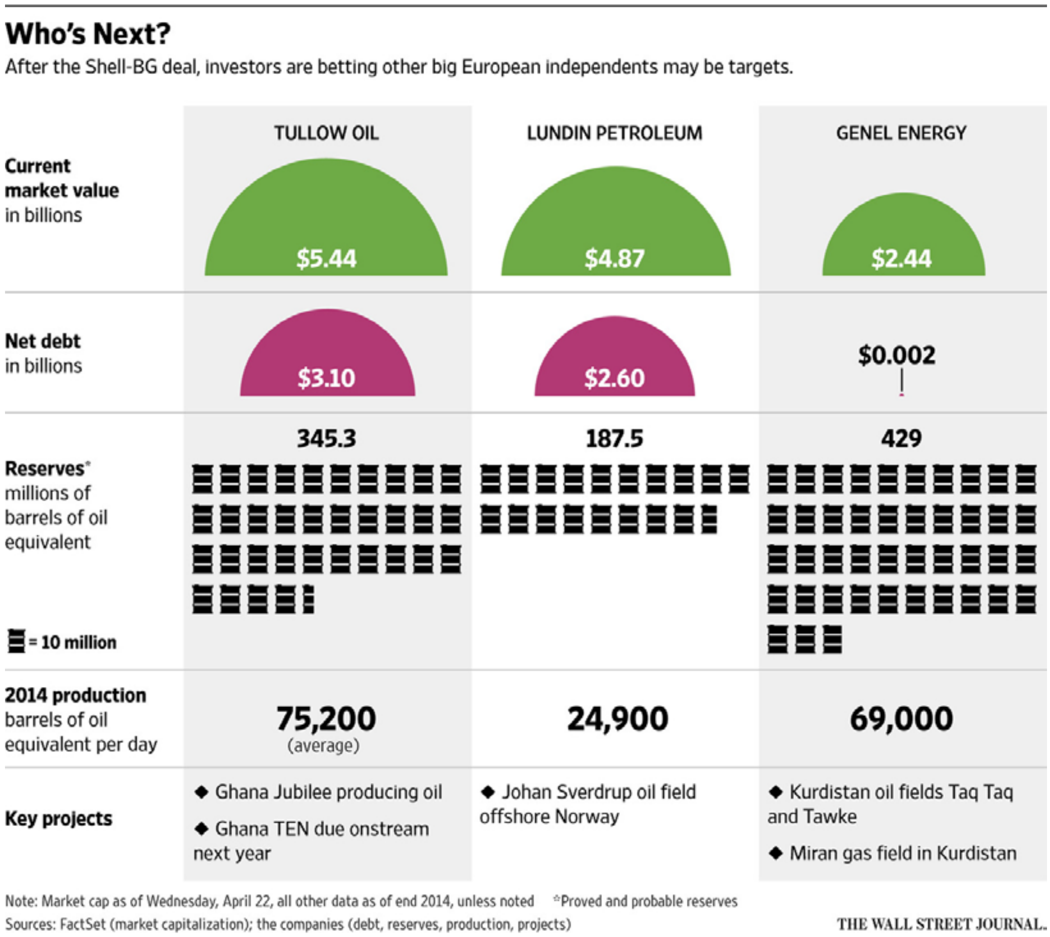
Many analysts have been predicting a wave of deals in the wake of that blockbuster and after last year’s sharp fall in the price of oil. Europe’s bevy of exploration and production companies sits at the top of the list of potential targets.

Those include Tullow Oil PLC, the U.K.’s largest independent oil explorer; Genel Energy PLC, which produces crude in Kurdistan; and Sweden’s Lundin Petroleum AB, which has a stake in a huge new North Sea development.

Investors are expecting deals in the U.S. as well. Possible prey include some of the relatively small but highly leveraged shale oil-and-gas producers that have played a key role in quickly raising U.S. production, a big factor in the current price weakness. But analysts caution that the gap between buyers’ and sellers’ expectations on price may still be too wide to immediately spark a big wave of deal-making there.

In Europe, share prices have soared amid near-daily speculation among analysts and investors about who might be next. Tullow stock, for instance, is up around 40% since the Shell offer, significantly outperforming the index of the FTSE’s top 10 oil and gas companies over the same period.

“Companies that are unloved by the market but big in strategic resource themes—U.S. tight oil, East Africa liquefied-natural gas, deep water or frontier exploration—will be the focus of their attention,” said oil and gas consultancy Wood Mackenzie in a note.



Energy acquisitions were expected to pick up after oil prices dropped from a high of $115 a barrel for Brent crude, the global benchmark, last summer to a low of $45 in January. Few deals were made, though, as the market's continued volatility made it hard for buyers and sellers to value assets and agree on a price.

Shell's offer for BG sent a jolt through the industry, triggering speculation over what might be next. Possible acquirers include Exxon Mobil Corp. , which has expressed interest in deal making this year. State-run oil companies in Asia, like China's Cnooc Ltd. and India's Oil & Natural Gas Corp. , may also see opportunity.

Exxon declined to comment on the subject. Chairman and Chief Executive Rex Tillerson told analysts in March: "No question, there are some good opportunities in front of us right now." Cnooc declined to comment. A spokesman for ONGC said its international arm, ONGC Videsh, was always looking at opportunities, but declined to give any details.

Goldman Sachs said in a recent report that big companies could buy smaller explorers and scrap their own expensive projects. A potential 5 million to 10 million barrels a day of low-cost projects could move from small companies to the majors and state-run oil companies, the bank said.

Obstacles remain to any new deals—including a big question mark over whether some of the largest companies are willing to make a move. Executives at BP PLC of the U.K. and Total SA of France said last week that acquisitions may not be in the cards. Both had borrowed money in recent weeks, fueling speculation they were on the hunt.

As for potential prey, investors are betting Tullow could be next. Its assets include an already-producing Ghana oil field, a second one starting up next year and some undeveloped oil discoveries onshore in Kenya and Uganda. The company has said that pumping oil from the two Ghana developments will cost around $8 a barrel—the kind of cheap production that would be tempting for a bigger oil company trying to boost production and save money while oil prices are around $60 a barrel.

Although Tullow's share price has rebounded sharply since the Shell announcement, the company's current market capitalization of about $5.44 billion is still less than a quarter of its $21.8 billion stock-market value at its peak in 2012.

Top management has been publicly opposed to a sale. Tullow founder and Chief Executive Aidan Heavey has said the company isn't for sale. He declined to comment for this article.

Genel CEO Tony Hayward, the former boss of BP, told investors that the company was looking at acquisition opportunities itself.

"We're actively engaged both in getting together with larger companies and smaller companies in Kurdistan," Mr. Hayward said. "Whether anything will come of it only time will tell," he said.

Genel's production costs are low—it costs the company around $2 a barrel to pump oil from its Kurdish fields. But it still hasn't been fully paid by the regional government for its oil exports and last year reported a net loss.

Shares in Sweden's Lundin Petroleum and Det Norske ASA have also risen since the Shell-BG deal. Both companies have stakes in Johan Sverdrup, a huge oil field in Norway's North Sea, which is expected to start producing in 2019. Statoil AS A, which operates the field, has said the field would be profitable at an oil price above $40 a barrel. Both companies declined to comment. *(Wall Street Journal)*

AGRIBUSINESS

Factory funded by China boosts agricultural production in southern Mozambique

The inauguration of the Chokué Agri-Industrial Complex, developed with funding from China, opens up new horizons for agricultural production in Gaza province, southern Mozambique, which now has another unit for rice processing and product storage.

Launched in the first half of 2013, the factory was officially opened by the President of Mozambique, Filipe Jacinto Nyusi, who sent a message of thanks to the Chinese authorities for their support for the project.

Through the Export-Import Bank (Exim) of China, the government of Mozambique received a subsidised loan of US$60 million for construction of the factory, which is considered strategic for the development of agricultural capacity of the inner region of Chokué, where the country's largest irrigation system is located.

Currently managed by state company Hydráulica do Chokué (HICEP), the irrigation system was created during the colonial era and has in recent years undergone repairs, which led to an increase in rice production, the crop that takes up most of the land along the channels, whose irrigation capacity exceeds 30,000 hectares.

The Chokué Agri-Industrial Complex (CAIC) was designed taking into account the needs of rice processing, now guaranteeing a capacity of at least 60,000 tons of rice per year, which will considerably shorten the distance previously covered by producers as the nearest unit, in Xai-Xai, owned by Chinese project Wambao Agriculture, is 130 kilometres away.

However, in addition to rice, the factory will also process tomato and cashew nuts. This year alone it is expected to 1,200 tons of tomatoes and 480 tons of cashews and the complex also has a storage area for 30,000 tons of vegetables.

Another important aspect of the project was the installation of cooling systems with a capacity to store 15,000 tons, which is expected to extend the shelf-life of vegetables, thus improving the bargaining power of local producers.

The complex, whose shareholder structure includes state stake holding management company Igepe, with 70 %, the Limpopo Valley Agricultural Company (Saval), with 10 % and HICEP (20 %), is expected to employ around 200 workers.

With a view to transforming Gaza province into "Mozambique's grain store" local authorities have been promoting contacts between farmers from the Chokué region and Wambao Agriculture, with state irrigation company RBL, which manages the second irrigation system in Gaza province, as intermediary.

In this second irrigation area Wambao Agriculture has an investment project valued at US$250 million, which is primarily designed for production of rice, and one of Wambao's commitments is to transfer knowledge and technology to Mozambican farmers. *(Macauhub)*

South Africa's inclusion in AGOA at risk

South Africa's inclusion in the African Growth and Opportunity Act (AGOA), which grants preferential access to the US market for many Sub-Saharan African countries, is at risk because of a bitter and protracted dispute about the imposition of anti-dumping duties on US chicken. Two US senators are threatening to exclude South Africa from AGOA unless the issue is resolved, although South Africa contends that the anti-dumping duties are both appropriate and allowable (under World Trade Organisation provisions). South African and US poultry organisations tried but failed to negotiate a compromise ahead of bilateral trade talks starting in mid-April-within the context of the US-South African Trade and Investment Framework Agreement-thereby fuelling uncertainty about South Africa's status as an AGOA beneficiary.

AGOA, which came into force in 2000, will probably be renewed when it expires on September 30th, five years after it was last extended. African states, including South Africa, are strongly in favour of extending the act, which grants qualifying countries duty free access to the US for approximately 95% of product lines. Unlike most other African states, which export a limited range of AGOA-eligible goods, South Africa sells a wide array of products to the US, including wine and vehicles, and is among the single largest beneficiaries of AGOA. South African exports to the US rose to R69.8bn in 2014 (US$6.4bn using the 2014 exchange rate), equivalent to 7.1% of global sales. Imports from the US were at a similar level (R71.4bn in 2014; 6.6% of total purchases), leaving bilateral trade roughly in balance. AGOA clearly boosts South Africa's competitiveness in the US market and is positive for exports, growth and employment, but these benefits are now at risk. Chicken duties are not the sole area of disagreement but, from the US perspective, will provide a major test of South Africa's willingness to compromise.

Protection for domestic chicken

South Africa has long sought to protect domestic poultry producers and imposes duty of 37% on chicken imports from all countries. However, US chicken faces additional anti-dumping duties that can lift the effective tariff rate to more than 80%, thereby rendering US product uncompetitive. South Africa also imposed provisional anti-dumping duties on chicken from three EU countries in 2014, but the restrictions on US chicken are far longer lasting. South Africa contends that US chicken is "dumped" at below the cost of local production, but the US believes it is being unfairly discriminated against compared with other foreign suppliers. At present, about 22% of South African chicken demand (of 1.8m birds a year) is met by imports, valued at about US$350m; the US is seeking a larger slice of this market.

Poultry associations fail to reach agreement

The US and South African governments handed responsibility for finding to a solution to their respective industry groups: the South African Poultry Association (SAPA) and the USA Poultry and Egg Export Council. However, despite lengthy talks, most recently in March, the two sides remain far apart. SAPA has proposed concessions worth approximately R800m (US$70m) a year (in the form of duty-free allowances and rebates) but the US counter-proposal, based on much larger duty-free allowances, is valued at about R2.1bn a year. SAPA's approval of any deal would greatly speed the process of persuading South Africa's International Trade Administration Commission (ITAC) to amend duties affecting US chicken, but the process would be protracted, and involve a series of public hearings, without SAPA's acquiescence. Both governments will lobby for their respective poultry organisations-and put pressure on them to clinch a deal-but they are unable to impose a solution. It is hard to determine how serious US legislators are about carrying out their threat to exclude South Africa from AGOA if there is no compromise, and the negotiations are partly a game of brinkmanship. However, Senators Chris Coons (Delaware) and Johnny Isakson (Georgia) are leading a high-profile campaign that has attracted bipartisan support.

Areas of concern extend beyond poultry

Chicken duties may be the deal maker (or breaker), but US concerns about some other South African policies are also increasing. In particular, the Private Security Amendment Bill, which would force foreign providers to hand a majority (51%) equity stake to South Africans, is arousing particular ire. The bill was passed by parliament in the run-up to last year's election but is still awaiting for the assent of the president, Jacob Zuma, with the delay partly attributable to intense lobbying by South Africa's trade and investment partners against what they see as forced nationalisation. If Mr Zuma returns the bill to parliament, the controversy would dissipate, but if he signs the bill (or leaves it in limbo), South Africa's AGOA status would face an additional threat. Other pending legislation, such as a new foreign investment bill (that may limit recourse to international arbitration) and an expropriation bill (that could result in reduced compensation) are also areas of concern.

South Africa may need to make some concessions to retain its AGOA status-especially over chicken duties-but the process will be challenging. A further complicating factor is that South Africa's chief negotiator, the trade and industry minister, Rob Davies, hails from the government's interventionist wing, which favours strong protection for local industry. We still believe that a mutually acceptable compromise will be found, but there is a chance of failure. South Africa's removal from AGOA, apart from entailing direct costs, would send a negative signal to foreign investors and, combined with concerns about power shortages, stricter labour laws and a deteriorating fiscal position, would raise serious questions about future economic prospects. South Africa's retention of its AGOA status, by contrast, would be a positive development. ***(Economist Intelligence Unit)***

Council grants Kenya sugar safeguard

The Kenyan sugar sector has been given a one year extension of the existing safeguard subject to review and renewal for another one year. The decision was made Thursday 26 March 2015 by the COMESA Council of Ministers during its two day sitting in Addis Ababa Ethiopia.

The extension will operate on the basis of the terms and conditions set out in Directive No. 1 of 2007. These included privatising state owned mills, doing research into new early maturing and high sucrose content sugar cane varieties and adopting them, paying farmers on the basis of sucrose content instead of based on weight, maintaining the safeguard as a tariff rate quota with the quota increasing while the above quota tariff falls until it reaches 0% and maintaining and providing infrastructure including roads and bridges in the sugar growing areas.

In making the decision, the Council noted that the Directive on the safeguard had been implemented and the Kenya parliament had approved privatization of the five public sugar companies. Fifty one per cent would be sold to private investors, 30% to the farmers and 19% through initial public offer once they become profitable.

In making the decision, the Council was guided by a study conducted by the COMESA Secretariat on the competitiveness of the Kenya Sugar Sector. The study found, among others, that the safeguard had made it possible for new investors to enter the Kenyan sugar sector. It was noted that without the safeguard, it would have been difficult for these investors to enter a market that was flooded with cheap sugar imports.

Further, the Council noted that during the COMESA safeguard period, the sugar industry composition had changed to about 70% (2014) private sector holding compared to initial 33% in 2004 which illustrated the level of business confidence resulting from the protection. It was noted that if the new entrants were given sufficient protection for a period of time, they would stabilize and significantly improve the competitiveness of the sugar industry in Kenya.

Kenya application was based on Article 61 of the COMESA Treaty that provides for safeguard measures for domestic industries need protection against international competition until they become mature and stable.

In granting the application of the extension of the sugar safeguard for Kenya, the Council underscored the importance of having a system that benefits all sugar exporting Member States especially in terms of promoting intra-COMESA trade. In this regard the meeting supported the idea of allowing Member States to assist meet the sugar deficit in Kenya through country-specific quotas under a formula to be developed. But until then, the current permit system will continue to apply.

The Council directed that the administration of import permits should be simple, quick, transparent, and efficient to avoid unnecessary delays that increase the cost of business and limit access to the Kenyan market.

The Council further directed that an ad hoc technical working committee should be convened not later than 30 June 2015, to thoroughly deal with a formula for allocating country specific quotas, and the draft criteria for determining that an industry is an infant and report to the next Trade and Customs Committee meeting scheduled for mid-year. *(Comesa)*

African sugar producers should eye regional markets: minister

African sugar producers will have to focus on growing regional markets before the European Union dismantles production quotas from 2017, Nigeria's agriculture minister said.

The EU has been a net importer under its protected sugar regime, but the EU beet sector is expected to become more competitive and could become a net exporter of white sugar when Brussels dismantles production quotas in October 2017.

"Africa needs to lower the trade barriers ... so a lot of sugar can move in Africa’s market," Akinwumi Adesina, who is part of the outgoing Nigerian government and also one of eight candidates shortlisted to become African Development Bank (AfDB) President later this year.

Regional trade could open new markets to African sugar producers, and help support the industry, Adesina said.

Kenya, Uganda and Sudan were all doing well in sugar production, but the continent overall needed more investment in the industry, Adesina told Reuters in an interview.

Apart from more trade, African countries also needed to expand their refining capacity to move up in the global commodities value chain, Adesina added.

"What needs to be done is to continue to increase productivity of the sugar plantations..., to increase the capacity to refine sugar and then to make sure that there is a lot more investment in infrastructure." *(Reuter)*

TELECOM

Vodafone to Cooperate With MTN Over African Mobile Banking

Vodafone Group Plc will work with MTN Group Ltd., Africa’s largest wireless operator, to ease mobile-banking services in parts of the continent’s sub-Saharan region.

The partnership will enable customers of Vodafone’s M-Pesa and MTN’s Mobile Money divisions to make low-cost transfers to users of either service among seven African countries, the companies said in a joint statement.

“Together, we aim to build a scalable model that will accelerate remittance roll-out across the continent,” Serigne Dioum, MTN’s head of mobile financial services, said in the statement.

Mobile-money transfers allow people to to pay for services, such as satellite television and electricity, without cash as well as obtain loans and savings accounts in parts of the continent where banks are scarce. Wireless operators are developing financial services to generate sales in Africa as revenue from voice calls declines.

Vodafone, based in Newbury, England, has 7.6 million M-Pesa users in Africa through its Vodacom Group Ltd. unit, and more than 20 million Kenyan subscribers through Safaricom Ltd., in which it has a 40 % stake. Johannesburg-based MTN has more than 22 million mobile-money users.

South Africa

Johannesburg-based Vodacom, which is 65 % owned by Vodafone, is working with MTN and regulators on the development of mobile-money services in South Africa, the continent’s most industrialized economy, spokesman Richard Boorman said by e-mail.

“Discussions are being held among the key industry role players to enable this,” Boorman said. “Our understanding is that the South African Reserve Bank is reviewing the regulations with a view to lowering the barriers to international transfers, which would in turn make the provision of this type of service more affordable.”

MTN shares rose as much as 1.5 % and were little changed at 225.10 rand as of 11:38 a.m. in Johannesburg. Vodacom gained 1.4 % to 146.18 rand, while Vodafone declined 0.5 % to 227.95 pence in London.

The countries where the interconnected M-Pesa and MTN Mobile Money service will be available include Kenya, Tanzania, the Democratic Republic of Congo, Mozambique, Uganda, Rwanda and Zambia. *(Bloomberg)*

SA mobile competition starting to ease

Competition in South Africa’s mobile market is starting to ease, global ratings firm Standard & Poor’s (S&P’s) Paris-based telecoms and technology director for the Europe, Middle East and Africa region Mark Habib said this week. Speaking to Engineering News Online during a visit to South Africa, he said there seemed to be a slowdown in competition since South Africa's third-largest mobile operator Cell C sparked a price war in the sector to improve its market position.

South Africa's already saturated mobile market, with 140% mobile penetration, did not leave much room for growth and the country's three largest mobile operators this year started hiking their prices – a reverse on the significant price cuts initiated by Cell C over the past three years. In April, MTN revised its subscription rates upwards for its contract and data plans and was currently reviewing its prepaid data bundle prices. "The reduction in mobile termination rates (MTRs), coupled with the increased costs of network investment, has necessitated a review of pricing," the company said at the time. This had followed on Vodacom's announcement in March that its prices would increase on selected price plans as from May. Cell C, which had leveraged Independent Communications Authority of South Africa's (Icasa's) MTR cuts and ploughed all the savings to undercut the prices of competitors, had also hiked prices on some of its offerings in January. In September, the MTR rate was reduced by half to 20c, with an asymmetry rate reduced from the initial 44c to 31c, as Icasa started its new glide path from October 2014 to September 2015. Following this, the MTR would decline to 16c, with an asymmetry of 24c until the end of September 2016, before dropping to its final rate of 13c, with an asymmetry of 19c. Cell C's aggressive price war had netted a 16% increase in revenue in 2014, with a 44% year-on-year rise in subscribers, closing the year with 19.6-million customers. Cell C's growth story, Habib said, was one of achieving market and scale, but it had not gained traction on profitability, and despite some significant success, its sustainability would rely on whether its parent company Oger Telecom continued to inject funds into a nonprofitable company for an indeterminate amount of time. However, the shift in initial glide path, which had resulted in the asymmetry rates cut by nearly half, had seemingly sparked Oger Telecom to review the possibility of selling its 75% stake in Cell C. In March, newswire Reuters quoted Oger chairperson Mohammed Hariri as saying the Saudi Arabian company was considering shedding the asset after the MTR rates were revised in September. Providers with smaller customer bases were most sensitive to changes in the termination fee, since more calls made by their users were to customers of other networks. Cell C currently had an S&P's non-investment grade rating of B-, which was indicative of business and financial strain. According to the ratings agency, companies with B ratings had the capacity to meet their financial obligations but faced "major ongoing uncertainties" that could impact their financial commitments. However, Cell C had announced that R2.2-billion had been budgeted for the company's growth strategy, with another R8-billion set to be injected over the next three years to roll out its long-term evolution (LTE) infrastructure. Cell C had signed supply agreements with its primary LTE partners, Chinese companies Huawei and ZTE, to roll out more than 4 000 LTE sites, the first of which would roll out in Gauteng, KwaZulu-Natal and the Western Cape. *(Engineering News)*

Safaricom intensifies 4G roll-out, drives internet usage in Kenya

Five months ago, Safaricom introduced the first 4G network in Kenya with a promise to extend coverage across the nation within three years. The company has fitted about 6 % of its over 3,000 base stations with 4G technology and continues to increase usage of data services as a growth strategy. "Technology is changing," said Bob Collymore, CEO of Safaricom, in a recent interview with Reuters. "It is changing rapidly and we have to respond to it. Ultimately the majority of the people will be accessing the Internet on a handheld device. The demand for data in rural areas is much higher than people would have assumed a couple of years ago." The company also plans to extend 3G coverage to 75 % (up from 57 % presently) of its network by the end of the year as many nationals are yet to acquire 4G enabled handsets. The 3G sites will be established in rural areas as well.

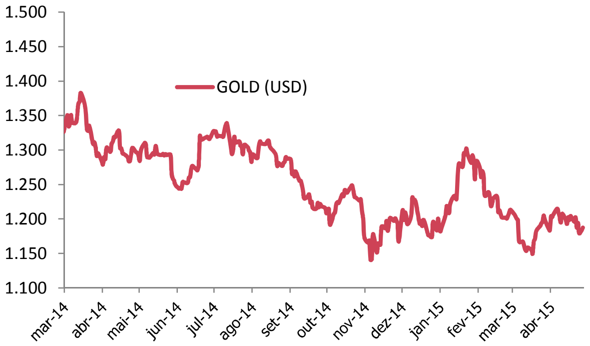
Safaricom is keen to grow its business by penetrating the digital TV space; to this end, it will partner with digital broadcasters to offer Internet data bundles, Wi-Fi and media content to homes equipped for digital television. This move became imminent after Kenya switched to digital TV broadcasting earlier in the year. "That is where our point of entry into that space is going to be. It is in the long-term plan. There is a lot of exciting space to go and explore," Collymore said.

With many suggesting Safaricom is inching towards a monopolistic domination of the telecom market, fears are rising that the telco will enjoy privileged policies from the government as well as offered a soft landing in areas it falls short. Collymore is having non of that and has refuted such assertions adding that they also share infrastructure like base stations, spectrum and mobile money agents with other operators. "Rather than focus on trying to cut the legs off a successful Kenyan company, just focus on doing the right things in your organization," he adviced. *(Ventures Africa)*

MARKET INDICATORS
27-04-2015

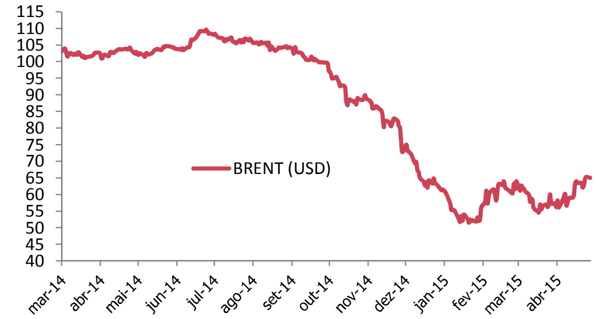
STOCK EXCHANGES		
Index Name (Country)	**27-04-2015**	**YTD % Change**
Botswana Gaborone Domestic Index (Botswana)	9.852,30	3,69%
Bourse Régionale des Valeurs Mobilières (Ivory Coast)	266,21	3,15%
Case 30 Index (Egypt)	8.502,28	-4,75%
FTSE NSE Kenya 15 Index (Kenya)	228,66	6,11%
Morocco Casablanca Stock Exchange CFG 25 (Morocco)	20.962,23	3,59%
Nigerian Stock Exchange All Share Index (Nigeria)	34.468,01	22,75%
FTSE/JSE Africa All Shares Index (South Africa)	55.188,34	10,89%
Tunindex (Tunisia)	5.492,17	7,90%

Source: Bloomberg and Eaglestone Securities



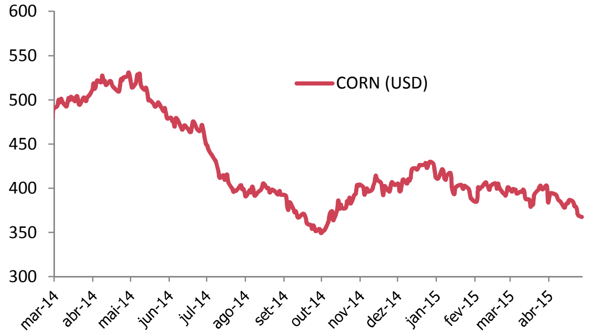
METALS		
	Spot	**YTD % Change**
Gold	1.187	0,21%
Silver	16	1,34%
Platinum	1.128	-6,59%
Copper $/mt	6.030	-4,29%

Source: Bloomberg and Eaglestone Securities



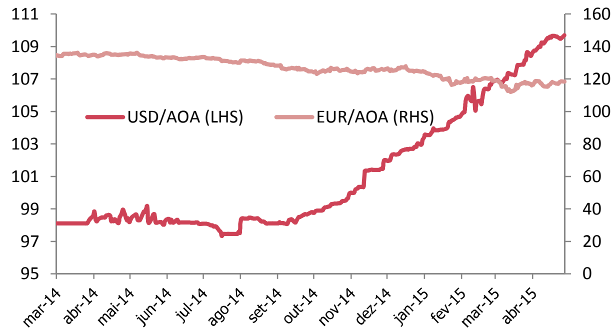
ENERGY		
	Spot	**YTD % Change**
NYMEX WTI Crude (USD/barril)	56,9	4,92%
ICE Brent (USD/barril)	65,0	9,88%
ICE Gasoil (USD/cents per tonne)	588,0	11,00%

Source: Bloomberg and Eaglestone Securities



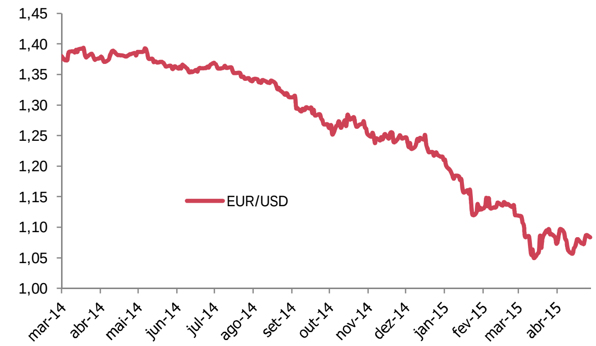
AGRICULTURE		
	Spot	**YTD % Change**
Corn cents/bu.	367,5	-8,30%
Wheat cents/bu.	486,3	-18,21%
Coffee (KC) c/lb	139,3	-17,75%
Sugar#11 c/lb	13,1	-12,47%
Cocoa $/mt	2888,0	-0,14%
Cotton cents/lb	66,5	8,83%
Soybeans c/bsh	971,3	-5,75%

Source: Bloomberg and Eaglestone Securities



CURRENCIES	
	Spot
KWANZAS	
USD	109,190
EUR	118,338
GBP	165,228
ZAR	9,025
BRL	36,978
NEW MOZAMBIQUE METICAL	
USD	35,500
EUR	37,856
GBP	52,848
ZAR	2,933
SOUTH AFRICAN RAND SPOT	
USD	12,103
EUR	13,113
GBP	18,309
BRL	4,098
EUROZONE	
USD	1,08
GBP	0,72
CHF	1,04
JPY	129,32
GBP / USD	1,51

Source: Bloomberg and Eaglestone Securities



UPCOMING EVENTS

Powering Africa: Mozambique returns for a fourth year, from 7-8th May in Maputo
Powering Africa: Mozambique will bring together public and private sectors, project developers and global financiers to discuss the opportunities for investment into Mozambique's power sector.
http://www.energynet.co.uk/event/powering-africa-mozambique-2015?utm_campaign=Media%20Partner&utm_medium=Email&utm_source=AEI

AFRICAN UTILITY WEEK - CLEAN POWER 12-14 May CTICC, Cape Town, South Africa
The 15th annual African Utility Week and Clean Power Africa is the only global meeting place, conference and trade exhibition for African power and water utility professionals and offers a unique networking opportunity for engineers, stakeholders and solution providers alike.
http://www.african-utility-week.com/Registrations/Step1/12997

AFRICAN BANKER AWARDS 2015 – 21st May 2015
http://www.ic-events.net/awards/african_banker_awards_2014/index.php

Connected Africa: 26–27 May 2015, The Sandton Convention Centre, Johannesburg, South Africa. Connected Africa is the leading marketplace and ideas exchange for African enterprises, ISP's telcos, government, leading consultants and solution providers. *http://www.terrapinn.com/connectedafrica*

The Bank's 50th Annual Meeting will take place in Abidjan, Côte d'Ivoire, from May 25-29, 2015. The Meetings will see the election of a new Bank President, one of the most important decisions for the institution and the continent. The 50th anniversary of the Bank will also be marked.

World Economic Forum on Africa 2015, Cape Town, South Africa 3-5 June 2015
Then and Now: Reimagining Africa's Future
In 2015, the World Economic Forum on Africa will mark 25 years of change in Africa. Over the past decade and a half, Africa has demonstrated a remarkable economic turnaround, growing two to three percentage points faster than global GDP. Regional growth is projected to remain stable above 5% in 2015, buoyed by rising foreign direct investment flows, particularly into the natural resources sector; increased public investment in infrastructure; and higher agricultural production. *http://www.weforum.org/events/world-economic-forum-africa-2015*

Southern African International Trade Exhibition: 21–23 June 2015 Gallagher Convention Centre, Midrand, Johannesburg South Africa. *www.exhibitionsafrica.com*

7th African Business Awards 20th September, New York, USA
Designed to celebrate excellence in African business, the African Business Awards gala cocktail will be held during the UNs General Assembly and in conjunction with the African Leadership Forum and the UN Private Sector Forum. *www.ic-events.net*

2nd African Leadership Forum (ALF) 21st September, New York, USA
The 2nd ALF will discuss the role of leadership in driving transformative growth and development in Africa. It will be held in conjunction with the African Business Awards and the UN Private Sector Forum. *www.ic-events.net*

Mining Indaba 2016 Cape Town, South Africa -01 to 04 February 2016
http://www.saceec.com/events/view/mining-indaba-2016

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Disclosures

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

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

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

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

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