INSIDE AFRICA

Now is the time to invest in Africa

31 March 2014

EAGLESTONE
SECURITIES

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In-depth:

African countries’ debt undermines growth boom

NEARLY a decade after Nelson Mandela and anti-poverty activists Bono and Bob Geldof persuaded the rich world to forgive Africa’s crushing debts, many countries’ debt levels are creeping up again, which could undermine the region’s growth boom.

As African states line up to join the growing club of dollar bond issuers, economists and analysts warn of a slide back into indebtedness that could undo recent economic gains and create a "Eurobond curse" to match the distorting "resource curse". "Eurobonds have become like stock exchanges, private jets and presidential palaces. Every African leader wants to have one," said one investor, asking not to be named. In 2007 Ghana became the first African beneficiary of debt relief to tap international capital markets, issuing a $750m 10-year Eurobond. Since then, previously debt-burdened countries, such as Senegal, Nigeria, Zambia and Rwanda, have also put their names on the list of bond issuers.

Governments seeking to replace declining foreign aid and pay for infrastructure are also taking concessional funds from multilateral institutions, more expensive commercial bank loans and bilateral financing from lenders like China and Brazil. No sub-Saharan countries are in immediate danger of default and most are largely financing themselves domestically, but the debt build-up is stirring up troubling memories of the past. "The financial sector loves to find people to prey on and their most recent prey are governments in developing countries," Nobel prize-winning economist Joseph Stiglitz told Reuters in an interview during a conference in Johannesburg this month. "They get over indebted, they get a bailout from the World Bank and IMF and they start over again. I think it’s unconscionable, but their memory is short and their greed is large, so it’s going to happen again." Up to 30 low-income sub-Saharan African countries had their debts reduced under the IMF and World Bank’s Highly Indebted Poor Countries (HIPC) initiative, which was later supplemented by the Multilateral Debt Relief Initiative (MDRI).

An estimated $100bn of debt was wiped out, easing countries’ onerous debt burdens, often the result of loans taken by corrupt regimes. These had meant more being spent on debt-service payments than on health and education combined. Although debt sustainability in Africa has improved since the debt-relief initiative, a forthcoming World Bank paper warns of a risk of over borrowing, especially by countries expecting new revenues from resource discoveries. One of the co-authors of the study shared its findings with Reuters.

In Ghana, Uganda, Mozambique, Senegal, Niger, Malawi, Benin and São Tomé and Príncipe, debt levels are creeping back up. If all continue to borrow and grow at current rates their debt indicators could be back to pre-relief levels within a decade. Others with rapidly rising debt ratios include Ethiopia, Tanzania and Burkina Faso.

Nevertheless, the study finds that on average there has only been a modest rise in debt-to-gross domestic product (GDP) ratios in nearly a decade.

In the 26 African HIPC beneficiaries studied, nominal public debt fell from a GDP-weighted average of 104% of GDP before relief, to 27% by 2006 when most had received full debt relief. Half a decade later the ratio was at 34%. The trend has been broadly the same for resource-rich and resource-poor, and high-and low-income economies, said Mark Roland Thomas, a World Bank manager and co-author of the paper, the first review of debt dynamics in Africa since debt relief. Ghana, which sold a new $750m Eurobond and bought back a portion of the 2017 issue last year, shows how growing debt levels can threaten countries’ fiscal dynamics. Ghana’s stability and roaring economic growth, reaching 14.5% in 2011, have made it an investor favourite. But the government’s inability to tame widening fiscal deficits has led to a deterioration in its debt ratios. Its debt now represents just over half of its GDP, from 32% in 2008.

An expanding current account gap has hit the cedi currency, which has lost more than 9% against the dollar this year, after a 24% slide in 2013. Fitch downgraded the cocoa, gold and oil producer to B from B-plus last October. In a sign of waning market confidence, yields on Ghana’s sovereign debt are higher than for any other African country with an actively traded international bond, at about 9% for its 2023 Eurobond and more than 20% for domestic debt.

Zambia’s story is in some ways a slow-motion version of Ghana’s. Africa’s biggest copper producer, which sold a hugely oversubscribed debut $750m Eurobond in 2012 and plans to return to the market, was also downgraded by Fitch last year. Zambia’s debt is about 30% of GDP, still quite low. The government needs to spend on roads and energy but economists worry that its current pace of borrowing cannot be sustained.

For Michael Cirami, an emerging-markets fund manager at Eaton Vance, Ghana and Zambia challenge the notion that sustained growth is a given for African nations. While international bonds bring countries into the global financial market and scrutiny from investors can improve policymaking, there may also be a flipside of looser fiscal policy, he said. "I wonder and sometimes fear about a Eurobond curse, particularly in sub-Saharan Africa, where all of a sudden you get what seems like a windfall of money and you end up with policymaking deteriorating," he said. Ghana’s GDP will likely grow by only 4.8% in 2014, the IMF says, from 5.5% last year. The market has less faith than the government that future growth will be enough to repay debtors, said Antoon de Klerk, a fund manager at Investec.

"If Ghana’s growth falls short of expectations, it will very quickly run into debt-servicing problems," De Klerk wrote in a note to clients. Ghana’s finance ministry declined comment for this story.

In Zambia, ministry of finance permanent secretary Felix Nkulukusa told Reuters that concessional financing from the IMF and World Bank was insufficient to fund big infrastructure projects, forcing the country to turn to private creditors.

"The pace of borrowing is sustainable because we are not going to be borrowing forever," he said.
The World Bank and IMF say that Ghana and Zambia's debt is sustainable at current levels but Ghana is vulnerable to shocks. Despite misgivings about certain countries, Africa is still in a fundamentally different place than it was 20 or 30 years ago when the old debts were taken on, thanks to robust growth and better public sector management, said Todd Moss, a senior fellow at the Washington-based Centre for Global Development.
Borrowing from private creditors also puts a higher burden on leaders to be responsible, Mr Moss said, "Whereas borrowing from the World Bank, there's clearly a dynamic of lend and forgive". The challenge for governments will be to ensure that borrowed funds are invested wisely and not mismanaged.
Eurobonds may also be a short-term funding solution for Africa as tapering of the US Federal Reserve's bond-buying stimulus ends an era of low interest rates in the rich world that sent investors rushing to higher-yielding emerging markets.
Investors will do more homework on issuers' fundamentals than in the past and ask tougher questions about the use of funds, bankers say. A key test will be if infrastructure investments generate returns that enable governments to service their debts. Nick Dearden, director of the World Development Movement, says governments should use borrowed funds to reduce commodity dependency, still a widespread problem for Africa. "Getting more minerals out of the ground may be very beneficial for western nations ... but if it's not developing African economies in a genuine way they're likely to be left with the debt and none of the resources they've invested in."*(Reuters)*

India looks at Japan to invest in Africa

India has recently built momentum in Africa and it could build on it with its special value proposition to partner in Africa's development, which is based on geographic proximity, cultural affinity, information technology and engineering talent and entrepreneurship, and low-cost operating models, notes a report by McKinsey & co, commissioned by the Confederation of Indian Industry (Cll).
India could quadruple its revenue from Africa to $160bn by 2025. Indian companies could aspire to capture almost 7% of Africa's IT services market, 5% of fastmoving consumer goods market, 10% of the power sector and 2-5% of agriculture and allied services.
Perhaps where Indian industry needs assistance is in infrastructure and construction projects, where it needs longterm 'patient funding', of which Japan is the largest source. An India-Japan initiative to access Japanese funds is being discussed. India and Japan already have a dialogue on cooperation in Africa that was instituted in 2010.
McKinsey & Co say, "African governments have taken several steps to improve overall stability and security.
"Indian industry could build relationships with African governments and businesses, identify opportunities through sector and country studies, develop an open consortium of interested companies in advance and ensure cost efficiency through funding for large projects." *(African Business)*

Sovereign wealth fund may be only Zim entity able to pay for stakes in mines

The introduction of the Sovereign Wealth Fund (SWF) by the Zimbabwe government could not have been more timeous, according to experts, as it will be used for much-needed infrastructure development.
This also comes amid investor dissatisfaction in the Zimbabwean mining industry, owing to the country's Indigenisation and Economic Empowerment Act and mining royalties policies.
In his speech at the Zimbabwe Chamber of Mines' (CoM's) seventy-fourth annual general meeting in May last year, CoM president **John Chikombero** said the operating environment for the mining industry in 2012 was, to a large extent, similar to that of 2011: the country's mining industry remains a primary contributor to Zimbabwe's gross domestic product and was expected to provide impetus for economic growth.
"The high rates of royalties for gold (7%), platinum (10%) and diamonds (15%), which became effective in January 2012, increased the total operating cost of mining operations. This came at a time when the fiscal burden from other charges had also increased, resulting in a significant shift upwards in production costs. In early 2012, there was a steep increase in mining fees and charges pertaining mostly to the acquisition and maintenance of mining titles," he said.
Zimbabwe-based law firm Nyakutombwa Mugabe Legal Counsel senior counsel **Tafadzwa Ralph Mugabe** explains that the deducted royalties are remitted to the Zimbabwe Revenue Authority (Zimra) on or before the tenth day of the following month. If royalties are not remitted by the deadline, interest is calculated at a rate fixed by the Minister of Finance on the outstanding amounts from the deadline to the date of payment. The commissioner-general of Zimra is also empowered to institute recovery measures in respect of any amounts not charged or remitted as prescribed.
Chikombero stated that discussing the operating environment for 2012 would not be complete without mentioning the efforts of various companies to comply with the requirements of the Indigenisation and Economic Empowerment Act, noting that CoM members were at various stages of discussions with government regarding compliance with the provisions of the Act.
The Act obliges foreign-owned companies operating in Zimbabwe to cede at least a 51% controlling stake to local partners.

African law firm Webber Wentzel partner **Bruce Dickinson** states that the 51% requirement by the Zimbabwe government has impacted negatively on the industry, as it has become a power struggle between government and investors.

Dickinson notes that investors feel that economic returns are being eroded and continued regulatory uncertainty is making it frustrating for investors to invest in such an environment. “The situation becomes uneconomical and it just does not make sense for investors to invest on a large scale, particularly with the continued uncertainty. Investors simply cannot price potential investments. “Mines regard this Act as taking away their control over the mining operations, while they are the drivers of economic growth and the providers of operating and expansion capital. This has been a constant argument by mining company owners and, as a result, it has directed the interest of foreign investors elsewhere,” he points out.

The lack of foreign investment is a challenge for Zimbabwe’s mining sector, as Mugabe stresses that the mining economy in the country largely depends on foreign investment.

“Investment has taken place through South Africa-based companies, resulting in investment growth for major platinum miners Unki, Zimplats and Mimosa. However, one cannot say the same about the holistic growth of Zimbabwe’s economy, as long as it continues to export raw platinum instead of refined platinum. Likewise, the growth of the economy is still insignificant, as long as economic participation is calculated on the basis of the number of Zimbabwean mineworkers, as opposed to Zimbabwean mine owners,” Mugabe highlights.

“Clients already invested in Zimbabwe are doing their best to deal with an ever changing policy environment; however, clients looking to invest are rather investing on a small scale with a view to getting a foot in the door or are holding off entirely until there is greater policy and regulatory certainty,” Dickinson highlights.

SOVEREIGN WEALTH FUND

The Zimbabwe government officially announced the introduction of the SWF in January 2013, noting that it would support fiscal or macroeconomic stabilisation of government, including its long-term economic and social development objectives.

At the time, government highlighted that the fund was awaiting Parliamentary approval before it was signed into law. Through the fund, the proceeds of mining royalties from gold, platinum, nickel and diamonds would be invested in gold bullion, precious stones stockpiles and other foreign assets.

“The proposed SWF will be entitled to at least 25% of all royalties collected, which are actually paid to, or are due to, the State in respect of the following minerals: gold, diamonds, coal, coal-bed methane gas, nickel, chrome and platinum, as well as other minerals, which may be specified on behalf of the Minerals Marketing Corporation of Zimbabwe and are payable by the corporation to the Consolidated Revenue Fund of Zimbabwe,” says Mugabe.

The proposed SWF expects to get a significant chunk of its finance from the mining industry, based on government’s view that the natural resources of the country should be exploited to benefit the locals and that a portion of the revenue be preserved for future generations.

In its current draft form, the SWF Bill does not introduce direct taxes or other charges for mining companies or associated businesses. The fund will receive only a portion of what miners currently pay. “There is genuine apprehension that there may be an inclination towards collecting more from miners so that there is more for the SWF. However, indications on the ground are that this is not yet so. The SWF will have the capacity to transact as a partner in private–public partnerships. Its existence may be the missing link in empowerment transactions, as it may very well be the only Zimbabwean entity that will be able to pay for shareholding in mines,” Mugabe explains. Dickinson believes that the SWF is a positive initiative in a country with a vast array of minerals, such as Zimbabwe, as similar funds play an important role in other countries.

“I think the SWF is a good initiative in a country with the minerals that Zimbabwe has, as similar funds play an important role in other countries. This will hopefully lead to the maintenance and development of better infrastructure, which will be positive for the mining industry. It is important for government to find a way in which it can invest the money gained from the minerals to improve the infrastructure in or economy of the country. I think it is a positive step which the Zimbabwe government has taken,” states Dickinson.

Mugabe emphasises that the fund will be a stabilising factor in the economy to the extent that there will be some savings and investments for future generations, as opposed to the hand-to-mouth economy that currently prevails.

The SWF acknowledges that taxes and royalties will never be consistent and that they cannot be the only anchor for the economy. The fund specifically aims to be a safeguard in times of poor revenue collection or poor mineral prices and, in a way, it will be a local funder of the Zimbabwe economy. As a key example, Norway has the largest SWF worldwide – the Government Pension Fund – which currently amounts to about $838-billion, derived from its petroleum sector.

The purpose of the fund – the revenues of which are generated mainly from taxes on companies – is to invest amounts of the large surplus in exploration licences, as well as government’s direct financial interest and dividends from the partly State-owned Statoil.

Similarly, Dickinson states, Zimbabwe, through the SWF, should be looking to use the revenue generated now from mining to invest for the future development of its economy and to reduce its dependence on mining revenue – it should be turning the finite into the infinite. Mugabe highlights that the success of Angola’s SWF speaks volumes about the Zimbabwe government’s commitment to this fund.

For example, the fund has also developed clear and strong long-term positioning that stretches beyond a short-term economic profit maximisation strategy by allocating up to 7.5% of its endowment to social development and socially responsible projects in the areas of education, income generation and off-the-grid access to clean water, healthcare and energy.
Through this approach, the fund aims to realise potential that would otherwise be overlooked, owing to a lack of investment. For instance, by allocating a portion of its funds to increase human capital, the fund will expand Angola's capacity to develop faster and secure additional investments. "Inasmuch as the pressing issues that pertain to compensation for repossessed land and company shares will all require funding to compensate the victims, the Zimbabwe SWF is the smartest intervention to possibly finance all these obligations," comments Mugabe. "The implementation of the SWF will definitely give investors hope once infrastructure developments become visible and, as a result, it can potentially change the perception of investors about the mining industry in Zimbabwe," Dickinson mentions.
The SWF is likely to be implemented before the end of the year, says Mugabe, noting that the gazetting of this fund in December 2013, ahead of what many may perceive as the more urgent realignment law with Zimbabwe's Constitution, reflects a heightened sense of urgency for the fund to be passed into law and implemented. *(Mining Weekly)*

SOVEREIGN RATINGS

North and South America - Asia

	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
31-03-2014	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
ARGENTINA	B3	CCC+u	CC	NR	Cu	C
AUSTRALIA	Aaa	AAAu	AAA	NR	A-1+u	F1+
BRAZIL	Baa2	BBB	BBB	NR	A-2	F2
CANADA	Aaa	AAA	AAA	NR	A-1+	F1+
CHINA	Aa3	AA-	A+	NR	A-1+	F1+
COLOMBIA	Baa3	BBB	BBB	NR	A-2	F2
INDIA	Baa3	BBB-u	BBB-	NR	A-3u	F3
JAPAN	Aa3	AA-u	A+	NR	A-1+u	F1+
MACAU	Aa2	NR	AA-	NR	NR	F1+
MEXICO	A3	BBB+	BBB+	WR	A-2	F2
SINGAPORE	Aaa	AAAu	AAA	NR	A-1+u	F1+
URUGUAY	Baa3	BBB-	BBB-	NR	A-3	F3
VENEZUELA	Caa1	B-	B	NR	B	B
USA	Aaa	AA+u	AAA	NR	A-1+u	F1+

Sources: Bloomberg, Eaglestone Advisory

31-03-2014	Region - Africa/Middle East					
	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Angola	Ba3	BB-	BB-	NR	B	B
Bahrain	Baa2	BBB	BBB	NR	A-2	F3
Benin	NR	NR	WD	NR	NR	WD
Botswana	A2	A-	NR	NR	A-2	NR
Burkina Faso	NR	B	NR	NR	B	NR
Cameroon	NR	B	B	NR	B	NR
Cape Verde	NR	B	B	NR	B	B
Egypt	Caa1	B-	B-	NR	B	B
Emirate of Abu Dhabi	Aa2	AA	AA	NR	A-1+	F1+
Gabon	NR	BB-	BB-	NR	B	B
Ghana	B1	B	B	NR	B	B
Iran	NR	NR	NR	WR	NR	NR
Israel	A1	A+	A	NR	A-1	F1
Jordan	B1	BB-	NR	NR	B	NR
Kenya	B1	B+	B+	NR	B	B
Kuwait	Aa2	AA	AA	NR	A-1+	F1+
Lebanon	B1	B-	B	NR	B	B
Lesotho	NR	NR	BB-	NR	NR	B
Libya	NR	NR	WD	NR	NR	WD
Mali	NR	NR	WD	NR	NR	NR
Mauritius	Baa1	NR	NR	NR	NR	NR
Morocco	Ba1	BBB-	BBB-	NR	A-3	F3
Mozambique	B1	B	B+	NR	B	B
Namibia	Baa3	NR	BBB-	NR	NR	F3
Nigeria	Ba3	BB-	BB-	NR	B	B
Oman	A1	A	NR	NR	A-1	NR
Qatar	Aa2	AA	NR	NR	A-1+	NR
Republic of Congo	Ba3	B+	B+	NR	B	B
Republic of Zambia	B1	B+	B	NR	B	B
Rwanda	NR	B	B	NR	B	B
Saudi Arabia	Aa3	AA-	AA	NR	A-1+	F1+
Senegal	B1	B+	NR	NR	B	NR
Seychelles	NR	NR	B	NR	NR	B
South Africa	Baa1	BBB	BBB	P-2	A-2	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".

31-03-2014	Eurozone					
	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Austria	Aaa	AA+	AAA	P-1	A-1+	F1+
Belgium	Aa3	AAu	AA	NR	A-1+u	F1+
Cyprus	Caa3	B-	B-	NP	B	B
Estonia	A1	AA-	A+	NR	A-1+	F1
Finland	Aaa	AAA	AAA	NR	A-1+	F1+
France	Aa1	AAu	AA+	NR	A-1+u	F1+
Germany	Aaa	AAAu	AAA	NR	A-1+u	F1+
Greece	Caa3	B-	B-	NP	B	B
Ireland	Baa3	BBB+	BBB+	P-3	A-2	F2
Italy	Baa2	BBB u	BBB+	NP	A-2	F2
Latvia	Baa2	BBB+	BBB+	NR	A-2	F2
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	Ba3	BB	BB+	NR	B	B
Slovakia	A2	A	A+	NR	A-1	F1
Slovenia	Ba1	A-	BBB+	NR	A-2	F2
Spain	Baa2	BBB-	BBB	P-2	A-3	F2
United Kingdom	Aa1	AAAu	AA+	NR	A-1+u	F1+

Sources: Bloomberg, Eaglestone Advisory

IMF projects lower rate of economic growth for Angola than government

Angola's economy is expected to post growth of 5.3 percent in 2014 according to the International Monetary Fund (IMF) whose projection is lower by 3 percentage points than the 8.8 percent forecast by the Angolan government.
According to a statement issued Tuesday in Washington No the IMF is concerned about Angola's return to a budget deficit and calls for an end to fuel subsidies proposing they be replaced with "transfers focused on more vulnerable sectors."
The IMF forecasts that, given low budget execution in 2013, the rate of GDP growth for that year will be 4.1 percent, which is lower than the 5.1 percent projected by the government.
The lack of meeting domestic commitments, particularly delays in domestic payments in 2010 and expected payments in 2011 are a "disappointment" to the IMF, which noted that Angola's legal system was one of the factors leading to that situation.
Noting a "continued improvement in the primary non-oil deficit," the IMF noted the importance of driving domestic resources, particularly non-oil revenues, and warned against "a permanent rise" in public expenditure that is not in line with a broadening of the non-oil tax base in order to prevent debt build up.
On a positive note the IMF's statement said that Angola had maintained single-digit inflation, increased its foreign reserve and improved exchange rate stability. *(Macauhub)*

Sao Tome's economy expected to post growth of 5 pct in 2014, IMF says

The economy of Sao Tome and Principe should post growth of 5 percent in 2014, according to the latest projections from the International Monetary Fund (IMF).
In a document published recently in Washington, the IMF said that Sao Tome and Principe's economic performance would remain conditioned by a weak outlook for external funding for the country's investment projects.
The international organisation estimates that inflation will reach 6 percent by the end of 2014 and noted the "prudent focus on fiscal policy along with pegging of the local currency, the dobra, to the euro."
The IMF said that growth of the economy in 2013 is expected to have reached 4 percent, or no change on 2012.
According to the IMF, the country's dependence on external aid remained high, and warned of a high risk of Sao Tome and Principe becoming over-indebted. *(Macauhub)*

Portugal provides Mozambique with 134 million euros

Support of 134 million euros provided by Portugal to Mozambique is evidence of "absolute confidence" in the future of the country and Mozambican governance, Portugal's Prime Minister said Wednesday in Maputo.
Pedro Passos Coelho, who was speaking at a dinner hosted by Mozambican President, Armando Guebuza, for the Portuguese government delegation that took part in the 2nd Luso-Mozambican summit, also said that the funding was "clear and unhesitating" support by the Portuguese Government for Mozambique.

Guebuza, who said that relations between the two countries were "excellent", noted Portuguese investments in Mozambique that made Portugal the third-largest supplier of foreign direct investment (FDI).
During the 2nd Mozambique-Portugal Summit 20 agreements were signed, "an unprecedented number," that according to Passos Coelho was a sign of an "increasingly solid two-way relationship."
The summit's final statement highlighted a rise in trade between the two countries in the last three years.
"In terms of economic growth, the 60 percent growth in Mozambican exports to Portugal was highlighted and of 43 percent of Portuguese exports to Mozambique since the last (two-way) summit, demonstrating the increasing relevance of the respective markets," the statement said.
Portugal is "the foreign direct investor with most impact on job creation," the statements aid, adding, "it was also noted that Portuguese companies continue to focus on Mozambique as a privileged destination for investment." *(Macauhub)*

AFRICAN DEVELOPMENT BANK

Africa still rising, but needs economic discipline – AfDB

Sub-Saharan Africa's economy will grow more than 6% this year, the African Development Bank said on Tuesday, but its president urged governments to build resilience to capital outflows and commodity price shocks.
In an interview with Reuters, **Donald Kaberuka** rejected as "premature" suggestions the 'Africa Rising' narrative might have lost momentum as a slowing China economy depresses prices for commodities such as copper, and the run-down of the US Federal Reserve's bond-buying programme squeezes the flow of cheap capital into emerging markets.
"I still believe that sub-Saharan Africa will do 6.4% in 2014," Kaberuka said. This would be stronger than the 6.2% gross domestic product (GDP) growth the bank forecast in February and an estimated 5.8% for 2013.
Slowing stimulus from abroad has sharpened investors' focus on governance in Africa's biggest economies – South Africa and Nigeria – and in Ghana, long praised for its stability but now seen struggling to keep its debt and deficits under control after easy access to international financing. A decade after historic debt relief, Kaberuka, one of the biggest cheerleaders of Africa's growth story, saw these problems as "manageable" so long as governments exercised careful stewardship of their debts and budget deficits.
The AfDB president said the internal dynamics which had boosted Africa's surge over the last decade were still in play. "The internal consumer power is still there, the booming urban populations are still there," Kaberuka said.
Information technology advances were still "leapfrogging" across the continent at a rapid pace, and more governments were managing their economies better, he said.
"People should not rush to draw conclusions just because they see a macro-economic blip here and there," Kaberuka said. "It's a bump, no more than that."
BEWARE "GOOD TIMES, BAD POLICIES"
Some economists and analysts have warned of a "Eurobond curse" that could exacerbate the distorting "resource curse" on African economies. They point to Ghana, whose economy expanded 14.5% in 2011 as new oil finds swelled state revenues on top of income from cocoa and gold. The IMF forecasts slower growth for Ghana this year of 4.8% and highlights the government's inability to stop fiscal deficits widening, along with the current account gap which has weakened the cedi currency. "There is a saying, that sometimes good times can lead to bad policies," Kaberuka said, adding that cases like Ghana reinforced the need for African leaders to aim unwaveringly at lower inflation, debt and deficits. It was by strengthening macro-economic fundamentals that many African states had buffered themselves in 2008 against the worst of the effects of the world financial crisis, the AfDB chief said. It was time again to deepen such efforts, he added.
"Countries took advantage of favourable markets to borrow – you can't blame them for that. But now, as the (US) tapering comes in, they will have to be more careful in how they borrow, they will have to strengthen domestic debt management, they will have to invest carefully," Kaberuka said. Speaking earlier at a business conference, Kaberuka said Africa also needed to build infrastructure to create a single market and make it easier for private sector business to grow. "Macro-economic stability, which was achieved in Africa by many years of sweat and tears, should not be frittered away," he said.

INVESTMENTS

Angola's Vidrul to invest US$50 million to increase production of beverage containers

Vidrul, an Angolan manufacturer of glass beverage containers controlled by French group Castel, is this year expected to double its turnover as beverage production increases in Angola, the company's managing director, Carlos Martins said. In a recent interview Martins said that the company planend to invest US$50 million over the next two years, specifically in installing a new kiln to increase production. This move follows a recent hike in customs tariffs on most imported drinks. "The new customs tariffs are very important as they help the government to increase employment and make local producers stop importing bottles, which is obviously important for our business," Martins said, adding that he had been surprised by the number of angolan companies that need beverage containers.

Vidrul was founded in 1956 and nationalised following Angola's independence in 1975. In 1996 the company was bought by Cobel, a company owned by Lopo Fortunato Ferreira do Nascimento, Angola's first Prime Minister, who in 2004 sold a 65 percent stake to the Castel group.
In 2013 the company produced 55,000 tons of glass and exported 22 percent of its to countries such as Senegal, Togo, Burkina Faso, Mali, the Ivory Coast and Niger.
The Castel group was founded in Bordeaux, France, in 1949 and is now headquartered in Geneva, Switzerland. It is the France's and Europe's second-biggest wine producer and the second-largest producer of beer and soft drinks in Africa, according to its website. *(Macauhub)*

Investors from Angola and Portugal build shopping centre in Luanda

The Sky Gallery, the new luxury shopping centre under construction in Luanda, is scheduled to start operating in June. It will offer customers goods from prestigious brands that will be on sale in Angola for the first time, Angolan newspaper Expansão reported.
The shopping centre, located near the Escom tower, in Kinaxixi, Luanda, represents an investment of US$50 million, according to its chief executive and shareholder, Rahim Ahamad.
The CEO said that the investment made in design and construction of the project does not include what will be invested in individual shops. This figure is expected to be over US$30 million and Ahamad added that the 40 shops would all be taken by the end of the year.
The luxury brands that will be sold in the shopping centre include Prada, Gucci, Ermenegildo Zegna, Armani and Hugo Boss, which will all have their own stores in Angola for the first time.
The project is owned by Angolan and Portuguese investors, said Ahamad, and will be a "driver of trends in Angola." *(Macauhub)*

Portuguese beer maker Unicer continues with plans to build beer factory in Angola

The project to build a beer factory in Angola is still in place, there have "been positive developments since August 2013," and Portuguese beer maker Unicer is now waiting for "licencing by the Angolan authorities," said the company's chief executive.
João Abecasis told Portuguese daily newspaper Publico that he would like the process to be at an even more advanced stage, but added that he still expected beer production in Angola "to begin in 2016."
Única, the company founded to carry out investments in Angola, is 49 percent owned by Unicer and the remaining capital is in the hands of Angolan businessmen Armando Cruz (Imosil), Joaquim David and Botelho Vasconcelos (Giasop), Carlos Fernandes (Emprominas) and António Silva (A. J. Silva).
The project to build an Unicer factory in Angola has been under consideration since 2005, and Abecasis said that the investment is somewhat complex as it required "a local supply of malt."
In 2013 a drop in beer sales to Angola, of 33 million euros less, penalised the company's performance despite Angola remaining as Unicer's main export marker. *(Macauhub)*

GSK to invest in new factories and drug R&D in Africa

GlaxoSmithKline plans to make new investments in additional factories and drug research in Africa, its chief executive said as the pharmaceuticals group broadens its bet on promising emerging markets.
Andrew Witty said the continent was important for the British company's long-term growth, adding that the investment would create jobs and build up healthcare capacity in a key region.
"The transformation of Africa into a successful growth region is one area that we need to focus on," Witty wrote in the Sunday Telegraph newspaper.
GSK, which already makes drugs in Kenya, Nigeria and South Africa, is now looking at sites for additional facilities in countries including Ghana, Ethiopia and Rwanda, a company spokeswoman said.
Witty will set out details of GSK's multimillion-pound investment plans for Africa at a conference in Brussels on Monday.
Sub-Saharan £500-million of GSK's annual sales, which totaled £26.5-billion pounds in 2013, but the group sees potential for significantly greater sales in future as African economies grow.
In particular, new opportunities are opening up for treating chronic diseases afflicting the middle classes, rather than just fire-fighting infections.
Non-communicable diseases like heart disease, lung disorders, diabetes and cancer are expected to account for 46% of all deaths in sub-Saharan Africa by 2030, up from 28% in 2008, according to the World Bank.
GSK has been stepping up its exposure to many of the world's developing economies by increasing local sales forces, striking deals and buying out minority shareholders in certain subsidiary businesses.
Last week it took full control of its consumer healthcare unit in Indonesia, after recently increasing its stake in local units in India.
Witty has made emerging markets a key growth platform for GSK and has stuck with the strategy despite recent problems in China, where sales have been hit by bribery allegations. *(Engineering News)*

Africa Investment Round Up

With focus shifting away from developed markets, Africa's emerging markets brim with opportunities and potentials capable of sustaining continous economic growth and high yield for investors. Public sector investments on the continent heightened lately, as international bodies such as the World Bank and IMF continued to pour out funds for infrastructure and economic development while private sector investment remains largely driven by financial institutions, with banks, private equity firms and venture capital investors embracing the promise Africa offers for Return On Investment (ROI).

Public Sector

- Discussions by the US Senate Subcommittee on Africa on President Barack Obama's proposed $7 billion Power Africa initiative started yesterday. The initiative is aimed at doubling the number of people that have access to power in sub-Saharan Africa and developing the continent's energy infrastructure. The outcome of the debate will determine whether the committee will proceed with the investment proposal. However, Tony Elumelu has committed $2.5 billion to the initiative and is regarded as the largest private investor
- Global consultancy, AT Kearney in its African Retail Development Index (ARDI) has identified Rwanda as the fastest place for multinational retailers to grow their businesses, with Nigeria coming second because of the peculiar nature of its markets due to unavailability of land and import regulations and restrictions while Africa's largest economy, South Africa, ranked seventh as a result of the developed nature of its retail market. Other countries identified for retail expansion are Namibia, Tanzania, Gabon, Ghana, Botswana, Mozambique and Ethiopia
- Nigeria will receive an investment of $1.5 billion from International Financial Corporation for the development of critical sectors of its economy every year. This investment will further boost growth figures and ensure sustainability of the economy, which has experienced exceptional growth in the past few years. Recently, the International Monetary Fund (IMF) forecast 7.3 percent GDP growth for 2014.
- One of Nigeria's top sources of Foreign Direct Investment (FDI), China invested $1.79 billion in the West African country last year. The Asian country has maintained its trade with Nigeria, with bilateral trade volume between both countries rising to $13 billion in 2012 from $2 billion in 2002, but according to the United Nations Conference on Trade and Development (UNCTAD), in its Global Investment Trends Monitor of 2013, Nigeria's FDI declined by about 20 percent to $5.5 billion, largely due to asset sales by foreign oil companies such as Royal Dutch Shell and Chevron.
- In line with encouraging Ethiopia to ease its protectionist economic policies, Kenya has decided to allow Ethiopian companies trade on the Nairobi Securities Exchange (NSE) since non-availability of a stock market in Ethiopia has shut out foreign investments. The decision will be beneficial to both countries, as it will encourage foreign investments opportunities in Ethiopia and make the Nairobi bourse bigger.
- The Competition Authority of Kenya (CAK) has announced that it will begin to charge filing fees for merger and acquisitions processes from July. Transactions with earnings between Sh1 billion ($11.5 million) and Sh50 billion ($576.7 million) attracts a Sh1 million ($11, 540) fee while mergers above Sh1 billion will attract a Sh2 million ($23, 081) fee. According to CAK, the fee is aimed at recovering filing, advertising, analysis and review expenses incurred during the approval of merger and acquisition deals.

Private Sector

- First City Monument Bank (FCMB) Capital Markets Limited, a subsidiary of Nigeria's FCMB Group Plc says it is investing $65 million in the construction of "Heritage Place", Nigeria's first green building, as it looks to bridge the gap of suitable office space in Lagos, Nigeria's commercial capital. By providing a structured debt of $65 million for the project, FCMB capital will act as the sole financial adviser and arranger for the debt-financed eco-friendly green building situated minutes away from Victoria Island—the Central Business District in Lagos. The project is also sponsored by First Concept and Properties Limited, a Nigerian special purpose vehicle (SPV) led by Actis, a leading private equity investor in sub-Saharan Africa
- Investment management firm, Kagiso Asset Management has defied South Africa's low economic growth dynamics by investing in Standard Bank and FirstRand. Kagiso acquired 8 percent and 7.9 percent stakes respectively in both South African banks. According to Kagiso, it acquired Standard Bank for its strength in Africa and FirstRand for its operational momentum.
- Jubilee, a Kenya-based investment holding firm, is poised to buy more than a half-a-dozen new firms in 12 countries in East, Central and West Africa in the present financial year. This shows that the company, in its bigger spreading-out strategy, plans to grow by acquisitions to improve its earnings in the future. According to Jubilee, it is attracted to firms with turnovers between Sh1 billion and Sh2 billion and those exposed several markets with wide-ranging financial track record.
- UAE-based hospitality firm, Caramel Group, wants to set up shops in Nairobi, Kenya before the end of this year. Caramel is poised to open up a new Caramel Restaurant & Lounge in the east-African city towards the middle of this year
- JSE-listed explosives and chemicals firm, AECI, says it has received R1 billion ($91.3m) in cash for the sale of its Modderfontein property assets to Chinese real estate developer, Shanghai Zendai. The massive property, on which it often experimented with its commercial explosives, has become an extra burden to the company because advancement in explosives expertise means the company now utilises smaller pieces of land for experiments. *(Ventures Africa)*

BANKING

Banks

StanChart Launches Islamic Banking Unit In Kenya

Standard Chartered Bank, British based multinational banking institution, has launched its Islamic banking offering for its African customers under the brand name of Saadiq in Kenya.
With this launch, Kenya becomes the first market for Standard Chartered's African footprint for Islamic banking.
Saadiq, which means Truthful in Arabic, represents Standard Chartered's Islamic banking proposition offered across the world to Muslim and non Muslim clients. "We feel that for Islamic Banking to grow, we also need to be here for our customers. If the Islamic market starts growing in Africa at the level it is growing globally today, it will become a significant part of the financial system in this region as well," said Afaq Khan, Standard Chartered Bank CEO Islamic Banking,
Khan added that Africa is the next frontier for the Islamic Banking sector.
Global figures indicate that the Islamic finance market is growing with investments now worth over $1trillion. Locally, the Islamic banking industry has grown in under five years to account for 2 percent of the total banking business in Kenya. "This shows Kenya's huge potential and opportunity. As a major international bank with a long-standing heritage and a global network, Standard Chartered is ideally placed to play a prominent role in this ever-expanding market," added Khan. Kenya CEO, Lamin Manjang said that the offering comes as response to the increased demand from the Bank's customers. "We are seeing more commercial banks open their doors to Islamic Banking products in a bid to satisfy a growing demand in the market," said Manjang.
Manjang was optimistic that Africa is better placed to enjoy stronger growth than other Standard Chartered markets, where Islamic Banking is already established. This is due to Africa's ability to adopt best practices already tried and tested through Asian and Middle Eastern markets. *(Ventures Africa)*

Barclays, China Development Bank extend strategic tie-up to Africa

British bank Barclays PLC (BARC.L) and China Development Bank Corporation CHDB.UL (CDB) have signed a new agreement that expands an existing strategic tie-up to Africa, the firms said on Wednesday.
The new memorandum of understanding replaces previous agreements between the two that had been in place since 2007. It will see Barclays provide state-owned CDB with corporate and investment banking capabilities and access to its retail and business banking platform in 14 African countries, Timothy Cuffe, a Barclays spokesman said.
The two firms' existing cooperation has been focused mainly on staff training, and banking opportunities within China.
CDB is seeking to turn itself into a commercial lender, rather than a government-focused bank, and has signalled its ambitions to grow internationally. That strategy includes helping Chinese companies to invest in Africa, a supplier of oil and raw materials like copper and uranium to China, the world's second-largest economy. In 2011 CDB also signed strategic agreements with global private equity funds KKR (KKR.N), Permira and TPG Capital. *(Reuters)*

Portugal's Banco BIG to start operating in Mozambique

Portuguese bank Banco de Investimento Global (BIG) plans to start operating in Mozambique, which will be its first market outside Portugal, according to a report in Mozambican newspaper Correio da Manhã.
The newspaper cited sources saying that the banking license had already been issued by the Bank of Mozambique although the decision had yet to be made public. Correio da Manhã said that the Mozambican central bank had restricted issuing new banking licenses as it considered the market to be saturated. Banco de Investimento Global is an unlisted specialist bank based in Lisbon and authorised to operate in all business areas open to the banking sector in Portugal. *(Macauhub)*

African banking: Managing the growth risks

Africa's banking sector has been growing strongly as new lending models, rising incomes and improved technology help to widen access to finance. Now, risk management systems need to be put in place to deal with the changing threats brought on by financial deepening.
In the 1980s, Africa's banking sector was dominated by state-owned banks and hamstrung by restrictive regulations, such as interest rate ceilings and credit quotas. Today, financial liberalisation, regulatory reform and globalisation have freed up the sector, helped along by the continent's robust growth.
The depth and coverage of financial systems – as measured by the ratios of broad money and private sector credit to GDP – have been increasing, albeit from a low base. One study by Oxford University found that the median African country has made marked improvements over the last decade across financial indicators including loan to GDP and deposits-to-GDP ratios. Mobile money has helped, with more than 80 percent of Kenyans making use of such services, while the likes of Kenya's Equity Bank have shown that inclusive banking models can be commercially sustainable and profitable.

Across Africa, sectors once viewed as too risky are enjoying a rebrand. Mohit Arora, head of agriculture lending at Standard Bank, last year told This is Africa that his bank was bullish on farming, a sector often viewed as too risky for bank lending, especially at the smallholder level.

But with all this growth comes risk, spanning credit threats - such as defaulting loans; operational risk, which covers inadequate or failed internal processes, people or systems; and external shocks. As credit is extended to more people, risks of default can increase, especially once it reaches individuals or enterprises at the lowest incomes where financial literacy may be lower and vulnerability to shocks higher. Examples of operational risk could include fraud, poor governance, contagion effects of crises elsewhere, and crime.

Nigeria, for example, was affected more by the global financial crisis than other African economies, while South Africa is grappling with a deteriorating credit environment and sluggish growth. Banks, governments and regulators now have to find ways to manage all of these emerging threats.

"It is not an exaggeration to say that the only way African banks can grow in a sustainable way is by implementing good corporate governance and risk management procedures and systems," says Saadia Khairi, vice president of risk management at the International Finance Corporation. The Washington-based lender has been growing its engagement with the African continent markedly, through its ability to mobilise funds and offer loans, equity and guarantees. Ith $5 billion of investment last fiscal year in Africa came as part of a 40-fold increase over the last decade, while the institution's risk management programme has conducted 129 workshops across 41 countries worldwide. Ms Khairi believes the institution is well placed to support banks and regulators on the African continent.

"Many banks on the continent are unable to properly measure credit, market and operational risks," says Ms Khairi. "These banks have been building more complex balance sheets with greater assets and liabilities risks. They are entering new markets and sectors, such as infrastructure, agribusiness, retail, housing, and microfinance. They are offering new lending products and instruments and also dealing with technology changes that are affecting all aspects of the financial system. There are data risks and there is mobile and internet banking. At the same time, banks are operating more and more in a world of greater connectivity with the rest of the global economy. So rapid growth does not necessarily mean sustainable growth, and this is where risk management is crucial".

Preparation is everything

Africa has suffered comparatively few banking crises to date – in part due to its insulation from the global financial system. Low credit leverage in most economies, adequate liquidity, mostly little reliance on external funding, and little exposure to toxic financial assets all helped the continent come through the 2008 financial crisis.

Some pockets of fragility continue to exist, though, often relating to political crisis and governance deficiencies. Moreover, Africa's integration into global financial flows is deepening, meaning future external crises could have a bigger impact that then the 2008 crises.

Financial institutions want to upgrade their risk management capability beyond basic credit processes, and to develop an integrated framework. "African banks are realising that they must invest more in risk management. Governments too are strengthening regulatory frameworks and improving their investment climates to support sustainable growth," says Ms Khairi.

But are they keeping pace? While many banks have made material progress and formed independent risk management functions, non-performing loans have been on the rise in numerous countries. Back in 2011, the Central Bank of Kenya reported that 95 percent of the country's banks had formed independent risk management functions to deal with the growing challenges of growth. But last year's data from the country's central bank showed that non-performing loans increased 34.4 percent over the year, and the ratio of gross non-performing loans to gross loans rose from 4.5 percent to 5.3 percent.

Banks are again stepping up their efforts. In March 2014, Bank of Africa became the latest institution in Kenya to strengthen its remit, deploying new technologies to help mitigate losses stemming from defaulted loans, allowing it to have a better oversight of customer activities and improving credit application turnaround times. But clearly, more attention is needed by institutions across the board.

Regulators and industry associations are key participants. The continent's two biggest economies can provide some leadership. South Africa has shown a strong track record in risk management, establishing the South African Banking Risk Information Centre (SABRIC) in 2002 as a wholly owned subsidiary of the Banking Association of South Africa. The initiative is funded by industry, including ABSA, First National Bank, Nedbank and Standard Bank.

More drastically, Nigeria's banking system has undergone far-reaching changes which other countries could aspire to, especially when trying to deal with malpractice and fraud. Over the 1990s, the Nigerian situation was dire. There was a rapid rise in non-performing credit portfolios, as well as of predatory debtors who would abandon debt obligations in one bank and take out new debts in another. Poor communication between banks meant some of them extended facilities to customers who had significant and un-serviced debts elsewhere. Major regulatory overhauls gave birth to a credit risk management system in which the Nigerian central bank could obtain relevant credit data from all banks, requiring banks to update such data on a monthly basis with penalties for non-compliance.

The country has still proven more vulnerable to contagion effects, though, such as with the flight of foreign portfolio capital after the 2008 financial crisis, which caused the collapse of a stock market bubble fueled in part by margin lending by banks to equity investors. But here again, the response of the regulator was swift and effective, with the

Central Bank of Nigeria eventually taking control of 10 banks which accounted for one third of banking system assets, and which had suffered large losses on their loan portfolios. The economy did not come out unscathed but the action was widely viewed as having been effective.

Now, with the early departure of the central bank governor Lamido Sanusi after he blew the whistle on missing oil revenues, there are fears his reform effort could stall or backslide. Yet his legacy, and the example set by his reform effort – and that of Charles Soludo before him – provides something to aspire to.

But systemic institutional changes are no use if banks do not have the right skill sets in place to act on risk management, so human resource development is also crucial. The increasing numbers of highly skilled African diaspora returning from overseas banking posts to work in the domestic financial sector is a welcome trend. Moreover, more young people are enrolling for finance and business degrees on the continent, increasing the skills base further. Add to this a growing effort on the part of some governments to improve financial literacy among the broader population. Arunma Oteh, who heads the Nigerian Securities and Exchange Commission, has been working with the Nollywood industry to create film projects to increase people's understanding of financial issues.

Holistic understanding

African banking will change a great deal more in the years to come. Most banking systems are still small in both absolute and relative size, characterised by low loan-to-deposit ratios and therefore large shares of assets held in the form of government securities and liquid assets. Lending is predominantly short-term, with about 60 percent of loans having a maturity of less than one year. Financial institutions are on their guard as all of these fundamentals start to shift, country by country, bringing new problems.

The big regional banks face a testing transition. Togo-based Ecobank has the broadest footprint in the region, with a presence in 33 countries. South African and Nigerian groups have also expanded aggressively, including Standard Bank and United Bank for Africa. Collectively, with the Bank of Africa group, which operates in 11 sub-Saharan African countries, these four are managing more than 30 percent of deposits in 13 countries in the region. Analysts have noted important supervisory weaknesses in the areas of consolidated banking supervision and of coordination between home and host supervisors, making this a key area to watch.

Ultimately, each country and sector has its own unique risk profile and generalisations are perilous. Even regional lenders have to ensure they understand the details of each of their local markets. Data-related crime, for instance, may be a far larger risk in better developed economies.

The most robust approaches to risk management will be holistic ones, claims Ms Khairi. "We have learned that we must focus on all aspects of sound risk management including corporate governance, credit risk, non-performing loan management, market risk, liquidity risk, operational risk, asset liability management, and capital adequacy. A lesson from the 2008 global financial crisis is that all these risk areas are interconnected, and one type of risk can often transform into another."

This article is published ahead of an event collaboration between This is Africa and the International Finance Corporation. The African Risk Management Banking Forum will be held on 19th-20th March in Cape Town, South Africa. This article was written solely by This is Africa and does not represent the views of the IFC.

Markets

Mozambique's stock exchange launches electronic service to register securities

The Mozambican stock exchange (BVM – Bolsa de Valores de Moçambique) plans to launch a technological platform called Central de Valores Mobiliários (CVM) to dematerialise securities, announced the head of BVM, Anabela Chambuca. By introducing a digital system to record shares, bonds and other securities in electronic format, BVM follows the trend in most international stock exchanges which have been abandoning physical securities registration.

"The service will cover the risk of misplacement, loss and falsification. We believe its creation will encourage limited liability companies, even those not quoted on the exchange, to have securities registered on the platform," Chambuca said during the ceremony to present the CVM. Besides cutting red tape in services responsible for issuing securities, the electronic system should also eliminate costs associated to physical registration, for example by enabling faster dividend payments to the respective holders.Chambuca said the CVM may begin operating by the end of this June and will cost the institution about 13 million meticais (nearly US$412,000). Ten companies are currently quoted on the BVM: Cervejas de Moçambique, Companhia Moçambicana de Hidrocarbonetos, Banco Comercial e de Investimentos, Banco Internacional de Moçambique (Millennium bim), ProCredit, Empresa Nacional de Hidrocarbonetos, Moçambique Celular, Petróleos de Moçambique, Standard Bank and Moza Banco. *(Macauhub)*

FMDQ, Bloomberg Launch E-trading System For Nigerian Bonds

The launch of Bloomberg E-Bond trading and market surveillance system, a new electronic trading system for Nigerian government bonds, was yesterday announced by Bloomberg and FMDQ OTC PLC, developers of the system.

The new trading system commenced operation immediately, under FMDQ's over-the-counter (OTC) market securities exchange. "As a newly established OTC market securities exchange, our goal is to empower the Nigerian OTC financial markets to be efficient, credible and globally competitive," FMDQ OTC PLC's Divisional Head, Operations and

Technology, Dipo Odeyemi, said. The new system will provide electronic trading and market surveillance tools for participants in Nigeria's N12 trillion ($73 billion) fixed income market, Africa's largest local currency bond market.
Kenya, Zambia and Botswana are other strong fixed income markets in Africa. In 2013, The Financial Times reported Kenya as the most developed local bond market in Africa, despite not being the largest. The Bloomberg E-Bond system is expected to develop Nigeria's bond market by providing a complete, consolidated marketplace for government bonds and offering market participants a robust and flexible set of tools that will support the full trade workflow.
"A well-functioning debt market needs an efficient technical infrastructure, bespoke trading rules, market surveillance and straight-through processing," says David Tamburelli, Bloomberg's Head of Emerging Markets Product, adding that Bloomberg's E-Bond system can address those needs. He expressed delight at the opportunity to collaborate with FMDQ to build a more transparent, liquid and efficient bond market in Nigeria, which local bond markets in Sub-Saharan Africa have lacked over the years, according to The Financial Times.
Officially launched unto the Nigerian financial landscape by the Central Bank of Nigeria on November 7, 2013, FMDQ OTC PLC is aimed at developing the country's financial market and foster its integration with global markets. The new electronic trading system is expected to help FMDQ achieve these goals. *(Ventures Africa)*

African firms eye London Stock Exchange to raise capital

The number of African-focused companies listing on the London Stock Exchange (LSE) is increasing as firms seek to raise capital beyond their home borders. Research by global law firm Baker & McKenzie shows there were 10 Africa-related initial public offerings (IPOs) on the LSE in 2013, more than double the previous year.
London's Alternative Investment Market (AIM), a market for smaller companies, is increasingly emerging as an exchange of choice for natural resources businesses. Nigerian oil exploration and production company Lekoil listed on the LSE last May. Another Nigerian oil company, Seplat Petroleum Development, is expected to list in London this year. Other Africa-focused natural resources companies listed in London include African Barrick Gold, African Minerals, African Potash, Eland Oil & Gas, Afren, Heritage Oil and Mart Resources.
Africa is experiencing a natural resources boom with exploration and development of gold, diamonds, titanium and oil and gas ongoing in most parts of the continent. "[Companies] are… no longer limiting capital-raising options solely to their home jurisdictions. Issuers and investment banks are increasingly weighing the often substantial benefits of listing abroad," says Amar Budarapu, chair of Baker & McKenzie's global securities practice group.
The largest Africa-related listing in London last year was ex-Barclays chief Bob Diamond's new investment vehicle which listed on the LSE's Main Market. The $325m Atlas Mara vehicle is expected to buy up African financial services companies. There are more than 100 African companies listed in London, the majority of them on the AIM.

IPOs in Africa to increase

IPO or stock market launches on African exchanges are also expected to increase in 2014 after a year of less activity. US investment banking firm Goldman Sachs recently predicted a wave of sub-Saharan IPOs as private equity companies seek exits and investors line up to buy into new offerings.
Africa has 23 stock exchanges of which South Africa's Johannesburg Stock Exchange (JSE) is the largest with over 400 listed companies and a combined market capitalisation of about $900bn.
Although capital raised in cross-border IPOs makes up roughly 20% of the global IPO market, Baker & McKenzie predicts that by 2018 they will account for nearly $1tr and more than 60% of all capital raised by IPOs.
"The question is going to be where that capital flows to. London, Hong Kong and New York remain the global financial centres of choice for now, but they face increasing competition from emerging regional hubs such as Johannesburg for sub-Saharan Africa and Dubai for the Middle East," says Budarapu. *(How we made it in Africa)*

UBA Subsidiaries Named Best Emerging Market Banks In Africa

Three United Bank For Africa (UBA) subsidiaries, UBA Burkina Faso, Cameroon and Senegal have emerged World's Best Emerging Market Banks in Africa, according to the Global Finance Magazine report.
"Faced with slowing growth and volatile markets, these banks are star performers under increasingly challenging conditions," Nigeria's Guardian newspaper quoted Joseph D. Giarraputo, publisher and editorial director of Global Finance as saying. The banks were ranked on parameters including asset growth, profitability, strategic partnership, customer service and competitive pricing. The awards were not reflective of the banks' size or market influence, but their ability to effective target financial products in markets of operation. "The banks that Global Finance is honouring may not be the largest or oldest, but they are the best at targeting their products and offerings to the specific markets they serve," Giarraputo added. The Magazine is in its 21st year of uncovering top performers from Emerging Markets, which covers regions including Latin America, Central and Eastern Europe, Asia-Pacific, the Middle and Africa. CEO of UBA West Africa, Oliver Alawuba explained that the awards justified the banking group's decision to expand its tentacles across the continent. "In this era of slow economic growth, high markets volatility and rapid changes in the regulatory environments across Africa , banks are facing increasingly challenging operational environments, yet UBA country subsidiaries are able to target their products and services offerings to specific markets that drive the economies of their countries of location," added Alawuba. *(Ventures Africa)*

Morocco's Attijariwafa Bank Record Decrease In Net Profit

Morocco's largest private bank, Attijariwafa Bank, has announced that its net profit for 2013 fell by 8 percent to 4.1 billion Moroccan dirham ($503.50 million).Attijariwafa, which has subsidiaries in Togo, Gabon, Mali, Cameroon,Mauritania, Tunisia, Ivory Coast and Congo Brazzaville, said the decline in net profit can be attributed to poor economic situations in its sub-Saharan subsidiaries.Another contributing factor is the increase in bad loans from 6 billion dirhams ($737.5 million) in 2012 to 9.8 billion dirhams ($1.2 billion) in 2013 even though 71 percent of the loans were covered by provision.

Although the bank recorded an increase of 4.9 percent in net bank income to 17.9 billion dirham ($2.2 billion) as a result of 1.3 percent and 4.7 percent increase in consolidated loans and deposits respectively, the net income group share was affected by tax settlement of one the bank's subsidiaries, Wafa Assurance, and cost of capital increase allocated for its employees. The bank also experienced a decrease in return on equity from 18 percent to 15.4 percent, an important benchmark to measure banks' profitability. Although the bank's shares dropped by 1.5 percent to 310 dirhams ($38) yesterday after the financial statement was released, the bank has gained grounds since the current share price is 311.20 ($38.24) dirhams even though it opened at 309.20 dirhams ($37.9) at the start of business today. *(Ventures Africa)*

Angola's economic development needs stock exchange, official says

Angola's economic development will have to make use of the stock market, the president of the Capital Markets Commission (CMC), Archer Mangueira said Wednesday in Luanda."It is necessary, not to say urgent, to re-balance the structure between the public and private sector and this implies an ambitious privatisation programmes, the efficiency of which requires use of regulated markets," said Archer Mangueira at the opening session of the first Annual Capital Markets Conference in Angola, focusing on the Debt Market.The president of the CMC announced that the government would soon consider the Capital Markets Code, which would replace the current Law on Stocks, and update the Law on Financial Institutions. According to Angolan news agency Angop, Archer Mangueira said that the Capital Markets Code would update the current legislation in line with international standards. In order to boost the private debt market, Archer Mangueira said that the proposed new law included updates to the Companies Law. Amongst the changes he noted a ceiling on debt issues, based on the starting capital of each company listed on the regulated market. Archer Mangueira also gave assurances that the board of the Capital Markets Commission had taken the necessary regulatory steps for "capital markets to begin in Angola." *(Macauhub)*

Deals

Kagiso Buys Into South African Banks, Despite Low Economic Growth

Investment management firm, Kagiso Asset Management defied South Africa's low economic growth dynamics to invest in Standard Bank and FirstRand, acquiring 8 percent and 7.9 percent stakes respectively.

"The macro-headwinds that the economy is currently facing would ordinarily present an argument against holding banks," Chief Investment Officer of Kagiso Asset Management, Gavin Wood said recently. He added however that the situation presents an opportunity, as prices of stocks are low. South Africa's economy has been hardly hit over the past few years, with corruption and incessant union strikes in its critical mining sector dealing a big blow on investments.

The International Monetary Fund (IMF) believes the country's economy will improve in 2014, according to a forecast in its World Economic Outlook (WEO) report. The growth is however not significant by South African standards. IMF predicts a 2.8 percent GDP growth for the Southern African country, up from its 1.8 percent in 2013.

Proving further that Kagiso made a wise investment, Wood noted that South Africa is currently facing a rising interest rate cycle, but regards it as a positive driver of return on equity (ROE) for the banks."They get more in than they pay out, and the result is a ROE uplift for the banks – it's a real earnings driver," said Wood, who noted however that a sharp rise in interest rate might cause severe credit losses.

Explaining the investment firm's choice of Standard Bank and FirstRand, Wood said the asset management firm likes Standard Bank for its strength in Africa and FirstRand for its operational momentum. He also expressed said African economies would be the fastest growing in the world for decades to come. *(Ventures Africa)*

Funds

Vital Capital Fund, a Swiss investment fund, has an agreement with Deutsche Bank to finance the construction of 40,000 low-income housing units in Cameroon. The fund has a $500m line of credit to carry out investment projects in sub-Saharan Africa. *(African Business)*

Standard Chartered's Private Equity Africa division has invested $57m into Zambian Energy Corporation, the controlling shareholder of Copperbelt Energy Corporation (CEC), equating to an effective 25.8% equity stake. *(African Business)*

Tech

Nigerians To Access Western Union Services Via Ecobank ATMs

Pan-African bank, Ecobank Nigeria Ltd and global payment services giants Western Union yesterday announced a deal that would make it possible for the bank's account holders to conduct Western Union Account Based Money Transfer (ABMT) Services using any Ecobank Automated Teller Machines (ATMs) in Nigeria. "Ecobank and Western Union have leveraged technology to the advantage of their mutual customers," said Anthony Okpanachi, Deputy Managing Director, Ecobank Nigeria. He added that the new service will encourage customers who have had difficulties in accessing suitable financial services to continue banking with Ecobank as no other bank has offered such "an innovative and convenient banking service in Nigeria". "Western Union values its collaboration with Ecobank which is growing consumer-driven solutions through digital applications across the continent. This development further promotes financial inclusion which is in line with the Central Bank of Nigeria (CBN) Cashless policy," Aida Diarra, Regional Vice President Africa, Western Union, stated.

The new service which NYSE-listed firm says would make moving money across the continent easier and cost-effective is expected to help Ecobank expand its customer base as several Western Union customers who are not customers of the bank may consider opening a new account as a way to transfer money more easily. *(Ventures Africa)*

Mozambique's stock exchange launches electronic service to register securities

The Mozambican stock exchange (BVM – Bolsa de Valores de Moçambique) plans to launch a technological platform called Central de Valores Mobiliários (CVM) to dematerialise securities, announced the head of BVM, Anabela Chambuca. By introducing a digital system to record shares, bonds and other securities in electronic format, BVM follows the trend in most international stock exchanges which have been abandoning physical securities registration.

"The service will cover the risk of misplacement, loss and falsification. We believe its creation will encourage limited liability companies, even those not quoted on the exchange, to have securities registered on the platform," Chambuca said during the ceremony to present the CVM.

Besides cutting red tape in services responsible for issuing securities, the electronic system should also eliminate costs associated to physical registration, for example by enabling faster dividend payments to the respective holders.

Chambuca said the CVM may begin operating by the end of this June and will cost the institution about 13 million meticais (nearly US$412,000). Ten companies are currently quoted on the BVM: Cervejas de Moçambique, Companhia Moçambicana de Hidrocarbonetos, Banco Comercial e de Investimentos, Banco Internacional de Moçambique (Millennium bim), ProCredit, Empresa Nacional de Hidrocarbonetos, Moçambique Celular, Petróleos de Moçambique, Standard Bank and Moza Banco. *(Macauhub)*

Africa's Off-Grid Solar Market Attracts Another $7m Investment

In line with the latest bout of investment sprouting into the continent's profitable off-grid solar energy market, United States' biggest solar energy firm, SolarCity Corp. has partnered with venture firms Vulcan Capital, a company owned by Microsoft co-founder Paul Allen and Omidyar Network to invest $7 million into Off-Grid Electric, a Tanzania-based company providing solar lighting services in Africa. Off-Grid Electric is an African-focused energy firm that uses a mobile payment platform which allows customers in Africa to purchase solar lighting services in small amounts, rather than having to pay for an entire solar system up front. With a minimum of $5 per month, Off-Grid provides access to solar power through its M-Power energy hub in Tanzania while encouraging potential buyers to switch from using kerosene lamps to solar, which it says has higher-quality and cheaper service benefits. Xavier Helgesen who began his career as a co-founder of the online bookstore Better World Books created off-grid with Erica Mackey and Joshua Pierce, during their studies at Oxford University with primary target to Tanzania, where some 85 percent of households operate without electricity. The consortium's investment into the market is yet another testimony that off-grid solar technologies combined with mobile money are becoming a viable investment in developing worlds like Africa where many have little access to energy services.

The $7 million dollar investment brings the total of investments in the Africa off-grid solar market to $20 million in the past six months, given the previous $13 million investment made by Khosla Ventures, DFJ, Omidyar Network and Gray Ghost Ventures. The investment automatically puts SolarCity CEO, Lyndon Rive and Vulcan Capital Managing Director Steve Hall on the board of Off-Grid Electric, according to Venture Beat, a "disruptive" tech news platform.

US installer SolarCity, which provides solar services to people, who can't afford to pay upfront for a system, is looking to expand its business footprints beyond its home market, by venturing into off-grid solar businesses in developing countries. In Africa, the investment gives SolarCity a leverage into the booming off-grid solar market where mobile money platforms are helping to boost mobile money services. *(Ventures Africa)*

Africa's digital money heads to Europe

A mobile payment system that has revolutionised business and banking in sub Saharan Africa is to come to Europe as Vodafone seeks to spread the digital currency outside emerging markets.

Vodafone has acquired an e-money licence to operate financial services in Europe, with plans to launch M-Pesa (which means mobile money in Swahili) in Romania as a first step to potential expansion in the region. M-Pesa has become so popular in parts of Africa that it has become almost a virtual currencyis, offering a secure means of payment for people

who do not have easy access to banking services. A mobile phone text message is all that is needed to pay for everything from bills and schools fees to flights and fish, and means that the mobile phone can double as an office for the continent's smaller entrepreneurs.
Vodafone hopes to win over an estimated 7m Romanians who transact mainly in cash. Michael Joseph, Vodafone director of mobile money, said that the European e-money licence would allow Vodafone to operate M-Pesa in other markets, although he indicated that the focus would be on central and eastern Europe. "There are one or two [countries] we are looking at but [these are] unlikely to be in western Europe in the next year or so," he said, adding that countries with a large migrant population such as Italy were potential markets.
There was also the chance to extend the platform into savings, loans and insurance in the same way Vodafone had done in Africa, he added.
At the end of 2012, within little more than a year of launching its M-Pesa-based loans and savings platform, M-Shwari, Vodafone's Kenyan operator, banked $270m.
In Kenya, where M-Pesa launched in 2007, the platform is so widely used that a third of the country's $44bn economy washes through the system. It is sold by 79,000 agents nationwide and has since been extended to Tanzania, Egypt, Lesotho and Mozambique.
More recently, M-Pesa has been introduced in India, where more than 1m people have registered
for the service. The launch comes amid controversy over other digital means of payment such as
Bitcoin. However M-Pesa is not a digital currency rather a means of exchanging money already held
on mobile phone accounts. M-Pesa had about 16.8m active customers at the end of last year, generating about €900m in transactions per month. *(Financial Times)*

ENERGY

Angola's electric power system to cost US$18 billion up to 2017

The Angolan government plans to spend US$18 billion by 2017 on construction and reconstruction of the country's electric power system, says Inglês Pinto, director of studies and planning for the utility Empresa Nacional de Electricidade (ENE). Pinto said the aforementioned amount to be spent by 2017 encompasses all electricity systems, including production, transmission and distribution. He added that this year Angola will start producing electric power from sugarcane and garbage. "We're going to have a biomass plant in Malanje province that will use bagasse, a sugarcane production by-product that will be burnt to produce energy, as well as locally produced garbage," Pinto said, cited by the National Radio of Angola. *(Macauhub)*

Angolan government seeking management plan for Cuanza River integrated water resource system

Angola's National Water Directorate has announced that it is seeking proposals from consultancy companies interested in developing the management plan for the Cuanza River integrated water resource system.
The tender is being financed by the International Development Association of the World Bank Group. The announcement indicated that it should include development scenarios, a financing plan and strategy for its application.
The Cuanza River is home to some of Angola's biggest hydroelectric complexes, such as the dams at Lauca (2,067 megawatts), Cambambe (260 megawatts), Cambambe 2 (700 megawatts) and Capanda (520 megawatts).
A study several years ago cited by the specialty press mentioned the possibility that the United States might finance construction of a large hydroelectric complex in the middle Cuanza able to produce 6,000 megawatts of electric power. *(Macauhub)*

Africa's Biggest Wind Power Project Secures $870m Financing

Kenya's Lake Turkana Wind Power Project, which is meant to add an existing 300MW of reliable, low cost wind energy to the country's national grid, has reached a critical milestone, following the signing of over $870 million financial agreements in the capital city, Nairobi.
These agreements represent a major breakthrough to actualizing the biggest clean power energy project in Africa, spanning years of negotiations and fundraising, says Tshepo Mahloele, CEO of Harith General Partners, a pan-African infrastructure focused fund manager and a major investor in the project.
The project will be financed with a mixture of equity, mezzanine debt and senior debt.
The Lake Turkana Wind Power (LTWP) project is the first of its kind in East Africa and will be the largest wind project on the continent to date, says Mahloele. The parties at the signing ceremony were represented by lead developer and independent power producer, Aldwych, which is majority owned by the Pan African Infrastructure Development Fund (PAIDF). LTWP is primarily responsible for the financing, construction and operation of the wind farm and comprise a grouping of investors and lenders with extensive financial and technical capabilities and experience on the African continent. They include FMO, Vestas, Finnfund, IFU and a strong local sponsor KP&P on the equity side. The syndicate of banks is led by the African Development Bank and comprises Standard Bank, Nedbank, EIB, DEG and

Proparco. LTWP will help diversify Kenya's energy mix and reduce the country's reliance on power production from oil and diesel power generators.
This project also forms part of Harith's commitment to the United States backed Power Plan announced last year by the US President Barack Obama to bring more than 10,000 MW of electricity to sub Saharan Africa in a $7 billion investment push. Through Power Africa, Harith has committed $70m for wind energy in Kenya and $500m across the African power sector through a new fund. In Kenya, electricity is mainly generated from hydro, thermal and geothermal sources. Wind generation accounts for less than 6MW of the installed capacity. *(Ventures Africa)*

MINING

De Beers hopes for diamond exploration rights in Angola by year-end

De Beers, the world's largest diamond miner by market value, hopes to obtain a concession to explore in Angola by the end of this year, chief executive **Philippe Mellier** said.
The London-based company, majority-owned by global miner Anglo American, is also holding initial talks with India about exploring in some areas in the centre-north of the country.
"We expect to have news about exploration licenses before the end of this year and we are in contact with the Angolan government to discuss that. We hope that it's going to be successful," Mellier told Reuters in an interview last week.
Early stage work in Angola should start later this year, a spokesman for the company added.
Russia's Alrosa, De Beers' main competitor, already operates the Catoca mine in Angola, the world's fourth-largest, in a joint venture with Angola's state-owned Endiama.
De Beers previously explored for diamonds in Angola between 2005 and 2012 but concluded that a stand-alone deposit in the area was not economic and relinquished its concession.
It is now going back to explore a new area in the country, which Mellier said was highly prospective.
Angola is the world's fourth-largest diamond producer by value, and sixth by volume, and the government is keen to boost a sector where few companies are currently drilling. But the country needs to develop transport links and services for mining companies, and make geological data more accessible, according to a study published late last year.

ROUGH AND POLISHED

De Beers produced more than 31-million carats of diamonds last year at its existing operations in South Africa, Botswana, Namibia and Canada. The Botswana government owns 15% of De Beers, while Anglo American owns the rest.
With underlying operating profit of just over $1-billion in 2013, the diamond miner was the third largest contributor to the Anglo American's earnings.
De Beers, which mines and distributes rough diamonds and also manufactures and sells diamond jewelry under its Forevermark brand, said rough diamond prices rose by about 2% to 3% last year and have increased by a further 2% to 3% this year. Mellier, a French national who before joining De Beers as chief executive in 2011 held senior positions at Ford, Renault and Alstom, said sentiment was upbeat this month at the Hong Kong international diamond show, seen as a barometer of the health of the diamond industry. "The Hong Kong show was pretty good, it was better than last year. We saw Chinese, Indians, Japanese were buying, and buying in good numbers," he said. "Expectations were high, because Chinese New Year was good and the first feedback I am getting is that it was in line with expectations or even better." He said he expected 4% to 4.5% growth in the dollar value of the world polished diamond market this year. Retail sales of diamond jewelry were worth more than $72-billion in 2012 while rough diamond production generated revenues of around $15 billion, according to consulting firm Bain & Company, the latest available data. *(Mining Weekly)*

Project to mine copper in Mavoio, Angola, given green light

The project to extract copper from Mavoio is under way in accordance with technical and scientific requirements and its dynamics are suitable for mining projects, Angola's Minister of Geology and Mines indicated on Monday in Luanda.
Francisco de Queiroz said the project will definitely go ahead, thereby helping diversify mining operations in Angola.
At the end of a meeting to study the project's status, Queiroz stressed that it was a "key project which the government sees as being very important".
He added that it is not included in the 2013-2017 Middle Term National Development Plan, because the economic feasibility study will only be conducted in the last year. *(Macauhub)*

Triton Minerals raises $4.0 million to advance Balama North graphite project in Mozambique

Triton Minerals Limited (ASX: TON, "Triton", "the Company") is pleased to announce that it has raised A$4.0 million through a placement of shares to key sophisticated and institutional investors in Australia and internationally (the"Placement").
Triton was very pleased with the high demand for the Placement from both existing and new investors, with significant oversubscriptions received. Funds raised from the Placement will be used to fund the first phase of the drilling and exploration program on the key graphite Balama North project in Mozambique.

A total of $4m was raised through the Placement, which will consist of the issue of just over 36.3 million shares at A$0.11 per share. The issue price of A$0.11 represents a 12% discount to the 5 day volume weighted average price (VWAP) of Triton's shares prior to the Placement commencing.
Triton confirms that the Placement is subject to the Company obtaining shareholder
Approval to ratify and refresh the Company's placement capacity and such approval will be sought at a General Meeting of Shareholders, which is to be held at 10.30am on Friday, 21 March 2014 at 278 Barker Road, Subiaco WA.
The Company expects to obtain the relevant approval at the shareholder meeting and as such the Placement will be finalised and the allotment of shares would occur during the following week.
As a result of this Placement, Triton is now fully funded to progress the first phase of the aggressive drilling program, exploration activities and studies at its key Balama North graphite project in Mozambique. The remainder of the placement funds will be used to cover transaction costs and to provide ongoing working capital.
As a result of the recent announcement about the substantial expansion in the exploration potential of the Balama North project, the RC and Diamond drilling programs have also been extended to drill test these new areas.
The exploration program will consist of completing the first phase of the exploration drilling, moving into potential resource definition drilling and modelling at the Nicanda Hill prospect.
The program will also include general exploration activities on the Charmers and Black Hills prospects and the newly identified Ncugi Trend target, all located in the Balama North project. Further, the program will also include limited exploration activities at both the Balama South and Ancaube graphite projects.
Triton confirms that the RC and Diamond drilling program is due to commence at the Nicanda Hill prospect in mid to late April 2014. *(MBendi)*

OIL & GAS

São Tomé and Príncipe to soon announce position on oil prospecting in Timor-Leste

The government of São Tomé and Príncipe will soon respond to the proposal from its counterpart in Timor-Leste (East Timor) to set up a Portuguese-speaking consortium to prospect for oil on land in its territory, São Tomé's press reports.
Timor-Leste's oil company, Timor Gap, recently announced that it was establishing contacts with members of the Community of Portuguese Language Countries (CPLP) to "mobilise the member states for oil prospecting in the terrestrial zone of Timor-Leste", mainly on the south coast.
The president of Timor Gap, Francisco Monteiro, said on the occasion that he had been in Portugal in 2013 to speak with the Galp Energia oil group and Portuguese authorities, and that last February he spoke with Mozambique and São Tomé and Príncipe.
Regarding Brazil, Cabo Verde (Cape Verde) and Angola, the president of Timor Gap said that Cabo Verde "has expressed willingness" and that he was awaiting Angola's response, while Brazil answered via Petrobras that it was "not in condition to take part in the consortium".
The consortium was suggested by the Prime Minister of Timor-Leste, Xanana Gusmão. The aim is to boost economic integration among the CPLP countries, whose rotating presidency will be assumed by Timor-Leste at the organisation's upcoming summit meeting in Dili. *(Macauhub)*

Sao Tome and Principe government may review oil exploration agreement with Nigeria

The government of Sao Tome and Principe is available to review the agreement it has with Nigeria that set up joint oil exploration, Prime Minister Gabriel Costa said Wednesday in Sao Tome.
The Prime Minister noted that there were some difficulties in the process and said he would consider renegotiating the agreement to set up the Joint Development Authority, which will manage oil exploration, according to Portuguese news agency Lusa.
In response to a statement by Nigeria's Foreign affairs Minister, Mohammed Nuruddeen, who said the agreement was frustrating and considered it might be dismantled, Costa said that he was available to discuss "whatever is necessary in relation to the agreement" with the Nigerian government.
The agreement was signed in February 2001 based on an optimistic forecast of US$100 million in revenues per year. According to the agreement any revenues would be split 60% for Nigeria and 40% for Sao Tome and Principe. *(Macauhub)*

Ghana to Commence Gas Production

The management of Ghana Gas Company has announced that the country will commence gas processing for both industrial and domestic consumption at its Atuabo gas processing plant by the end of June in a bid to curb the frequent power outages the country is currently experiencing.
This decision is fuelled by Nigeria's inability to provide the required gas supply necessary to power the country's thermal plant.

With a daily need of about 400 million cubic feet of gas, Nigeria is expected to supply a minimum of 120 million cubic feet of gas daily to augment what is being supplied by the Akosombo hydro-electric dam but has been unable to fulfil its part of the contract.
Although Ghana has consistently called the attention of the West African giant to its failure to fulfil its part, there have been no changes and the country might be forced to seek a legal action.
Meanwhile, it has decided to source for alternative supply of energy at its own Atuabo gas processing plant which will obtain gas from the Jubilee Fields to power the thermal plants.
About 80 percent complete, the project has been ongoing for about two years three months and concerns are being expressed about the continued delay in completion.
Chief Executive Officer, Dr. George Sipa Yankey was however hopeful the gas project will be completed at the set deadline, attributing failure to meet past timelines to delayed release of funds by the Finance Ministry.
Ghana's foray into gas processing will not only provide local employment and enable it meet rising demand for electricity, but may also lead to a surge in economic growth from export proceeds. *(Ventures Africa)*

Italy's ENI plans to reduce its stake in gas block in Mozambique

Italian group ENI has hired a bank to advise it on the sale of a 15 percent portion of its 50 percent stake in the Area 4 block of the Rovuma basin in northern Mozambique, financial news agency Reuters reported citing bank sources.
The 15 percent portion may provide ENI with around US$5 billion after the sale of 20 percent sold to the China National Petroleum Corporation raised US$4.2 billion.
Some sources cited mentioned that the China National Offshore Oil Corporation (CNOOC) is one of the parties potentially interested in acquiring the stake, as are other large oil groups such as ExxonMobil, Chevron, Shell and Total.
The Area 4 block is believed to contain over 85 trillion cubic feet of natural gas and is located in the basin where deposits of over 150 trillion cubic feet have been found.
In February of this year the chief executive of the Italian group, Paolo Scaroni, announced that the group may reduce its stake in the block from 50 percent to 35 percent, adding, "we are seeking a partner who is also a gas buyer."
The block, the concession on which was granted in February 2007, originally had as its partners the ENI group (70 percent), Portugal's Galp Energia, Korea Gas and Mozambican state oil and gas company Empresa Nacional de Hidrocarbonetos (ENH), with 10 percent each. *(Macauhub)*

INFRASTRUCTURE

PPPs could be used to bridge Africa infrastructure funding gap

Sub-Saharan Africa is lagging behind other developing economies with regard to infrastructure development, which is constraining growth, Genesis Analytics economist **Mitali Nikore** said on Tuesday.
Speaking at the second South African Economic Regulators Conference, in Johannesburg, she pointed out that, according to the World Bank, Africa's total infrastructure funding requirement was about $93-billion a year; however, only $45-billion a year was currently coming from traditional sources – such as governments, the private sector and external sources ¬– leaving the continent with a significant funding gap, which she said could potentially be bridged through public¬–private partnerships (PPPs).
Nikore stated that assets invested in PPPs in Africa had increased significantly from projects worth about $40-million in 1990 to $13-billion in 2012.
She added that there were various advantages for governments in getting involved in PPPs. These included access to debt-free financing, the ability to harness private-sector efficiencies and the transfer of some risk by a government to a private sector entity.
Economic regulators also had a role to play in leveraging private sector financing to bridge the infrastructure financing gap, Nikore said.
Regulators had to set the scene in such a manner that the legal and regulatory environment was clear and predictable for private sector investment, she noted.
"[Regulators] should provide comprehensive policy frameworks and regulation predictability, reduce uncertainty in the sector and also ensure that government does its part and government guarantees are provided to private sector investors to mitigate political risks," Nikore said.
Further, regulators also had an oversight role to play in PPP investment.
Nikore said once the PPP was in place and functional, the regulator had to set out the scope of work for the private sector entity, establish the terms and conditions of the service that the entity would provide, set the rules for the sector and also monitor the performance and efficiency of the private sector entity.
"But most importantly, the regulator [should] regulate the tariffs set," she explained, highlighting that the regulator had to balance the "cost-recovery motivation" of the private sector as well as the "affordability motivation" of the users. *(Engineering News)*

Luanda's new international airport will be hub for new partnership between TAAG and Emirates Airlines

The future Luanda International Airport, built by Angola-Chinese cooperation, beyond being a base for Angola's flagship airline will be the hub of a partnership between TAAG and Emirates Airlines on a global scale.

According to the Africa Monitor newsletter the agreement for the TAAG-Emirates partnership is due to be signed soon in Luanda and includes setting up a hub for central Africa at Luanda's new airport, which will operate in conjunction with the Dubai hub, which is one of the busiest in the world.

The newsletter also said that the partnership was intended to "attract" a considerable amount of regional and international passenger and cargo traffic to both airlines, and the two are expected to code-share on routes starting or ending in Luanda.

TAAG will focus its operations on routes from Luanda to Europe whilst Emirates will focus on Asia and South America.

In practice, Africa Monitor says, TAAG will reduce or even stop flights to destinations in China and Brazil, and these routes will be run by Emirates.

Amsterdam, London, Paris, Brussels, Frankfurt and Rome (or Milan) are the new destinations to which TAAG plans to expand its operation in Europe.

Its own fleet of three Boeing-777-300 used on its flights to Europe, which will increase by one aircraft due to be received by the end of June, may be joined by aircraft provided or leased by Emirates, including Airbus 380s, on flights to Lisbon, for example.

The new Luanda International Airport is being built in the Bom Jesus area of the municipality of Icolo e Bengo.

Ju Li Zhao, the general representative in Angola of the company building the airport, the China International Fund Ltd, recently told Angolan news agency Angop that annual passenger traffic at the new airport was expected to total 1.5 million people.

The northern runway (one of two due to be built) has already been finished and is 3,800 metres long, which is enough for a Boeing 747 to land and take off. The second runway will be wider and longer, at 4,000 metres and will be adapted for Airbus A-380 aircraft, according to the CIF general representative in Angola.

The airport, which will have two terminals, two air traffic control towers, and four other support buildings, is expected to start operating within two years.

Africa Monitor also said that the Angolan authorities expected the European Union's Air Safety Commission (CSA) would completely lift the restrictions that prevent TAAG from operating a full service to Europe. *(Macauhub)*

Angola's Sonamet to built new quay at port of Lobito

Sonamet, a Sonangol affiliate company which builds metal structures for oil prospecting, plans to invest 56.1 million dollars to build a new quay at its complex in Lobito in Benguela province, reports the Angolan newspaper Expansão.

The newspaper cites the presidential measure approving the investment contract, asserting that the company aims to use that investment to begin building metal structures for oil-related activities in deepwater.

Sonamet lost nearly 80 percent of its quay (about 200 metres long) due to the port's construction of a container terminal. The new quay adjacent to the existing one will be able to handle large ships, enabling the company to make structures which would otherwise have to be imported.

Most of the nearly US$30 million investment will be obtained by contracting loans from national banks, while the rest will come from the application of its own funds.

Investment in the new 320-metre long quay able to transfer structures weighing more than 5,000 tons will create gross added value of US$117.4 million. Half of the project should be completed this year.

Sonamet – Sociedade Nacional Metalúrgica is held by Angola's national oil company (Sonangol – Sociedade Nacional de Combustíveis de Angola), with a 40 percent stake, and by the Luxembourg-registered London-based company Subsea 7, with 55 percent. The remaining 5 percent is spread among various shareholders. *(Macauhub)*

Funding secured for construction of Pemba logistics hub, in Mozambique

The first phase of the project to build the Pemba logistics hub, in Mozambique's Cabo Delgado province, which is expected to cost US$150 million, has secured funding, Mozambican daily newspaper Notícias reported.

This first phase involves construction of the logistics hub and facilities for production and assembly of undersea equipment used in the oil industry. The environmental impact study for the project is now underway.

André da Silva, the chief executive of port management company Sociedade Portos de Cabo Delgado (PCD), which holds the concessions on the Port and Logistics Terminals of the Ports of Pemba and Palma, told the newspaper that the work underway was in the hands of Mozambican company ENHLogistics, a subsidiary of state oil and gas company Empresa Nacional de Hidrocarbonetos (ENH), which may also be involved with construction and management of the hub. An international public tender was initially planned for the project, which may no longer be the case in order to meet deadlines for the project and to ensure that the facilities can start being used by 2018 when production of natural gas in the Rovuma basin is expected to begin. PCD is a company made up of ENH and Mozambican state port and railway company Caminhos de Ferro de Moçambique, each with a 50 percent stake. PCD was granted the concession on the two port terminals for a period of 30 years. *(Macauhub)*

Hefty prospects for heavy-haul rail developers in Africa

Professional services firm PwC associate director **Andrew Shaw** has described extensive opportunities for the development of heavy-haul rail networks across Africa, citing the continent's largely commodity-led growth as the primary driver of the need for improved rail capability and pit-to-port freight solutions.

While acknowledging that commodity demand had softened since pre-2008 levels, Shaw asserted that the market remained suitably robust to justify and support large-scale rail infrastructure in several African States, which had long struggled to "unlock" their geographically isolated mineral resources.

"There are lots of opportunities for [the construction of] heavy-haul rail lines in Africa, where countries continue to tell the story of commodity-led growth. There is also a growing realisation that if rail infrastructure is in place, mining investment will be significantly higher. [A lack of] infrastructure is a retarder of economic growth, " he commented at the Heavy Haul Rail Africa conference, in Johannesburg, on Wednesday.

The continent had also previously seen the failure of several rail concessions owing to the high volumes of capital investment required for the construction of large-scale heavy-haul rail networks and the accompanying high-risk nature of investment in Africa.

Shaw identified the ten countries with the most growth potential for heavy-haul rail on the continent as Algeria, Egypt, the Democratic Republic of Congo, Nigeria, Ghana, Kenya, Tanzania, Angola, Mozambique and South Africa.

"Each of these sovereigns have a high gross domestic product, strong growth expectations, are rich in natural resources, are a natural exit to landlocked adjoining countries and have high transit traffic volumes. They are also potential gateways to their respective regions," he held.

Expanding on Mozambique's rail infrastructure potential, Shaw said, in terms of trade and logistics, the country represented a "natural" entry point for its landlocked neighbours to the west, but was frequently bypassed owing to the lack of transport networks.

He cited Mozambique as an example of a country whose growth had stalled as a result of inadequate rail infrastructure, despite it boasting "massive" coal reserves, which "couldn't get out".

An estimated $20-billion to $25-billion in infrastructure was required to unlock these reserves, Shaw said.

In noting the country's "significant" need to upgrade and improve the rail network and connected ports to "open up" its coal-rich Tete province, in the north, he emphasised that transport infrastructure investment of some $17-million had been committed to connect mining and agricultural clusters to export ports. *(Engineering News)*

World Bank to Fund Congo Hydroelectric Dam Project

World Bank has approved a grant of $73.1 billion to help the Democratic Republic of Congo (DRC) fund the development the Inga III Base Chute (BC) hydroelectric dam.

The grant, combined with Africa Development Bank's investment of $33.4 million late last year, will finance the impact of the project socially and environmentally and be used to conduct a comprehensive technical study to ensure the dam's sustainability.

It will also be used to establish Inga Development Authority, an establishment that will source for and select private investors that can fund the project, while ensuring it conforms to international best practices.

Like most African countries, Congo is characterized with epileptic power supply. With a population of 65 million, only 9 percent has access to electricity.

Also, the mining sector on which the economy relies heavily on has suffered from power rations and companies have been asked to halt any plans of expansion.

The revival of the Inga III dam project is therefore celebrated as it is expected to produce about 4800 megawatts on completion even though it has the potential of producing 100 gigawatts of power by drawing energy from the Congo River, ranking it as the third largest hydropower dam in the world after China and Russia.

"Inga III BC is undoubtedly the most transformative project for Africa in the 21st century. It is one of the strategic pillars of development for the DRC, that needs energy to expand growth and reduce poverty in a sustainable way," Matata Ponyo Mapon, Prime Minister of the Democratic Republic of Congo said.

Out of the 4800 megawatts, South Africa would buy 2,500 megawatts. 1,300 megawatts will be sold to the country's mining industry while the remaining will be sold to the national utility SNEL, which will in turn sell to about 7 million people living around Katanga province, the country's capital.

However, the project has been criticized. According to non-profit organisation International Rivers, the World Bank should fund other energy solutions like wind and solar rather than the construction of the dam.

"The Grand Inga is a massive project that will require huge sums of money for its realization and astute management for tendering process and implementation. Based on history there are high risks of corrupt deals and ever-escalating costs," it says.

"We will continue to push the World Bank and the DRC government to support clean local energy solutions rather than Africa's next white elephant," Peter Bosshard, International Rivers' policy director said.

The global financial Institution however clarified in a statement that it had not reached a decision yet on whether to fund the construction of the Inga III project and the funds were not for construction but technical development and assessment.

AGRIBUSINESS

Pushing African agribusiness to $1tr mark

Imagine for a moment the impact of a US$1tr African agribusiness sector on the lives of Africans. Currently worth about $313bn, the sector already provides jobs for 70% of the poorest people on the continent. An increase greater than threefold will bring jobs to lift millions out of poverty; most stomachs will be filled with nutritious meals, Africa's agricultural exports will dominate global markets, and the continent's farmers, who have borne the brunt of harsh economic conditions, will get a new lease of life as they become competitive in the global marketplace.

This is not an unreachable dreamland. A World Bank report published in March 2013 argues that it could soon be a reality. The report, ***Growing Africa: Unlocking the Potential of Agribusiness***, projects that African agribusiness could be worth $1tr by 2030. It's the latest in a string of positive reports about the continent's socioeconomic development prospects, despite political instability in a handful of countries.

No magic wand

But no magic wand will cause a $313bn agribusiness sector to grow into a $1tr behemoth. The World Bank cautions that everyone will have to work hard – governments, the private sector, farmers, and so on. However, the elements for a pole-vault jump are in place. For example, in addition to huge, untapped water resources, Africa has more than 50% of the world's fertile and unused land – that's a whopping 450m hectares. The continent uses only 2% of its renewable water resources, while the global average is 5%. The steady and increasing private sector interest in African agribusiness is just the icing on the cake.

Also, while global prices of agricultural commodities are rising due to increasing demand, supply of these commodities is slowing due to factors like land degradation and water scarcity in many countries, especially in Asia. "Water scarcity has become a major constraint because of competition from rapidly growing industrial sectors and urban populations," states the Word Bank. Yet Africa has both water and land in abundance.

At first glance, the World Bank report paints a glowing – even celebratory – picture of African agribusiness prospects. But the report also rigorously highlights many stubborn and recurring obstacles in the path of development progress. It states that "to generate the jobs, incomes and food so badly needed for Africa's growing population over the next 20 years, agro industries need to undergo a structural transformation", and it calls for more concerted investment in the sector.

Infrastructural needs

African agribusiness desperately needs improved infrastructure. "Infrastructure is a high priority for jump starting agribusiness throughout Africa. Best bets for infrastructure are irrigation, roads and markets," according to the report. In 2010, for instance, Africa produced 1,300kg of cereals per hectare of arable land, which was about half of what South Asia produced per hectare, according to the World Bank. A major reason for that low production is African countries' low percentage of irrigated arable land, only 3% on average compared to a 47% average for Asian countries, states the Food and Agriculture Organisation. On top of that, a lack of rural roads impedes farmers' access to markets and increases post-harvest losses.

Although increased financing is needed in the agribusiness sector, there have been improvements lately, notes the report. Even so, only 7% of Africa's agriculture comes from foreign direct investments, compared to 78% for Asia. The good news is that due to rising commodity prices, "the appetite is growing among investors, private equity, and investment and sovereign funds to tap into Africa's agriculture and agribusiness markets".

Partially because of the lack of infrastructure and investment, a continent with half of the world's fertile land spends $33bn on food imports annually, including $3.5bn on rice imports. Gone are those years, in the early 1990s, when sub-Saharan Africa was a net exporter of agricultural products. Currently, imports are as much as 30% greater than exports.

The report suggests it should be astonishing that developing countries such as Brazil, Indonesia and Thailand export more food products than all of sub-Saharan Africa combined. "The value of agricultural exports from Thailand (a country of 66m people) now exceeds that of all sub-Saharan Africa (a region of 800m people)." This situation is not sustainable, says Gaiv Tata, the World Bank director for financial and private sector development in Africa. "African farmers and businesses must be empowered through good policies, increased public and private investments and strong public-private partnerships."

African leaders face the challenge

It's not as if African leaders need any convincing about the need for more investments in agriculture, but more actions must match their words. In 2003, the New Partnership for Africa's Development (NEPAD), an African Union framework for the continent's socioeconomic development, launched the Comprehensive Africa Agriculture

Development Programme (CAADP) “to eliminate hunger and reduce poverty through agriculture”. By signing on to CAADP, most African governments agreed to invest at least 10% of their national budgets in agriculture and to raise agricultural productivity by at least 6%.

Through CAADP, Africa is slowly but steadily moving forward. Countries such as Ghana, Ethiopia, Rwanda and others have placed agriculture at the top of their development priorities list. Martin Bwalya, the head of CAADP, says that over the past years, 40 countries have either signed the compact or finalised investment plans while 13 others have yet to sign up to CAADP. However, the NEPAD 2014 report highlights that just nine out of Africa’s 54 countries have met the target of 10% of budget allocation, while another group of nine are currently spending between 5% and 10%.

To commemorate 10 years of CAADP, African leaders declared 2014 the year of agriculture and food security in Africa. With African agriculture growing at 4%, the leaders hope to build on that momentum in the coming years.

Even these modest gains are commendable, analysts believe. They are a “strong contrast to what many acknowledge to be inadequate or even nonexistent national strategies that previously governed Africa’s agricultural sector”, according to the Brookings Institution, a Washington-based think tank. Hennie van der Merwe, CEO of the South Africa-based Agribusiness Development Corporation, adds that “Africa is currently experiencing a revival in terms of its focus on agribusiness, not only to increase food self-sufficiency, but also to create jobs and economic activity, specifically in rural areas”.

The World Bank concurs: “Côte d’Ivoire, Kenya and Zimbabwe all have been successful exporters in terms of market share… Ethiopia, Ghana, Mozambique and Zambia stand out as African success stories in terms of significant increases in export market shares since 1991.”

Land problems

Political commitment and investment aside, another lingering problem is land allocation and acquisition. Farmers in many countries cannot expand their farming because they have limited access to land, and discriminatory laws sometimes prevent women from gaining ownership. The World Bank report addresses the need for judicious and equitable land allocations, stressing that such allocations shouldn’t threaten people’s livelihoods. Land purchases also need to follow ethical standards. For example, buyers should pay fair market rates after consultation with local communities.

In 2011, the Oakland Institute, a US-based think tank, reported unfair land deals in South Sudan, under which foreign companies bought up fertile and mostly uncultivated land. Such deals did not clarify land tenure and usage, and worse, even threatened the land rights of rural communities. “Governments and investors must also put in place effective environmental and social safeguards to reduce potential risks of agribusiness investments, especially those associated with large-scale land acquisitions by investors,” the institute advised.

Taking the ICT route

Experts generally agree that technology, particularly information and communication technology (ICT), will boost agriculture. In an earlier report titled ICT for Agriculture in Africa, the World Bank listed ways in which ICT could support agriculture at every stage: pre-cultivation (crop and land selection, access to credit, etc.) crop cultivation and harvesting (land preparation, management of water, fertiliser and pest control, etc.) and post-harvest (marketing, transportation, packaging, food processing, etc.). Geographical information systems can be used for land-use planning and climate change adaptation, for example, the Bank stated.

Already farmers in Kenya and Zimbabwe have deployed ICT in ways that have increased their income and productivity. Charles Dhewa, a Zimbabwean communication specialist, in 2012 launched eMkambo, an integrated virtual market where farmers and buyers share knowledge and transact business by means of mobile phones.

Farmers are also using ICT in other ways: to share new production processing and marketing skills in Burkina Faso; to trace mangoes via a system that connects Malian farmers to global consumers; to garner important information that improves forest governance in Liberia; to provide SMS-based services developed by Zambia’s National Farmers Union.

The World Bank says such ICT initiatives have been successful in part because “real economic value was added either because of savings resulting from the use of ICT or an increase in revenue or profitability”.

Such is the importance of ICT to agriculture that in 2011 the International Fund for Agricultural Development, the UN agency dedicated to poverty eradication in developing countries, called for policy innovations to make technology the main driver of African agriculture.

There is still some distance to cover to realise the dream of a $1tr agribusiness. But many hands are already on deck. Ghana and Senegal are forging ahead with rice production, Zambia’s 88m hectares of available land are said to be quite suitable for maize and Côte d’Ivoire, Ghana and Nigeria already account for two thirds of the world’s cocoa. There is abundant water and land, increasing private sector investment and political commitment, all of which provide flickers of hope for a sector under revival. The World Bank says an African agribusiness sector is not just important for the sake of Africa but “essential for ensuring global food security”.

This article was first published by Africa Renewal.

Cabo Verde to receive funding from FAO and Japan for agricultural sector

Cabo Verde (Cape Verde) is one of four West African countries to receive emergency regional aid from the United Nations Food and Agriculture Organisation (FAO) and from Japan to boost means of subsistence of the most vulnerable populations, Cape Verdean newspaper A Semana reported.

Costing around US$2 million, the project focuses on the agricultural sector and is intended to help families that are dependent on small-scale farming considering the size of farms in Cabo Verde, Guinea Bissau and Senegal.

In a statement issued in Praia, the FAO noted that the challenge of food safety in West Africa and the Sahel is "very complex" and that millions of people are affected by poor nutrition.

"The agricultural sector has a defining role in West Africa, where the majority of families depends on small-scale farming as their main means of subsistence, with women playing an important role in processing and selling agricultural products," said the statement signed by the FAO representative in Cabo Verde, Marie Isabelle. *(Macauhub)*

German agriculture boss endorses foreign investment in African farming

Carl Heinrich Bruhn's perception of Africa used to be mostly negative. "I came from this typical view Europeans have of Africa, that it is this continent of hunger, war and corruption."

However, his opinions made a dramatic about-turn since he first came to the continent to look for investment opportunities. "My view about Africa has changed completely."

Bruhn is a German farmer who has spent his career working in Europe's agricultural and food industry. A few years ago he decided to start his own agricultural company, and in 2011 Amatheon Agri was launched. The company has managed to attract various high profile businesspeople, such as former Unilever Africa head Frank Braeken, who joined the company as chief investment officer. Amatheon calls itself a "European agribusiness and farming company developing and operating sustainable projects in sub-Saharan Africa". However, it was not Bruhn's original intention to do business in Africa. After initially focusing on opportunities in Kazakhstan and Russia, the company was offered a project in southern Africa, which opened his eyes to the potential on the continent. "I went to sub-Saharan Africa and said: 'Wow, why have I never seen this opportunity?' In regards to business operations in Africa, people always talk about the risks and enormous difficulties, which led to me adapting this view as well. Today I have a very different and more sophisticated view, because it is not about the risks and difficulties, which without doubt exist, but it's about whether you know how to manage them." The company's first investment was in Zambia where it acquired more than 30,000ha of land 200km west of the capital Lusaka. Amatheon cultivates soya, maize and wheat in the region and is steadily growing its cattle herd. Furthermore, the company recently launched a farming project in northern Uganda and is looking to expand into others areas within the country. It has already invested €30m in Zambia and Uganda, and plans to spend an additional €350m in the coming two years on farming, trading and food processing activities in other African countries. Amatheon picked Zambia for its first investment because of the country's "political and social stability, openness to foreign investment, as well as its favourable conditions for agriculture". Zambia also has a growing consumer class and is bordered by eight countries, providing a large market for commodities and food products.

Foreign direct investment into agriculture

The past years have seen numerous large scale foreign investments in African farmland. Drought-stricken Gulf nations such as Saudi Arabia have reportedly bought up huge swathes of land, while private companies have also gotten in on the action. These so-called land grabs have come under fire, with complaints that some land deals are done with little transparency or regulation, have no environmental safeguards, and have displaced local inhabitants. Concerns have also been raised that commodities produced by foreign companies are simply exported without much benefit to the food security of local populations. But Bruhn does not share this negative sentiment. While he acknowledges that when done wrongly these deals can be harmful, he says foreign investment in agriculture can have a positive impact on host countries. He points out that Amatheon has been well received in Zambia, not only by the government but also by the local communities as the company brought employment to and developed infrastructure in the area where it farms. Furthermore, he says, the company also supports neighbouring smallholder farmers. "Not only did Amatheon establish a farm shop where farmers can buy inputs, Amatheon is also in the midst of developing an agricultural training programme, which will be put up through the newly established Amatheon Foundation. The company also grants a market to local farmers by purchasing their crops." According to Bruhn, governments and local communities generally encourage foreign investment "because they know when you do an investment there is an anchor for development, especially in rural areas".

Focusing on the opportunities

Amatheon is pushing on with its projects in Africa, with new investments in Ghana and Mozambique on the horizon.

Bruhn is excited to be a part of Africa's growth story and urges people to close the gap between perceptions and reality regarding the continent's opportunities. "I'm always asked: 'What about the risks to invest in Africa?' Even countries that have been stable for years, such as Ukraine for example, can fall into a time of turmoil. Hence, why not focus on the opportunities and manage the risk? I don't think you have a region in the world with a bigger opportunity than Africa." *(How we made it in Africa)*

Being a first-mover: Opportunities in Africa's hospitality industry

Africa's hospitality industry has seen huge growth around rising commercial centres and natural resources extraction, with many international brands – such as Radisson Blu, Four Seasons, Marriott and Protea Hotels – growing their footprint across the continent.

According to Wayne Troughton, founder and CEO of hospitality and property consulting firm HTI Consulting, hot markets for hospitality expansion include Ghana, Mozambique, Tanzania, Kenya, Ethiopia, Nigeria and Angola – many of which are developing around resource extraction.

However, he added that frontier markets in Africa that have recently emerged from conflict situations are also seeing potential for investment in hospitality.

"Frontier markets, post-conflict states… a lot of them don't even have one decent hotel. So there are a lot of opportunities," Troughton told ***How we made it in Africa***.

For over 10 years HTI Consulting has been providing financial and development consulting for the hospitality industry in 35 countries in Africa and the Middle East. With many hotel management companies and investors becoming more positive about the potential in Africa, Troughton said he has seen the appetite for post-conflict markets increase.

"These are markets that they typically didn't want to look at five years ago but now, because their footprint has increased in some of the other major markets, they are now looking at these frontier markets and there is good opportunities for them because these markets are crying out for one or two good hotels," he continued.

"And their first mover advantage is quite important because if you get in with a new hotel development it can often stop the development of others until demand picks up. [These markets] are coming out of conflict and some of them have found oil but the GDP growth is in the very early stages of growth, so they are in their infancy in terms of economic lifecycle."

He explained that generally the first hotels to be developed in these post-conflict markets are four and five star international hotel brands, while more mature markets like South Africa are seeing a demand trend towards three to four star hotels.

"Nigeria is sort of moving towards that maturity… You start to see segmentation [in the hospitality industry] where you see the biggest opportunities in Nigeria [now] are actually in the three or four star market… and what you also see coming with that is the growing middle class and more local business travel, and they want to stay in the three and four star [hotels]. So that is driving growth."

Demand for conference facilities in Africa

Troughton said Africa's hospitality industry is also seeing a huge demand for conference facilities.

"It's one of the markets in Africa – what we call the MICE market (meetings, incentives, conventions and exhibitions) – which is largely untapped… I think it's a hot topic that governments and countries are looking at developing international convention centres as a means of attracting, and also stimulating, hotel demand. In Mozambique they are looking at it at the moment. In Rwanda they are busy constructing a large international convention centre."

He added that there is also a demand to develop these conference facilities close to airports, such as in Lagos and Accra.

Demand for mixed-use developments

Another major trend being seen in Africa, according to Troughton, is mixed-use developments in which a hotel is attached to a shopping mall, for example. He added that very often mixed-use developments can generate anywhere between 15%-20% more revenue than a stand-alone hotel.

"In Africa it's even more important because you have a lack of infrastructure… there are security issues and people don't want to travel at night, or restaurants are not available elsewhere. So if you can keep it all in one particular node [it is an advantage]."

Furthermore, Troughton said there is trend of converting and developing old, distressed buildings, often owned by governments. He highlighted that these developments usually offer good opportunities for investors who can get them at lower prices and convert them profitably. "We are seeing a lot of this happening in Africa at the moment," he emphasized. *(How we made it in Africa)*

Mozambique may produce 110,000 tons of cotton in 2013/2014

Cotton production in Mozambique may total 110,000 tons of cotton in 2013/2014, which involves over 125,000 families in the north and centre of the country, said the director of the National Cotton Institute, Norberto Mahalambe.

In 2011/2012 production totalled 184,000 tons of seed cotton, as compared to an initial projection of 80,000 tons and in 2012/2013 production fell back to 67,000 tons despite a projection of 110,000 tons.

This drop in production, according to Mahalambe cited by daily newspaper Notícias, along with a drop in price for producers, led to 150,000 people of a total of 290,000 leaving cotton production to grow more profitable crops.

The director of the National Cotton institute said there had also been a drop of 24.37 percent in the area planted up with cotton, which fell from 188,800 hectares to 142,800 hectares. *(Macauhub)*

TRADE

Africa must do more to unlock potential for rising intra-African trade

Growth in intra-Africa trade is outpacing trade between Africa and rest of the world. However, more needs to be done to boost intra-African trade to take advantage of the increasing commercial depth of Africa's rapidly expanding consumer markets.

Exports by African countries to their peers on the continent have surged by 32% since the 2008 economic downturn, compared to growth of just 5% in exports to the rest of the world. Nevertheless, in 2011, intra-African trade accounted for merely 9% of the continent's total trade with the world, compared to 25% for Latin America and almost 50% for Asia. Anne-Marie Woolley and Megan McDonald, joint heads of Standard Bank's Structured Trade and Commodity Finance (STCF) business in Africa, believe that given the right focus, intra-African trade can be a driving force for growth in Africa. "Although intra-African trade has grown significantly over the last five years, it is off a very low base and remains vastly below par when compared to other developing regions of the world," said Woolley, head of Standard Bank's London-based STCF team. "Yet while there are challenges, there are substantial opportunities that can arise from boosting intra-African trade, particularly when one considers that sub-Saharan Africa is expected to grow by more than 6% this year, outpacing most of the developed world in terms of growth."

Some of the structural issues impeding intra-African trade include poor road and rail infrastructure, restrictive tariff structures, the unavailability of foreign exchange and the lack of trade-related financial solutions. While African governments are well-placed to assist in addressing the structural barriers to trade on the continent, equally so are financial institutions able to take the lead in attending to the problems impacting the availability of financial services.

"With many international banks having reviewed their risk appetite and subsequently withdrawing from, or limiting their exposure, to trade finance in Africa, an opportunity exists for local banks to step into the vacuum," said McDonald, head of Standard Bank's Johannesburg-based STCF team. "Much of the growth in regional trade can be attributed to finance provided by African banks, being able to leverage off their local market knowledge and 'on the ground' presence and thereby acting as important catalysts in driving regional trade activity."

Unlocking growth opportunities

Evidence of the dormant opportunities that can be unlocked by boosting trade within the continent is particularly true of the agricultural sector, which has the potential to provide more immediate benefits than manufacturing, which takes far longer to develop. Intra-African flows account for about 20% of Africa's total agricultural trade activity, compared to averages of 78% for the European Union and 60% for Asia. While African countries produced just 3.5% of the world's rice in 2011, they were responsible for 35% of global rice imports that year, indicating the potential opportunities that exist for the continent's rice producers. Ethiopia is another clear example, accounting for as much as 40% of Africa's coffee exports. Yet in spite of this, Ethiopia made just 3% of the US$1.2bn it earned by exporting coffee beans in 2012 by doing business with other African nations. "The trade data shows what can be achieved if African nations made greater strides in conducting trade with each other," said Woolley. "They could potentially unlock billions of additional dollars simply by placing more focus on trading with their African peers." South Africa, the continent's largest economy, is also missing out on potential trade opportunities within Africa. Of the $2.3bn South Africa earned by exporting fruit in 2012, only 8% came from the rest of Africa; with Angola absorbing 15%, followed by 12% for Benin and 11% for Mozambique. Similarly, other African nations could benefit by boosting their trade links with South Africa. Of the $1.2bn of South Africa's expenditure on cereal imports in 2012, just $19m (1.5%) was sourced from other parts of the continent; while 15% of the $86m of coffee imported into South Africa in 2012 originated from Africa.

East Africa getting it right

Nevertheless, there are certain "bright spots" on the continent where intra-African trade is flourishing. Standard Bank research shows that East Africa enjoys by far the deepest levels of trade integration on the continent.

Of the total exports from the five-member East African Community (EAC), 43% are directed to the rest of Africa, a ratio consistent with levels observed in Asia. On an individual basis, 49% of Uganda's exports were absorbed by African partners in 2011, followed by 48% for Kenya, 36% for Tanzania and 35% for Rwanda.

In contrast, trade integration within the Southern African Development Community (SADC) is comparatively low, with just 14% of its member economies' total exports going to other African markets. The Economic Community of West African States (ECOWAS) and the Common Market for East and Southern Africa (COMESA) have similarly low levels of trade integration with the rest of the continent, with the export ratio standing at a mere 15% for both trade blocs. "There is definitely an opportunity for the various regional trading blocs in Africa to work more closely together," said McDonald. "Greater cooperation in areas such as harmonising tax regimes, lowering tariff barriers, improving infrastructure, streamlining bureaucratic barriers and promoting the free-flow of goods across borders could pay huge economic dividends over time." *(How we made it in Africa)*

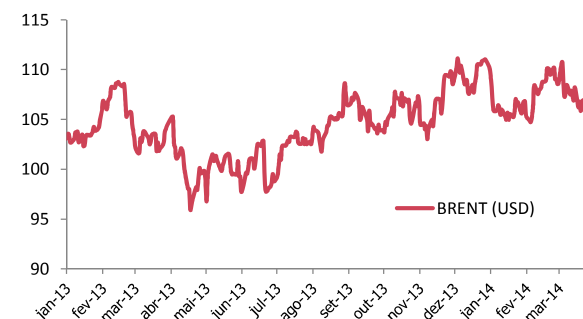
MARKET INDICATORS
31-03-2014

STOCK EXCHANGES		
Index Name (Country)	31-03-2014	YTD % Change
Botswana Gaborone Domestic Index (Botswana)	8.946,45	19,12%
Bourse Régionale des Valeurs Mobilières (Ivory Coast)	240,61	44,44%
Case 30 Index (Egypt)	7.949,01	45,52%
FTSE NSE Kenya 15 Index (Kenya)	176,51	40,37%
Morocco Casablanca Stock Exchange CFG 25 (Morocco)	19.786,52	3,36%
Nigerian Stock Exchange All Share Index (Nigeria)	38.343,88	36,56%
FTSE/JSE Africa All Shares Index (South Africa)	47.954,38	22,18%
Tunindex (Tunisia)	4.573,31	-0,14%

Source: Bloomberg and Eaglestone Securities

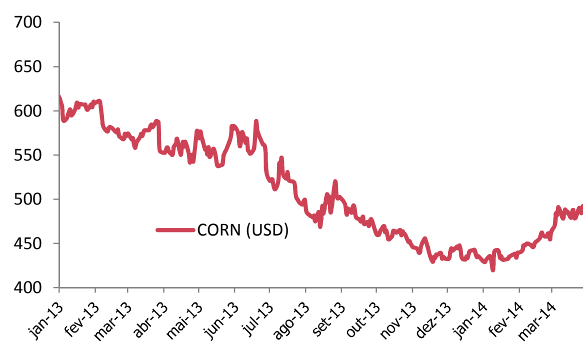
METALS	Spot	YTD % Change
Gold	1.296	-22,67%
Silver	20	-34,21%
Platinum	1.423	-7,61%
Copper $/mt	6.670	-15,90%

Source: Bloomberg and Eaglestone Securities



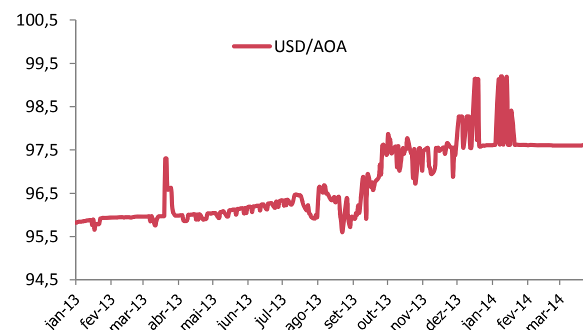
ENERGY	Spot	YTD % Change
NYMEX WTI Crude (USD/barril)	101,6	9,08%
ICE Brent (USD/barril)	108,0	-0,47%
ICE Gasoil (USD/cents per tonne)	901,3	-1,58%

Source: Bloomberg and Eaglestone Securities



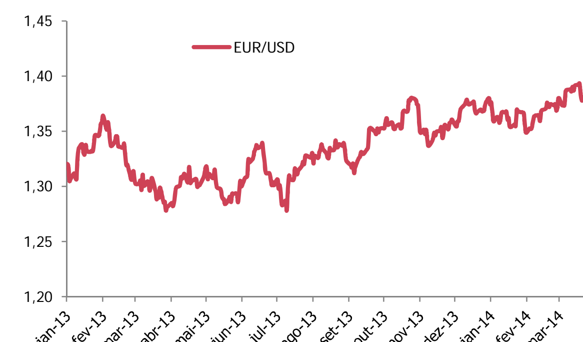
AGRICULTURE	Spot	YTD % Change
Corn cents/bu.	489,8	-30,06%
Wheat cents/bu.	690,0	-12,41%
Coffee (KC) c/lb	179,0	21,98%
Sugar#11 c/lb	17,8	-9,93%
Cocoa $/mt	2978,0	32,12%
Cotton cents/lb	94,3	24,26%
Soybeans c/bsh	1438,0	2,77%

Source: Bloomberg and Eaglestone Securities



CURRENCIES	Spot
KWANZAS	
USD	97,850
EUR	134,906
GBP	162,858
ZAR	9,242
BRL	43,270
NEW MOZAMBIQUE METICAL	
USD	31,400
EUR	43,291
GBP	52,261
ZAR	2,966
SOUTH AFRICAN RAND SPOT	
USD	10,588
EUR	14,598
GBP	17,621
BRL	4,682
EUROZONE	
USD	1,38
GBP	0,83
CHF	1,22
JPY	142,28
GBP / USD	1,66

Source: Bloomberg and Eaglestone Securities



UPCOMING EVENTS

4th AFRICA-EUROPEAN UNION SUMMIT 2-3 April, Brussels, Belgium
Diplomats expect a bumpy road to the Africa-European Union (EU) summit. The European Commission hopes to shake off its dry off and technocratic image to create a style based more on diplomacy and political engagement. It is perhaps an attempt to compete with emerging partners such as China, India and Brazil. Bostwana, Namibia, Camroon, Ghana, Cote d'Ivoire, Kenya, and Swaziland were yet to sign up. *www.consilium.europa.eu*

- **East Africa Property Investment Summit 2-3 April, Nairobi, Kenya** www.eapisummit.com
- **Wind Energy Summit South Africa, 9-10 April 2014 | Cape Town, South Africa** http://www.fc-bi.com/

Africa Agribusiness Forum 2014, 28-29 April, Vienna International Centre, Austria in partnership with UNIDO
(www.africaagribusinessforum.eventbrite.co.uk)

5th Eastern Africa Oil, Gas-LNG & Energy Conference 28 - 30 April 2014 Nairobi, Kenya
"Exploration, Development, And Production: Oil/Gas-LNG, New Ventures, Bid Rounds, Investment, Service/Supply"

The **2nd Annual Mozambique Real Estate Conference**, hosted by Pam Golding Mozambique, will take place on **May 21-22, 2014** at the **Indy Village Congress Hotel & Spa, Maputo**. http://www.pamgolding.co.mz/
For more information, or to make an early reservation, please contact **conference@pamgolding.com**.Dr. Andrew Golding, Group Chief Executive of Pam Golding, will be the Guest Keynote Speaker. Other speakers will include senior representatives from African Century, Couto, Graça & Associados, Dominio Capital, **Eaglestone**, ENH Logistics, Lonhro Group, PricewaterhouseCoopers, Prime Yield, Pylos Africa, RANI Investment, REC, SCP Africa, Standard Bank, the World Bank, and more.

Africa Rising: Building to the Future- The Government of Mozambique and the IMF will convene a high-level conference in May 2014 in Maputo to take stock of Africa's strong economic performance, its increased resilience to shocks, and the key ongoing economic policy challenges. http://www.africa-rising.org/
The Government of Mozambique and the IMF will convene a high-level conference in 2014 to take stock of Africa's strong economic performance, its increased resilience to shocks, and the key ongoing economic policy challenges. The Africa Rising conference will be held May 29-30, 2014, in Maputo. The conference will bring together policymakers from Africa and beyond, the private sector, civil society, academics, and private foundations with the goal of sustaining the current growth and sharing its benefits among African populations.

Africa Debt Capital Markets, 26th June, Mandarin Oriental Hyde Park, London UK
Learn the current trends in Africa's debt capital markets in one day.
www.adcm.eventbrite.co.uk

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

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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 manage-ment and brokerage – and currently has offices in Amsterdam, New York, Cape Town London, Lisbon, Luanda and Maputo

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

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