INSIDE AFRICA

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EAGLESTONE SECURITIES

Contents

BRIEFS

Which East African country received most funding from China, 2001-2011?

Tanzania	**$4,6bn**
Uganda	**$4,5bn**
Kenya	**$1,6bn**
Rwanda	**$469m**
Burundi	**$165m**

Angola's foreign exchange reserves rose to $34.4 billion in May from $33 billion in April, the central bank said in a statement posted on its website on Thursday. Angola, Africa's second-biggest oil producer after Nigeria, depends on crude exports for over 95 percent of its foreign exchange earnings.

Future Hot Spots -City Competitiveness by 2025
In a new report by Economic Intelligence Unit (EIU), seven African cities made it to a list of the 120 most competitive global cities. The report ranked cities based on their competitiveness and ability to attract international capital. New York was top in the overall global ranking while Tehran was at the bottom

Cote d'Ivoire has more than 90% mobile penetration, but only 14% of the population has access to financial services

South Africa has 71,000 dollar millionaires, 60% of the total in sub-Saharan Africa - more than Saudi Arabia or the United Arab Emirates

GDP per capita in resource-rich African countries grew 2.2 times faster during 1996-2011 than in resource-poor countries. Yet despite the better growth performance, poverty declined substantially less in resource-rich countries

Only 4 or 5 countries on the African continent are expected to still be without mineral exploitation by 2020

By 2020, projections are that Africa's consumer facing industries are expected to grow by more than $400bn

In-depth:

Africa a Net Creditor to the Rest of the World for AfDB-GFI

- Net Resource Transfers Out of Africa Range from US$597 Billion to US$1.4 Trillion from 1980 through 2009
- Unrecorded Illicit Financial Outflows from The Continent Ranged from US$1.22-1.35 Trillion from 1980-2009, Swamping Recorded Financial Transactions
- Net Resource Deficit, Illicit Outflows Seriously Undermine Development

A new joint report by the African Development Bank (AfDB) and Global Financial Integrity (GFI) reveals that the African continent has been a long-term net creditor to the rest of the world. The report finds that Africa suffered between US$597 billion and US$1.4 trillion in net outflows between 1980 and 2009 after adjusting net recorded transfers for illicit financial outflows.

"The traditional thinking has always been that the West is pouring money into Africa through foreign aid and other private sector flows, without receiving much in return. Our report turns that logic upside down – Africa has been a net creditor to the rest of the world for decades," said Raymond Baker, President of GFI, a Washington-based research and advocacy organization.

However, the AfDB and GFI note that such significant transfers of capital out of the continent are likely to have a negative effect on economic development.

"The African continent is resource-rich. With good resource husbandry, Africa could be in a position to finance much of its own development," said AfDB's Ncube.

The AfDB and GFI offer a number of policy recommendations for boosting net resource transfers from Africa and curtailing illicit financial flows.

Measures recommended to boost net resource transfers into Africa and curtail illicit financial flows from the continent include, among other things:

- Requiring banks and tax havens to regularly report to the Bank for International Settlements (BIS) detailed deposit data by sector, maturity, and country of residence of deposit holders. The BIS must be permitted to widely disseminate this cross-border banking data for specific source and destination countries, ideally making the data publicly available on its website or, at the very least, to civil society and researchers;
- Addressing the problems posed by anonymous shell companies, foundations, and trusts by requiring confirmation of beneficial ownership in all banking and securities accounts, and demanding that information on the true, human owners of all corporations, trusts, and foundations be disclosed upon formation and be available in public registries;
- Ensuring that the anti-money laundering regulations already on the books are strongly enforced;
- Requiring the country-by-country reporting of sales, profits, employee levels, and taxes paid by all multinational corporations;
- Pursuing the automatic cross-border exchange of tax information on personal and business accounts—ideally on a multilateral basis as a number of European nations have announced they will begin doing;
- Addressing capacity issues and corruption domestically within African tax authorities;
- Reforming customs departments to better detect and deter trade misinvoicing;
- Encouraging resource-rich countries to establish well-functioning Sovereign Wealth Funds (SWFs), while joining the Open Budget Initiative, the Collaborative Africa Budget Reform Initiative (CABRI), and the Extractive Industries Transparency Initiative (EITI);
- Empowering national authorities for the regulation and management of public procurement;
- And implementing policy measures to boost net recorded transfers by improving the business climate.*(AfDB)*

New Law for State Contracts in Angola makes way for transparent processes

The New Law for State Contracts in Angola is intended to establish rules for state institutions to have transparent contracting processes, seeking out the best goods and services on the market at the cheapest prices, Minister Edeltrudes Costa said. Costa, who is Minister of State and Head of the Civil House of the President of the Republic, also said that the new law would replace a legal structure that was spread across the regime for public expenditure, regulatory standards for State vehicle acquisition, use and sale and the regime for public works contracts. The new law, he said, was an important legal diploma that consolidates and standardizes the main rules for procedures to acquire goods and services in a single document. Cited by Angolan news agency Angop, the minister of State, who was speaking at a seminar on Public Contracts, said that the new law was a result of a need to standardize rules, to fill legal voids, to simplify procedures and for modernization. *(Angop and Macauhub)*

Mozambican government secures funds to conclude projects funded by the United States

The Mozambican government has secured the funds it needs to conclude projects funded by the United States governments that will only be finished after the end of the aid programme, next September, Mozambican daily newspaper Notícias reported.

The newspaper added that the pledge of funding secured by the government addresses the concerns of the US government about a government commitment that none of the projects carried out by the Millennium Challenge Account Moçambique (MCA) would be left unfinished after the end of the programme.

The rules of the aid programmes funded by the US government stipulate that all projects should be carried out during the period of those programmes, and conclusion of any delayed projects must be borne by their respective States.

Notícias gave no figures for the funding needed to finish the projects but noted that the amounts were included in the Revised Budget, which will be analysed by parliament from 1 August onwards.

In 2007 the US government provided Mozambique with US$506.9 million to be used, over five years, in the provinces of Cabo Delgado, Niassa, Nampula and Zambézia to repair roads, water supply and sanitation systems, improve agricultural yields and safe access to land. *(Macauhub)*

SOVEREIGN RATING

Sovereign debt issues of Sub-Saharan African countries

	Date	Yield	Size (Millions of $)	S&P (rating)	Currency	Law	Bond Type	Coupon Type
Seychelles	27-09-2006	9,466	200	B	USD	England	Bullet	Funged
Ghana	27-09-2007	8,5	750	B+	USD	England	Bullet	Fixed
Gabon	12-06-2007	8,25	1000	BB-	USD	US	Bullet	Step-up
Republic of Congo*	12-07-2007	8,77	480	unrated	USD	Luxembourg	Sink called	Fixed
Senegal	15-12-2009	9,473	200	B+	USD	England	Bullet	Step-up
Seychelles*	14-01-2010		168	unrated	USD	England	Sinkable	Flat trading
Côte d'Ivoire*	15-03-2010	17,354	2330	unrated	USD	France	Sinkable	Fixed
Nigeria	21-01-2011	7,126	500	B+	USD	England	Bullet	Fixed
Senegal	05-06-2011	9,125	500	B+	USD	Luxembourg	Bullet	Fixed
Namibia	27-10-2011	5,835	500	unrated	USD	England	Bullet	Fixed
Zambia	13-09-2012	5,625	750	B+	USD	England	Bullet	Fixed
Tanzania	27-02-2013		600	unrated	USD	England	Sinkable	Floating

Source: IMF, Eaglestone Advisory **Issued in the context of debt exchange or restructuring*

ANGOLA Sovereign Fund investment policy revealed: 50% of assets of the current $5 billion Sovereign Wealth Fund will be allocated to fixed income, i.e. sovereign debt, supranational debt and investment grade corporate debt, while the remaining 50% will be dedicated to high yield markets, i.e. emerging markets, commodity markets, agriculture, mining, real estate and infrastructures, among others. Capital preservation, maximization of long-term returns and infrastructure development are the key objectives of the Fund. The Wealth Fund will be initially focused on the hospitality sector. According to the Fund Administration Board, a specific fund will be created with the purpose of developing and managing a portfolio of hotels in sub-Saharan Africa *(IMF-BPI-Bloomberg)*

Fitch Ratings upgrades Mozambique's credit rating

Fitch Ratings has upgraded Mozambique's long-term credit rating in foreign currency from B to B+, while maintaining the national currency credit rating at B+, the agency indicated in a Monday press release.

The agency maintained the country's outlook as "stable", announcing that the rating upgrade reflects the fact that Mozambique continues to follow a prudent economic policy and remains committed to reforms, particularly regarding monetary and fiscal policies.

"These facts are reflected in a low inflation rate and a high growth rate, which in the last five years registered an average of 7.1 percent," the press release states.

Fitch Ratings also mentioned the fact that coal extraction expanded over the last year. Exports of the mineral had increased from 0 percent of exports to 10 percent or US$435 million in 2011.

On the negative side the agency mentioned risks due to delayed infrastructure development, particularly in logistics, lower raw material prices in international markets and political violence in the country. *(Macauhub)*

What about Sovereign Ratings..Let's have a look and compare with the Eurozone

Region - Africa/Middle East

29-07-2013	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Angola	Ba3	BB-	BB-	NR	B	B
Bahrain	Baa1 -	BBB	BBB	NR	A-2	F3
Benin	NR	B	WD	NR	B	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	CCC+	B-	NR	C	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	NR	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 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	AA-	A-2	F3
Tunisia	Ba2	BB-	BB+	NR	B	B
Uganda	NR	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".

Eurozone

29-07-2013	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	CCC+	B-	NP	C	B
Estonia	A1	AA-	A+	NR	A-1+	F1
Finland	Aaa	AAA	AAA	NR	A-1+	F1+
France	Aa1	AA+u	AA+	NR	A-1+u	F1+
Germany	Aaa	AAAu	AAA	NR	A-1+u	F1+
Greece	C	B-	B-	NP	B	B
Ireland	Ba1	BBB+	BBB+	NP	A-2	F2
Italy	Baa2	BBB u	BBB+	NP	A-2	F2
Luxembourg	Aaa	AAA	AAA	NR	A-1+	F1+
Malta	A3	BBB+	A+	NR	A-2	F1
Neherlands	Aaa	AAAu	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	Baa3	BBB-	BBB	P-3	A-3	F2

Sources: Bloomberg, Eaglestone Advisory

INVESTMENTS

Japan: Africa's subtle but effective partner

UNITED NATIONS

http://www.un.org/africarenewal/

Africa's continued growth has sparked the interest of investors from industrialized nations, resulting in fierce competition for its resources and markets. The aggressive economic expansion efforts by China and India, among others, come to mind**. Japan**, however**, has been a subtle but effective partner of Africa for the past 50 years. Through its donor arm, the Japan International Cooperation Agency (JICA), it has given aid in the form of grants and loans and invested with its own distinct style based on local ownership, peace, governance and human rights**. It also works with a wide range of international partners, including the UN, donors and the civil society, coordinating and implementing projects in the field. Discreet diplomacy, the new head of JICA, Akihiko Tanaka, a former vice-president of the University of Tokyo, fits the role of the "discreet diplomat" to a tee. As an expert on international politics, he has a firm grasp of the issues. In an interview with Africa Renewal, he shared his enthusiasm for the visible progress that has been made in several African countries. His recent visits to Kenya, Tanzania, Mozambique, South Africa and Senegal left a lasting impression: "The international community has to praise Africa for its achievements. I am very much impressed." Mr. Tanaka raved about the innovative ways in which farmers in Kenya are using mobile phones to check market prices. He spoke with conviction about the use of new technology in development, which he called "one area we need to pay attention to." He added, "I see there is a dynamic change taking place, so I am very much hopeful that this current dynamism leads to sustainable growth." Formerly the world's top donor to developing countries, Japan now holds fifth place. Although the decline has been steady over the years due to a prolonged depression of its economy, the tragic earthquake in Japan in 2011 also caused some cuts to official development assistance (ODA).

JICA has adopted this approach as its "trademark." Mutual learning Japan has taken a different approach from traditional donors, pursuing a mutual partnership rather than a donor-recipient relationship. JICA works beyond the simple exchange of technical expertise. JICA also highlights the importance of mutual learning, or, as Mr. Tanaka calls it, "learning how to learn." For example, Japanese experts in Ethiopia work with the national experts to improve industrial production. "Japanese experts knew many things about Japan's conditions or East Asia's conditions but didn't know much about Ethiopian features." By mutual sharing of techniques, experiences and know-how they get the job done. The same is being done in the area of agricultural research: African and Japanese experts work together on improving crops using techniques best suited to local conditions. The collaboration between Japan and Brazil is another illustration of how JICA's mutual-learning approach works. The agency played a decisive role in the transformation of Brazil's savannah region, known as the Cerrado, from a wasteland to a global breadbasket. Now this model is being replicated in Mozambique. Mr. Tanaka underscores that it is not a one-size-fits-all approach, adding that simply copying a technique from one area in another doesn't work.

Trading with Africa In light of the new scramble for Africa, involving not only foreign investors from the developed world but also emerging economies like Brazil and China, Japan might be reconsidering its relations with Africa. Mr. Tanaka's agency will need to find a way to help Japanese companies enter business with the continent. Japan already has a foot in the door, having been present in Africa for much longer than any of the continent's recent partners. However, Mr. Tanaka warns that growth in Africa is not sustainable if threats to human security are not addressed. The concept of human security has been at the heart of Japan's foreign aid policy. People need to live safely and in dignity, he insists. Countries need to tackle poverty, inequality, joblessness and other social ills to decrease sympathy with armed rebels. "It's OK to depend on commodities for growth at this moment, but then, utilizing the resources or funds derived from commodities, you need to cultivate and develop areas where human security is threatened." Preserving peace and prosperity has been a longstanding priority for Japan too.

South Korea indicates industrialisation as growth model for Mozambique

South Korea may become the "most important economic partner" of Mozambique, the South Korean vice-minister for Industry, Trade and Energy said on Tuesday in Maputo, advising the Mozambican government to promote industrialisation in the country. Choi Kyong-Lim was visiting the Mozambican capital in the scope of a bilateral business forum focusing on mineral resources and energy. Mozambique should learn from the South Korean industrialisation experience to "assure continued economic growth," he said. South Korea counts two decades of bilateral relations with Mozambique and ranks 25th on the list of 47 countries that currently have investments in the Mozambican economy. Top on the list is the United Arab Emirates.

The director of Mozambique's Investment Promotion Centre (IPC), Lourenço Sambo, acknowledged the need to enhance the value of Mozambique's natural resources. He said during the meeting that South Korea's industrialisation model was an example for Mozambique.

Sambo also mentioned the difficulties faced by the Mozambican government when developing infrastructures to sustain that process, indicating that Mozambique was open to investment models based on public/private partnerships

(PPPs). “The government needs to build infrastructures but can’t do it with the resources it has, whereby the PPPs as well as partnerships among private entities are extremely important,” he said.
Regarding the development of energy and mineral resources business between the two countries, Mozambique’s national electric power director, Pascoal Bacela, mentioned the need for fuel storage structures at the ports of Nampula, Beira and Maputo. “We urgently need infrastructures because they are key to guaranteeing that Mozambique can have security in fuel supplies,” Bacela said, explaining that in that regard “the country’s autonomy is no more than three months.”
The Mozambique/South Korea Business Forum in Maputo was attended by 37 South Korean entrepreneurs representing companies with interests in the areas of mineral resources, energy, infrastructures and industry. *(Macauhub)*

Angolan Government is investing in the infrastructure to diversify the risk and to spread the economic development beyond the capital. The colonial-era railway lines that connected the landlocked east of the country with the three main ports, Luanda, Lobito and Namibe, are in the process of rehabilitation and some services have resumed after a gap of several decades This should encourage investment in agricultural projects in many areas, both for domestic consumption and export. Brazilian firm Odebrecht recently completed the reconstruction of several key regional roads to Caala in preparation for the scheme. Further deep water projects are planned, while in April the government announced that it would hold a licensing round for 15 blocks in the Lower Congo and Kwanza basins. Angola should also become a gas exporter in the near future (development of the Angola LNG project, close to the town of Soyo in Zaire Province, about 35okm north of Luanda). The project consortium now comprises Sonangol Gas Natural (Sonagas) (22.8%), Cabinda Gulf Oil Company (36-4%), BP fo.6%), Eni fo.6%) and Total fo.6 %). Angola does not possess a stock exchange but the country's Capital Markets Commission plans to launch one in 2015 or 2016, 15 years after plans were originally unveiled.*(African Business)*

The World Bank has set up a new $430m Africa Centres of Excellence (ACE) initiative, to strengthen capacity in universities in west and central Africa. It will promote regional specialization among participating universities and strengthen their ability to deliver quality training and research.
The World Bank will invest $129m, and institutions will be eligible to apply for funding of up to $8m per excellence center. The project targets strengthening seven to 10 higher education institutions, where 10 to 15 centers of excellence will be selected to focus on training and applied research in areas relevant to Africa's development such as water, infrastructure, hospitality, banking, and information and communication technology and building capacity in science, technology, engineering and mathematics, and health and agricultural sciences. Burkina Faso, Benin, Cameroon, Ghana, Nigeria, Senegal and Togo are eligible to participate. The Gambia will participate in the second phase in which non·ACE hosting countries will be able to buy regional education services from the selected centres of excellence.*(World Bank)*

The European Commission said it was providing 93 million euros to fund projects in Mozambique to supply water, repair roads in central Mozambique and partially fund construction of two hospitals.
Recognising that Mozambique “continues to face enormous difficulties,” in social development “despite the economic growth it has registered,” the European Union plans to fund three infrastructure projects to “help combat poverty in the country,” the statement said.
Costing 11 million euros, of which 9 million will be provided by the European Commission, one million by the Mozambican government and one million from UNICEF, the first drinking water project will benefit 50,000 people and is due to start this year.
The second project, which will take up most of the investment (81 million euros), “is for the last component of the transport corridor linking Malawi to the ports of Mozambique,” and includes work to rebuild a section of 111 kilometres of a national road and repair 100 kilometres of rural roads.
The remaining funding (3 million euros) will be used to finance “activities to complete construction of two important hospitals,” one of which in the Gilé district of Zambézia province, central Mozambique, and another in Manhiça, in Maputo province. *(Macauhub)*

Angolan distribution group opens first commercial space
The new Angolan distribution brand Deskontão last week opened its first commercial space in Belas, Luanda province, and works with national producers to supply its stores, said the head of the group responsible for the project, Score Distribuição.
Domingos Vunge said the distribution sector can help ensure the distribution of national products, adding that partnerships had been set up with local producers, “to guarantee an increasing place for national products on the shopping list of Angolans”.
The space that opened south of Luanda operates as a store for business and private customers and as a logistical distribution centre for future Score Distribuição units. It covers an area of 11,287 square metres and is the result of a US$33 million investment.

Score plans to open 37 Mel brand supermarkets in Luanda alone, with the first set to open to the public in the second half of October in the Cuca district.
After Luanda the group will expand to the rest of the country, giving priority to the coastal provinces, Vunge said. He specified that the Mel stores cover an average of a thousand square metres, with each accounting for an investment of between US$3 and 5 million
Score Distribuição has established a partnership essentially focused on professional training with Portugal's Jerónimo Martins distribution group, owner of the Pingo Doce chain. *(Macauhub)*

BANKING

Banks

Citigroup Sees Africa Sales Gain as Clients Expand on Continent
Citigroup Inc. (C:US), the U.S. lender with a presence in 16 African countries, sees increased sales from the continent this year as customers expand on the continent. "We expect Africa revenues to grow and to grow from our client business," Donna Oosthuyse, Citigroup's South Africa head, said today in Johannesburg. "We expect growth from our flow revenue. We've had a couple of good years in trading because of low interest rates and the rebound in equities." Banks including Standard Chartered Plc (STAN), Barclays Plc (BARC) and FirstRand Ltd. (FSR) are expanding in Africa where countries including Nigeria and Ghana are growing faster than developed nations. As many as 70 percent of the U.S. companies already operating in South Africa have a presence in another 10 African countries on average, according to Oosthuyse. Citigroup, which doesn't offer consumer banking in Africa, is involved in project financing and business and investment banking on the continent. While Citigroup's Chief Executive Officer Michael Corbat said in March the bank may exit or scale back businesses in 21 nations, it hasn't exited any markets in Africa, Oosthuyse said. The bank has been hiring staff, in particular for its custody and clearing operations, and plans to transform its Ghanaian unit from a representative office to a currency trading operation, she said. *(Bloomberg Businessweek)*

Mozambique's Moza Banco plans to increase capital
The two shareholders of Mozambican bank Moza Banco are expected to increase the bank's capital by US$5 million to US$50 million, said chairman Prakash Ratilal, according to Mozambican daily newspaper, Notícias. The chairman also said that the bank would open a unit to finance development projects as well as setting up an associated insurance company. These decisions were made following shareholder restructuring of the bank, with investment company Geocapital selling its remaining stake in the bank to Moçambique Capitais with 51 percent and BES África, of Portuguese banking group Banco Espírito Santo, with the remaining 49 percent.
Ratital said that Moza Banco is currently the fifth biggest of Mozambique's 19 banks, and has plans to become one of Mozambique's top banks. *(Macauhub)*

Angola's Insurance Supervision Institute becomes Angolan Agency for Insurance Regulation and Supervision
Angola's Insurance Supervision Institute (Instituto de Supervisão de Seguros de Angola) will now be called the Angolan Agency for Insurance Regulation and Supervision (Agência Angolana de Regulação e Supervisão de Seguros), the coordinator of the working group for Diagnosis of Regulation and Supervision of Insurance Markets said Thursday in Luanda. On the sidelines of a Council of Ministers meeting, Aguinaldo Jaime said that the aim was to boost the State's power to intervene in the sector and to move from indirect supervision to direct supervision and regulation.
Cited by Angolan news agency Angop, he also said that the change would make preventative action possible as well as protecting against systematic risks to the insurance and pension funds market.
"In loco" supervision, he said, would analyse accounts and other documents that provide evidence of the finances of each organisation and that inspections would, amongst other things, analyse the way in which the organisations are managed, as well their boards and the people that are part of them. *(Macauhub)*

Credit default is the main risk for Cape Verde's banking sector
The amount of defaulted loans at Cape Verde's retail banks remained high in 2012 and has been growing since 2010, said the Bank of Cape Verde in its latest financial stability report.
In the report, which was published on the 18th of June, the central bank said that credit risk was the main risk for the banking system as lending is mainly focused on the housing and construction sectors.
As a result, the central bank recommended that banks boost their provisions in order to take on the defaults as impairment losses.In the report the Bank of Cape Verde noted that the banking sector's exposure to non-financial companies linked to the real estate sector remained high at over 10 percent of equity, "a level that is considered high risk".The bank also said that the risk factors are likely to increase due to uncertainty surrounding the upswing of both

the Cape Verdean and international economies and that it will therefore continue to apply the measures needed to boost the archipelago's financial system. *(Macauhub)*

Sol Bank reaches net income of three billion Kwanzas

Luanda – Sol Bank net income in 2012 reached three billion Kwanzas, against the previous year's2.4 billion, representing an increase of 21 per cent.This was announced on Tuesday by its director for marketing and communication, Mónica Martins.On the mentioned period the total amount was estimated at AKZ 186.4 billion against the AKZ 139.1 billion of 2011, representing an increase of 33,4 per cent. The manager said so when presenting the balance of the activities developed last year.

Deals

China will lend as much as $10 billion during the next six years at below-market rates to fund infrastructure projects in the Ivory Coast, according to the West African nation's planning minister. The majority of the concessional loans will come from the Export-Import Bank of China, Albert Mabri Toikeusse said in a July 10 interview from Paris. Lu Pang, the economic and commercial counselor at the Chinese embassy in Ivory Coast, declined to comment. Ivory Coast's economy will expand 9 percent this year as the government seeks to lure investment back after five months of post-election crisis in 2010 and 2011 that spooked investors, led to violence that killed about 3,000 and forced the country to miss payments on its international debt. "Our partner China will help us a lot, through flexible loans to fund development and infrastructures," Toikeusse said. The funds will be used to finance a $2.5 billion expansion of the port of Abidjan, which is the nation's largest and is used by landlocked neighbors Burkina Faso and Mali. About $2 billion will be used to build a railroad between the western town of Man and San Pedro, the country's second largest port. Sinohydro Corp. began construction on a 275-megawatt hydroelectric power plant in western town of Soubre this year financed by a $500 million loan from the bank. *(Bloomberg)*

South Africans slump while the rest of Africa rises

South Africa's lenders still dominate Africa's banking landscape, but their sluggish 2012 means that the rest are making up ground.

South Africa's banks retained their position as the largest lenders in Africa in this year's Top 1000. **Standard Bank remains the biggest African bank, having increased its Tier 1 capital from $9.8bn in the 2012 ranking to $10.9bn 12 months later**. **FirstRand and Nedbank ranked second** and third this year, respectively, occupying the same positions that they did inThe Banker's Top 1000 in 2012. But most of South Africa's lenders, as was the case in the 2012 ranking, had a subdued year as far as Tier 1 and asset growth were concerned. The total Tier 1 capital of its top four lenders – Standard Bank, First-Rand, Absa (a subsidiary of the UK's Barclays) and Nedbank – rose just 3.3% to $30.7bn. The two main exceptions in the country were African Bank and Capitec, two banks specialising in mass-market lending. They saw Tier 1 growth of 44% and 50%, respectively. Much of the rest of Africa is far more buoyant than South Africa, even if no other country yet comes close to matching the size of its banks. The Tier 1 capital of Morocco's Attijariwafa, the second biggest non-South African lender on the continent after local rival Groupe Banque Populaire, rose 21% to $3.1bn. **Angola's banks are also going through a period of quick expansion. The three that made it into this year's Top 1000 – Banco BAI, BPC and Banco BIC – each experienced Tier 1 expansion of more than 15%. Nigeria's largest lender by Tier 1 capital, Zenith Bank, is rising very rapidly.** Last year, it ranked 322nd globally by Tier 1 capital. This year, it has moved up to 287th place. Nigerian banks performed particularly well on a profits basis. In the 2012 ranking, the 10 biggest lenders from the country made aggregate net profits before tax of $993m. That figure has climbed to $3.1bn in this year's rankings. Moreover, **three banks – Zenith, First Bank and Guaranty Trust Bank – made pre-tax earnings of more than $500m,** which was a first for Nigeria. Despite their rapid expansion, Africa's banks still make up a small proportion of banks in the Top 1000 and global Tier 1 capital. For the second year running, none of its lenders make the top 100, with Standard Bank ranking 109th.*(The Banker)*

Markets

Angola pushed back plans for the start of stock-exchange trading by a year to 2016, with a futures and commodities market in Africa's second-biggest oil producer set to begin a year later. "There might be a window of opportunity to start earlier depending on how things go" in developing the bourse, Archer Mangueira, the chairman of the country's Capital Markets Commission, said in a June 28 interview at the London Stock Exchange. Two months ago, Mangueria said it would begin operations in 2015. The MSCI Frontier Markets Index rallied 7.7 percent this year, with gauges in Ghana, Kenya and Nigeria among the world's 10-best performers. Angola expects its stock exchange to have a market value of 10 percent of gross domestic product within 18 months of its start up, he said in April. Angola's largest banks, which include Banco Angolano de Investimentos SA and Banco de Poupanca e Credito SA, as well as mobile-phone companies Unitel SA and Movicel Telecomunicacoes Lda., are expected to list on the exchange, he said. Angola, which is seeking to boost foreign investment after a 27-year civil war that ended in 2002, forecasts economic growth of 7.1 percent this year from 7.4 percent in 2012. Crude accounts for three-quarters of budget revenue, according to the International Monetary Fund. The formerly Marxist nation ranks 157th out of 176 countries on Transparency International's 2012 Corruption Perceptions Index. Mangueira's "commission is already working on the definition of standardized contracts for certain kinds of financial products," he said of plans to trade futures and commodities.

Angola delayed the start of its secondary market for bonds to the first quarter of next year, he said. "This is an estimation," Mangueira said. "We might make some adjustments based on whether the legal instruments are fully developed and implemented, technological infrastructure is in place, and employees are trained." **The publicly traded market for Angolan notes had been planned to start by the end of September**, Mangueira said last month. **The market, which will use electronic trading, will add to Treasury bills already bought and sold among financial institutions and help develop a yield curve, he said at the time**. Angola sold $1 billion of dollar bonds to selected investors maturing in 2019 at a yield of 7 percent in August, according to data compiled by Bloomberg. **After the bonds rallied in 2012, yields on the notes have risen 134 basis points, or 1.34 percentage points, this year to 6.427 percent**. The country's Capital Markets Commission visited London's bourse to establish contacts and connections and to partner with them on training, Mangueira said. "We have signed an agreement with the LSE so that our staff can receive training in the area of negotiation and post-negotiation systems," he said. "LSE has high-value expertise that we could learn and use to develop a securities market academy in Angola, which is a priority."*(Bloomberg)*

Tech

Mobile phones could overcome difficulties in accessing financial services in Mozambique

Mobile phones are "the solution" for the Mozambican population to have access to financial services, given that there are more than 10 million mobile phone users in the country, an official from the Bank of Mozambique said recently in Maputo. Henrique Matsinhe, director of the Payments systems Depart of the Bank of Mozambique, said that mobile phones had "great potential for expanding mobile financial services," given that there are banks in just 67 of Mozambique's 128 districts.

"If we compare **the whole population (around 23 million people) we find that around 42 percent have access to mobile phone services and around 78 percent of the adult population (13 million) have access to mobile services,"** Matsinhe told the Mozambican press. Information recently published by Mozambique's National Communications Institute pointed to around "10 million mobile phone subscribers," in the country, which has three mobile telecommunications operators, Moçambique Celular (mCel), Vodacom Moçambique and Movitel. With a total of around "5 million customers" state company mCel, founded in 1997, was the first operator to launch mobile banking services, via a partnership with a company called Carteira Móvel, which led to creation of a service called mKesh.

According to the chief executive of Carteira Móvel, Nadean Szafman, the mKesh service, which was introduced two years ago currently ahs 165,000 users and 3,000 agents across the country's 11 provinces. In May of this year, Vodacom Moçambique – which is owned by Vodacom International Limited (85 percent), Emotel (5 percent), Intelec Holdings (5 percent) and Whatana Investments (5 percent) – launched a similar service known as M-Pesa. Movitel, which has been operating for a year and whose shareholders are Vietnam's Viettel and Mozambique's SPI, is the only mobile operator that does not provide a similar service to its "2 million customers." Banks are also in the race to provide mobile financial services, including Millennium bim, with its "Millennium IZI" service, and Banco Comercial e de Investimentos (BCI), with "Tako Móvel". *(Macauhub)*

New financial services product: Dassault Systemes, the French product design software provider, has launched its first product for the financial services sector. Its Product Innovation Factory aims to make it easier for financial service providers to create new products and change existing ones to meet customer and regulatory demands. Kevin Pleiter, VP Financial and Business Services Industry, says **it allows financial services companies to develop, manage and organize complex product details in real time, from anywhere and with full control**. Dassault Systemes estimate that **it can increase efficiency by 20%-30% by reducing the time spent collecting, organising and validating data**. *(African Banker)*

Millennium bim, the bank with the biggest market share in Mozambique, **extends banking services in Mozambique by adding mobile banking**. The new mobile banking service Millennium IZI, available on "all kinds of mobile phones" and will allow its users access to most of the services available at the bank's 152 branches and around

400 ATMs, allowing for bank transfers, access to transactions and bank balances, or to request cheques.*(Engineering News)*

ENERGY

MIGA Facilitates Expansion of Angola's Energy Infrastructure

The Multilateral Investment Guarantee Agency (MIGA), the political risk insurance arm of the World Bank Group, is helping Angola address its severe energy deficit through its support for the expansion of the Cambambe hydroelectric power plant. MIGA is providing non-honoring of sovereign financial obligations cover of $512 million to the project's lenders for a period of 13 years.

HSBC Bank plc, Société Générale, and BHF-Bank Aktiengesellschaft have arranged €300 million in debt financing to the government of Angola for the Cambambe plant, one of two hydroelectric power stations operating on the Kwanza River. The expansion involves the construction of a second powerhouse with four additional turbine generators with a total additional capacity of 700 megawatts on the basis of an engineering, procurement, and construction contract awarded to Odebrecht SA of Brazil. The project is part of a larger rehabilitation and expansion program aimed at increasing Angola's generation capacity from around 1,500 megawatts to over 5,000 megawatts. "Despite vast indigenous energy resources, Angola remains one of the most energy-starved countries in the world," says Laurence Clarke, the World Bank Country Director for Angola, Mozambique, and Sao São Tomé and Principe. "Harnessing the country's significant hydropower potential will provide an affordable and sustainable source of electricity to underpin Angola's efforts to build a more resilient and diversified economy."

"Angola has achieved significant GDP growth, but less than 30 percent of the country's population has access to electric power," says Michel Wormser, Vice President and Chief Operating Officer of MIGA. "We are pleased to be supporting this critical project that will boost the country's installed power generation capacity by more than 30 percent." "MIGA's participation in this transaction was critical to helping us mobilize the long-term debt financing to complete this project," says João Baptista Borges, Minister of Energy and Water of Government of Angola. "This project will bring us one step closer to realizing the ambitious goals we have set out in our national development strategy for the energy sector." The expansion is expected to be completed by 2017.

Hospital's solar system

SolarWorld Africa, by way of its distribution partner Solek Renewable Energy Engineers, supplied a solar electricity system to the Mitchell's Plain District Hospital, one of the Western Cape's foremost community health care centres. The project forms part of the Department of Transport and Public Works' aim of employing various interventions to reduce their carbon footprint and costs. *(African Business Review)*

Arab bank supporting rural electrification in Niassa, Mozambique

The Arab Bank for Economic Development in Africa (BADEA) will spend US$10 million to support the rural electrification project in Mozambique's Niassa province, said Vice-Minister of Fisheries Gabriel Mutisse. Mutisse made his comments as spokesman of the Council of Ministers meeting. He indicated that a 215 km long 110 kV electric power line would be built to connect Cuambo and Marrupa, as well as another one 132 km long meant to supply power to various villages and other places in the province. The Maputo-base daily Notícias reported that Mutisse said the government had approved terms of the concession contract with the state-owned Empresa Nacional de Hidrocarbonetos for the pipeline to transport natural gas from Beluluane/Matola to the city of Maputo and to Marracuene. The aim of this project is to transport and supply natural gas for electricity production, with capacity above 50 MW, and to feed a distribution network with volumes that can be more than 2.0 million gigajoules per year. *(Macauhub)*

Investec Approves $813 Mln Debt for South African Renewables

Investec Bank Plc said it's able to provide 8 billion rand ($813 million) in debt funding for clean-energy projects in South Africa as the country adds wind and solar output. The money would be used to finance plants in the nation's third renewables bidding round, **Robert Gecelter**, a member of Investec's Project and Infrastructure Finance team, said July 23 in Johannesburg. South Africa, seeking to cut dependence on coal for power, intends to add 3,725 megawatts of renewable-energy capacity by the end of 2016 with five tenders. That may help state utility **Eskom Holdings SOC Ltd.** meet demand as it struggles to fund maintenance and expansion in the continent's biggest economy. "We expect round three to be very competitive," Gecelter said. The second round attracted bids from **Electricite de France SA**, **Tata Power Co.** and **Acciona SA**. The deadline for submissions in the third is Aug. 19. Investec has participated in about 20 billion rand of financing for South African clean-energy and renewable ventures so far, including 6.4 billion rand of debt, according to **Fazel Moosa**, head of the Project and Infrastructure Finance team. *(Bloomberg-Clean Energy & Carbon)*

MINING

Sociedade Mineira de Catoca Lda., the operator of Angola's largest diamond mine, plans to expand processing capacity to maintain output as the pit deepens. Catoca will add a mill to the five already running at the site, according to an executive who asked not to be identified, citing company policy. The expansion will allow the mine to keep the same rate of production for three decades, he said, without specifying when the new facility will be built. The company needs to increase processing capacity as miners dig deeper, extracting denser ore that requires more time for crushing, sifting and washing. Diamond producers are investing in output on the expectation that rising demand for jewelry in China and India will drive up prices of the precious stones. Catoca's mine produced 6.5 million carats last year from 10 million metric tons of ore, generating revenue of $575 million before costs, the executive said at the site on July 11. The open-pit mine near Saurimo, 840 kilometers (520 miles) east of Luanda, is built around a geological structure that was formed deep underground and pushed up by an ancient volcano. Angola's production of diamonds, its biggest mineral export, may rise to about 9 million carats this year from 8.3 million in 2012 as the southwest African country starts four new mines and resumes work at three others, Geology and Mines Minister Francisco Queiroz said in March. Catoca accounted for about 70 percent of the country's output last year.

The Catoca reserves, currently drilled to about 200 meters (660 feet), will extend to at least 600 meters deep, the executive said. While deposits as deep as 800 meters have been found, their recovery would require underground mining, for which the company must conduct feasibility studies, he said. Sociedade Mineira de Catoca is owned by Angola's state-owned diamond company Endiama EP, which holds a 32.8 percent stake. OAO Alrosa of Russia also has 32.8 percent, a venture between China and state oil producer Sonangol EP owns 18 percent and Odebrecht SA of Brazil has 16.4 percent. Angola is the world's fourth-largest diamond producer by value, after Botswana, Russia and Canada. The country's output of the gems was valued at $1.1 billion last year, according to the Kimberley Process, an international group that works to stop the supply of so-called blood diamonds from war-zones. Angola's 27-year civil war ended in 2002.*(Bloomberg)*

Australian Mines divests to focus on African projects

African focused explorer, Australian Mines Limited, has confirmed the receipt of the final payment amounting to $2.7 million for the sale of its Mt Martin gold project.

The project which is located in Australia was sold to HBJ Minerals (Pty) Ltd, a subsidiary of the ASX and TSX listed Alacer Gold Corp. The company will now focus on furthering its exploration efforts in Nigeria. Australian Mines' Managing Director, Benjamin Bell, commented, "Against the backdrop of the current economic climate, Australian Mines is in an enviable position, as with the receipt of this $2.75 million payment from the sale of Mt Martin, we remain well-funded to continue with our exploration strategy on the ground in Nigeria. In addition, it allows the company to pursue other opportunities which demonstrate the potential to add further value to our existing portfolio."*(African Mining)*

Angolan, Russian companies to partner in search for kimberlites in the African country

Angola's State-owned national diamonds company, Empresa Nacional de Diamantes de Angola, better known by its acronym, **Endiama**, last week s**igned a joint development agreement with Russian diamond miner Alrosa. This covers prospecting and exploration in diamoniferous areas in the African country.**

"In the past two years, we carried out geological studies in Angola and concluded that just 10% of the alluvial diamonds we examined were from known kimberlites," said Endiama president **Carlos Sumbula**. Because of this, the Angolan company decided to start a second phase of studies and undertake prospecting across the national territory in order to to locate the majority of the kimberlite pipes that had not yet been discovered.

Also speaking at the joint development agreement signing ceremony, Alrosa president **Fedor Andeev** again referred to the geological studies that had been carried out and highlighted that they indicated that Angola's diamond potential could be around a billion carats. The two companies will each have a 50% share in the joint programme, which will be developed over the next two years. It is not unusual for Endiama to have foreign partners in its operations. Endiama and Alrosa are already partners, along with Odebrecht, of Brazil, in the country's biggest diamond mine, Catoca, which accounts for 87% of Angola's diamond output.

Separately, at the international conference in Luanda marking the 100th anniversary of the first discovery of diamonds in Angola, the county's Geology and Mines Minister,**Francisco Queiróz**, also affirmed that the country had an enormous diamondiferous potential that still had to be located and quantified. He reported that, of more than a thousand kimberlite pipes that had been identified, currently only three were being explored. One of these was the Catoca mine.

Back in March, Endiama announced that it was planning to open four new mines this year and early next year. Two of these would be alluvial mines and the other two kimberlite mines. The new mines would be in the provinces of Lunda Norte, Lunda Sul and Malanje. Two alluvial mines that had been closed following the 2008 Great Recession (and the associated fall in world diamond prices) would also be reopened. A third such operation had already been restarted. Angola is Africa's number two diamond producer in quantity, after Botswana, and is, in value terms, the world's number five producer. Endiama has reported that Angolan diamond output last year came to 8.3-million carats, the same as in 2011. The Kimberley Process group estimated the country's 2012 diamond production as being worth $1.16-billion. The company expects national production this year to be at the same level as in 2011 and 2012, although it could be higher.Diamonds account for 5% of Angola's gross domestic product (GDP) and are the country's second-most-important export after oil. (Petroleum production and associated support activities are responsible for some 85% of the country's GDP.) The Central Intelligence Agency's World Factbook 2013 estimated Angolan GDP last year as $130.4-billion in purchasing power parity terms and $118.7-billion in official exchange rate terms.*(Mining Weekly)*

The Angolan aggregate quarrying sector is due soon to have new legislation, the Angolan Minister for Geology and Mining, Francisco Queirós, said The fast pace of national reconstruction had led to high demand for aggregates, which meant that often producers and carriers did not work in line with criteria for the sector and led to environmental damage.

Queirós said that one of the requirements of future legislation was paying exploration and licensing fees, as many aggregate producers are working illegally and are a drain on Angola's economy.

The minister noted that there was an aggregates exploration rate card in place that was approved by operators. This rate card requires payment of 2 million kwanzas during the licensing stage until the exploration rights are granted. Execution of this rate card is not checked due to a lack of regulation. *(Macauhub)*

Investments in the mining sector in Mozambique rose from US$184 million in 2005 to over US$2.5 billion in 2012, the country's Mining Resources Minister, Esperança Bias said on the 12th of june in Maputo.

"With these investments, which were the result of large natural gas, heavy sands and coal projects, we have consolidated Mozambique's privileged position on the world map of country's that receive investments," the minister said at a seminar on corporate social responsibility.

According to the minister, several oil companies that partner Mozambican companies are carrying out geological surveys as part of 12 oil surveying and production concession contracts in the Mozambique and Rovuma basins.

According to Bias, as a result of improvements to sector legislation there is increasing involvement of Mozambican citizens in the capital of the companies supplying goods and services to the sector.

According to Mozambican news agency AIM, the minister gave the example of an acquisition in 2008, in which 10 percent of oil and gas company Companhia Moçambicana de Hidrocarbonetos, involved in extracting natural gas in Pande and Temane, in Inhambane province, was acquired by a group of 1,247 Mozambican citizens. *(Macauhub)*

Diamcor closes $2m private placement

British Columbia-based and South Africa-focused Diamcor Mining has closed an oversubscribed nonbrokered private placement, issuing 1.58-million units at a price of $1.25 each for gross proceeds of $1.98-million.The emerging rough-diamond producer had launched the financing to support operations at its flagship Krone-Endora at Venetia project, in Limpopo province, after record rainfall limited production during the first quarter.

Each unit consisted of a common share and half a common share purchase warrant with a strike price of $1.75 per share until the close of business on June 17, 2016. Upon closing the offering, the company had 35.14-million shares issued and outstanding.

Proceeds from the offering would be used for operating capital to support advancing the company's flagship project, planned ramping up of operations currently under way, the continued processing of material aimed at recovering additional rough diamonds for planned sales in the short term, and for general and corporate purposes. *(Mining Weekly)*

OIL & GAS

Tullow's Cachalote-1 well in Mozambique finds gas

Tullow announced that its Cachalote-1 well in Area 2, Mozambique discovered a 38m of gas bearing reservoir. Though the company said the discovery won't be commercial on a standalone basis. Tullow has a 25% in the Area 2 block and Statoil is the operator with a 40% interest. Tullow also announced that its GM-ES-4 exploration well in French Guiana, targeting the Cebus prospect showed no indications of hydrocarbons. Tullow has a 27.5% interest in the license and Shell is the operator with a 45% stake. *(JPMorgan)*

Angola, Africa's biggest oil producer after Nigeria, will produce 2 million barrels of the fuel a day next year or in 2015, meeting a target it had planned to reach in 2013, the country's oil minister said. "Based on the data we have, the increase in production to 2 million barrels of oil per day may take place between 2014 and 2015," Oil Minister Jose Maria Botelho de Vasconcelos said in an interview on the sidelines of a conference in the capital, Luanda, today. Production this year has averaged 1.751 million barrels a day while reserves are now estimated at 12.777 billion barrels. In April state news agency Angop put reserves at 12.6 billion barrels, citing the minister. Companies operating in the country include Exxon Mobil Corp. (XOM:US) and Total SA. (FP) Reserves may increase as the country starts to explore pre-salt reserves in an area stretching 1,100 kilometers (684 miles) that may hold oil under a 2 kilometer-thick layer of salt, similar to that found off the coast of Brazil. "Recent exploration in pre-salt formations suggests reserves may be larger than initially estimated," said Ganesh Thakur, a former president of the Society of Petroleum Engineers, at the conference in Luanda. *(Bloomberg)*

Oil companies in Angola required to make payments in kwanzas

Oil sector companies operating in Angola are required since Monday to make tax payments to the state and to pay local suppliers exclusively in kwanzas, Angola's national currency.

The Law on the Oil Sector Foreign Exchange Regime includes this requirement, which means that state company Sociedade Nacional de Combustíveis de Angola (Sonangol) and foreign companies must deposit the necessary fund to pay the State and suppliers in Angolan banks.

The Law stipulates that profit and dividends, incentives and other capital remunerations as well as investment amortizations may, in the case of foreign subsidiaries, be deposited abroad.

According to Angolan news agency Angop, the governor of the Angolan National Bank (BNA), José Massano, said in June that the new law would allow some funds resulting from the Angolan oil business that were deposited outside Angola to be kept inside the country.

Massano noted that the advantages of this measure included "bringing greater capacity to the financial system to support development of the national economy as well as to allow for greater integration of the oil sector into the Angolan economy, given its importance."

The Foreign Exchange Regime for oil sector operations was, until now, regulated by amendments to the laws regulating contracts for stake-holding partnerships, production sharing and services. *(Macauhub)*

Government of Sao Tome and Principe makes use of Sonangol's technical advisory services

The government of Sao Tome and Principe plans once again to make use of the technical advisory service offered by Angola's Sonangol to negotiate with companies interested in oil blocks in the archipelago's exclusive economic zone (EEZ), said Prime Minister, Gabriel Costa.

"At the beginning of this process of prospecting process and eliminating borders, we are making use of Angola's experience, particularly that of Sonangol, to sign contracts with some companies," said the Prime Minister cited by Portuguese news agency Lusa. Noting that he was not aware of why work with Sonangol had stopped, the Prime Minister gave assurances that it would begin again, "in that Sonangol has proven experience in this area and it will be of great use to us." Costa noted that revenues from cocoa production in Sao Tome and Principe, the country's main export product, "are not even close to covering" the country's national needs. Speaking to 20 Angolan businesspeople who Monday ended a three-day visit to the archipelago, the Prime Minister said it was necessary to change that situation, adding that the involvement of the Angolan private sector in the economic development of Sao Tome and Principe was "fundamental." *(Macauhub)*

Tullow tests raise confidence for Kenya oil: Tullow Oil has moved a step closer to declaring its fields in Kenya commercially viable as it accelerates test drilling in the east African country. The FTSE 100 oil explorer said flow tests at wells drilled in Kenya's rift basins last year, along with further oil discoveries by rigs deployed this year, had prompted it to revise upward its estimates of resources across the explored licence areas to 250m barrels with the potential for further increases to come. *(Financial Times)*

Gabon signed a deal with Switzerland's Gunvor to create a joint trading company to sell oil products along the western coast of Africa in a sign the race is heating up between traders to expand in one of the world's fastest growing fuel markets. Reportedly, Gunvor will provide a loan of around $500m to help start the company, which will be 55% owned by the Gabonese state and 45% owned by the trader. It will be based in Port Gentil *(African Business)*

Italian group ENI concludes sale of stake in Mozambican oil block to Chinese company

Italian group ENI has concluded the sale of a 28.57 percent stake in ENI East Africa to the China National Petroleum Corporation (CNPC), the group said last week in a statement issued in Milan. In the statement, ENI said that the sale of the stake in ENI East Africa, which had a 70 percent stake in the Area 4 block of the Rovuma basin, in northern Mozambique, was concluded at the initially agreed price of US$4.21 billion.

The Chinese group now has an indirect 20 percent stake in the oil block, in which the Italian company will remain as operator with a 50 percent share.

The remaining partners in the Area 4 block are Mozambican state company Empresa Nacional de Hidrocarbonetos (ENH) and South Korea's Kogas and Portugal's Galp Energia with 10 percent each. The statement from ENI does not provide information about capital gains tax payable to Mozambique, which can go to a maximum of 32 percent. *(Macauhub)*

Sinopec buys stake in Angolan assets from Marathon

China Petrochemical, Sinopec's parent, bought a 10% stake in the Block 31 from Marathon Oil for $1.52bn. The purchase brings China Petrochemical's stake in Block 31 to 15%, the company said in a statement. It had earlier bought a 5% stake in the block from TOTAL in 2011 for $983mn *(JPMorgan)*

LNG pricing upside 2013-14, looking through a different lens to expose unreliable capacity and lack of project sanctions. Angola dispatched its first cargo of LNG (sold to Sonangol and sent to Brazil) from the Soyo plant in the northern province of Zaire. The 5.2 MT pa single train liquefaction plant is operated by Chevron (36.4%) with partners Sonangol 22.8%, BP, ENI and TOTAL 13.6% each. It gathers associated gas from various producing oil fields, thus reducing flaring. Angola is the 19th country to become an LNG exporter; Yemen was the 18th in 2010 and PNG should be the 20th in 2014. We then expect a break of at least 3-4 years before a new country joins the LNG exporters club which thus remains skewed to non-OECD members (16 of the 19 or 88% of global capacity). Supply risk remains a key factor for the LNG market – comprising the reliability of existing plant operations and the schedule risk of new plants. *(JPMorgan)*

Oil prices and implications for Africa

Oil prices have remained persistently high and volatile in the past few years and according to estimates they may remain so at least until 2014. The Brent crude spot price, which averaged US$112 per barrel in 2012, is projected to remain above $100 per barrel at an average of $108 and $101 per barrel in 2013 and 2014, respectively

High oil prices may dampen the global economy, which is still struggling to recover from the 2008 financial crisis. High oil prices above $100 can be explained by many factors and they may affect economies in an uneven way with an unclear outcome for the global economy as a whole. According to estimates by the International Monetary Fund, a 50% increase of oil prices due to a supply shock would lead to a one to 1.5% decrease of output in many regions of the world.

Rising oil prices will affect African economies differently, depending on whether they are net exporters or net importers of the commodity. For oil-importing economies, high oil prices could translate into high import bills with adverse effects on inflation, production and employment. In contrast, oil-exporting economies could benefit from high oil prices because an increase in oil revenues improves their balance of payments. In addition, price volatility may harm both importers and exporters of oil as it lowers, for instance, the predictability of marginal costs of production for companies. The uncertainty regarding their cash flows may induce companies to reduce their investments and limit job creation, which can consequently harm economic growth.

Recent trends in oil prices

Oil prices have increased since 2003 from less than $40 to more than $100 per barrel today. Oil prices fell sharply in 2008 before recovering steadily since then. Prices of oil were volatile during 2011 and 2012, mainly because of the Arab Spring and events in Libya and conflict between Sudan and South Sudan. Many uncertain and conflicting factors on both supply and demand sides are contributing to the persistent high oil prices in recent years.

Supply-side factors: Geopolitical factors are the main causes that drove up oil prices in producing countries. In the past decade, wars in Iraq and political tensions in the Middle East and North Africa have affected the oil market. More recently, disagreements between Western nations and Iran, one of the largest oil producers and exporters in the world, have fuelled risks of sharp disruptions in oil supplies globally, which in turn had a significant impact on prices of the commodity. In contrast, OPEC countries and mainly Saudi Arabia may not be able to boost production and cover losses elsewhere as their capacities are reaching their limit. The decline in aggregate oil inventories and high costs of oil extraction and production are other supply-side factors affecting oil prices.

Demand-side factors: Increasing demand from major emerging economies, such as China and India, has also played an important role in keeping oil prices persistently high in past years. The Asian continent surpassed the US and is now the largest consumer of oil in the world. Despite the slowdown in economic growth in China and India, demand will remain high, which will keep oil prices at high levels. Furthermore, as growth is resuming in the US and as the crisis in the euro area seems to ease, global demand for oil may increase.

Development of shale gas: Recent advances in extracting shale gas, notably in the US, are changing the dynamics of global energy markets. The projected development of shale gas in the world is expected to affect global energy prices. However, oil-exporting African countries will not be threatened as much by the shale gas as the depletion of traditional oil fields will not be totally covered by new discoveries of shale gas. In addition, the impact of lower demand for African crude oil by the US will be compensated by the boom of energy consumption by developing countries, including mainly China and India.

Impact of high oil prices on Africa

High oil prices do not benefit all African countries. Only a quarter of African countries produce oil. In contrast, African oil importers have to pay substantial amounts when oil prices increase. Thus, 15% of the income of countries such as Liberia, Seychelles and Sierra Leone is used to pay for imported oil. High oil prices may affect economic growth; agricultural and manufacturing sectors; exploration and production activities; social and political stability; as well as fostering the creation of sovereign wealth funds.

Impact on economic growth: Over the past decade, the African continent recorded unprecedented high growth rates. For many African countries, economic growth was mainly driven by high commodities prices, especially oil prices. Thus, African economies will be vulnerable to variations in oil prices and growth may sharply fall in case of a reversing trend of the oil market. The impact of oil prices on growth may be transmitted through other channels. In Nigeria, Africa's largest oil producer, the increase in world oil prices has led to higher budget revenues, which have created room for lower tax receipts, which in turn have boosted investment spending in other sectors.

Natural resources curse: Due to persistent high oil prices and large discoveries of oil and gas reserves, resource-rich African countries may face the Dutch disease phenomenon. In fact, large exploitation of oil, gas and minerals may lead to the decline in productive sectors such as manufacturing and agriculture. In Ghana, for instance, where large commercial production of oil has begun in the past two years, the economy started showing signs of Dutch disease. In fact, recent evidence indicated that the growth of the country's agricultural sector declined.

Increasing exploration in Africa: High oil prices are driving growth in exploration activities in Africa. In some parts of the continent, high oil prices and the arrival of new exploration techniques have created incentives for major oil and gas companies to intensify their presence in the continent. This growing interest may transform Africa into a new hub for natural resources, especially for oil exploration and production. The East African region is particularly enjoying a boom in its oil and gas industry through massive investments undertaken by global energy companies and by countries including China.

Social and political stability: As an input for many products used daily by millions of people, increases in oil prices may affect significantly the cost of living of Africans. This could trigger social protests and threaten political stability of a country. In addition to the issue of youth unemployment, high cost of living was considered one of the issues that fuelled the uprisings in Egypt and Tunisia. Food prices are particularly vulnerable to increases in oil prices, as the cost of production in the agricultural sector are linked to energy prices. Persistent high oil prices will further worsen the situation of the poorest as food represents the bulk of their consumption basket. In 2008, many African countries experienced social unrest following a significant spike in food prices.

Sovereign wealth funds: High oil prices generate more oil revenues for oil producing countries. In recent years, many African countries established their own sovereign wealth funds to better manage rising revenues from energy exports. These funds are aimed essentially to manage resources for future generations and to stabilise government fiscal and foreign exchange revenues. In the past few years, Africa has known a wave of sovereign wealth funds creation, especially in oil-rich countries such as Nigeria, Angola and Ghana. Sovereign funds may contribute to the development of the continent through promoting intra-African investments and enhancing productivity.

Mthuli Ncube is the chief economist and vice president of the African Development Bank

INFRASTRUCTURE

Thailand to build deep water port in Mozambique

Thailand is set to invest in construction of a deep water port in Mozambique's Zambézia province, which will have a rail link to Tete province, the Thai prime minister said Monday during an official visit."We have had success in investing in infrastructure and in development corridors and, in this context, we will invest in construction of a port in Macuse [in Zambézia] and a railway," said Prime Minister Yingluck Shinawatra, according to the Mozambican press.

The project for construction of the deep water port in Macuse was announced, in December 2011, by mining group Rio Tinto, which explores a coal mine in Benga, Tete province, according to the Mozambican Centre for Investment Promotion (CPI).At the time, the director of CPI, Lourenço Sambo said that the project involved an investment of US$8 billion, including, along with the port facility, construction of the Tete-Macuse railway, covering a total of 575 kilometres. Rail transport for coal mined in Tete is currently carried out along the Sena line, which links the province to the port of Beira, in Sofala province, and refurbishment work on that port is affecting exports by mining groups operating in the region. As part of the official visit, the governments of Thailand and Mozambique signed five cooperation agreements, which included visa exemptions for diplomatic passports and development of activities in the oil and gas sector. Thai state oil company PTT Exploration has significant investments in the oil and gas sector in the Rovuma basin, in Cabo Delgado province, northern Mozambique. *(Macauhub)*

Citadel's subsidiary launches US$9.3 mn project

Rift Valley Railways (RVR), the operator of the Kenya-Uganda railway & a platform company of Citadel Capital (CCAP.CA), the leading private equity firm in Africa and the Middle East with investments of US$ 9.5 billion in five core industries, including energy, transportation, agrifoods, mining and cement has launched a KES 800 million (more than USD 9.3 million) technology upgrade that includes global positioning system (GPS)-based software that centrally controls the movement of trains and cargo along the railway track. The automated train warrant (ATW) software allows online visualization from an operations control center in Nairobi of the precise location of trains along the railway. It will replace manual management of crossovers at railway stations with satellite-enabled selfswitching movement of trains. ***(JAZIRA SECURITIES BROKERAGE)***

New trucks for fleet

Namibia's national provider of rail and road transport solutions has invested N$13 million in enhancing its road fleet. TransNamib has bought four Scania R500 trucks and eight road fuel tankers which will be used for carrying bulk fuel to all corners of the country and complement its existing fleet.*(African Business Review)*

Construction of Tchihumbwe hydroelectric dam begins in Angola

The first stone of the planned Tchihumbwe hydroelectric dam in Dala municipality of Angola's Lunda Sul province was laid on Monday by Energy and Water Minister João Baptista Borges, reports Angolan news agency Angop.

The dam will have a capacity of 12.4 megawatts and should become operational in 28 months. It will reinforce the electric power supply for the provinces of Moxico, Lunda Sul and Lunda Norte. **Three thermal power plants are now being built for that purpose in the capital cities of Moxico, Lunda Sul and Lunda Norte**, with respective capacities of 7.5, 5 and 30 megawatts. On the occasion, Borges said that in 18 months Angola and Namibia would build a joint dam in the border area along the Cunene River. He specified that the dam would be jointly managed, adding that the project's feasibility studies were nearing completion. The dam planned for the Cunene River will have an installed capacity of 600 megawatts. The energy produced should be divided equally between the two countries. ***(Macauhub)***

A major factor holding back African development is the time it takes to transport goods within the continent

Though road conditions are poor in much of sub-Saharan Africa, research has shown that ports are major contributors to transport delays: cargo travelling from a port to a city in a landlocked sub-Saharan African country generally spends more of its time (75%) at the port than on the road. Cargo spends nearly three weeks, on average, in sub-Saharan African ports, compared to under a week in large ports in Asia, Europe and Latin America. This has hurt the region's economies and deterred the development of value-added industries that rely on time-sensitive supply chains.

While some of the blame for these delays rests with insufficient infrastructure and government inefficiency, it turns out that private-sector behaviour may be responsible for key aspects of the problem. In the World Bank research, to be presented at the International Monetary Fund (IMF) next week, we show that a large portion of dwell time can be explained by collusion between controlling agencies, port authorities, private terminal operators, logistics operators, and some shippers. This suggests that governments and donors hoping to make trade more efficient in Africa should look beyond big infrastructure projects and instead work to disrupt the private sector's collusive, short-term strategies in port use and operations.

A common assumption holds that the private sector (the terminal operator, customs broker, owner of container depots, shipper) has an interest in reducing the amount of time cargo sits in ports. This idea has led the international community to champion such solutions to port delays as privatisation of container terminal operations and increased investment in cranes, deep-water berths and other infrastructure improvements. But a close examination of ports in six sub-Saharan African countries – paired with original data from firm surveys – suggests that the same importers, brokers and port operators often have an interest in maintaining practices that contribute to port delays.

The data shows that the bulk of port delays come from transaction and storage time, rather than poor handling or operational issues. Importers in sub-Saharan Africa often have strong incentives to use ports as storage areas. At the Douala port in Cameroon, for example, the port – not external storage facilities – is the cheapest option for an importer storing goods up to 22 days. This causes congestion and inefficient use of port space. In addition, terminal operators, who earn large revenues from storage, also benefit from long waits and have little incentive to reduce dwell time.

Firm surveys also show that companies may use long dwell times as a strategic tool to prevent competition, similar to a predatory pricing mechanism. Incumbent traders and importers, as well as customs agencies, terminal operators and owners of warehouses, see a benefit to long cargo dwell time because it generates additional profits by acting as a strong barrier to entry for international traders and manufacturers. The most important losers are the consumers, who have to pay the price of multiple rents.

One example of good practices that emerged from the research was the case of the Durban Port in South Africa, which is state-run. There, the port authority and customs administration put pressure on the private sector to reduce delays. Among the steps they took were to levy prohibitive charges for storage, strictly enforce storage limits, and offer the option of pre-clearing goods with customs before arriving at the port. These measures, as well as strategies enacted by a public-private port committee, helped transform the port. In the 1990s, it was notorious for long berthing times, queues of trucks waiting for cargo, and an overall dwell time of six to seven days. Today, 90% of the cargo at the Durban Port is cleared within three days, and the average dwell time has been reduced to four days.

The case studies, survey data, and evidence from the Durban port turn-around suggest that donors should re-think trade facilitation intervention strategies in sub-Saharan Africa. Rather than focus on large infrastructure projects or changing ownership of container terminal operations, reform should address some of the perverse incentives for harmful private-sector behaviour.

Indeed, governments will need to recognise that large-scale investments in infrastructure are not sufficient to reduce logistics delays and can even be harmful by perpetuating bad incentives. Decreasing dwell times in ports will ultimately require governments to combat collusive practices between some private sector actors – importers, brokers and operators – and some civil servants in customs and controlling agencies and port authorities.

This article was co-written by Gaël Raballand, senior economist for the World Bank Africa region, and Julia Oliver, communications consultant for the World Bank's International Trade Department.

The **new transport facilities projected to be built in Luanda**, including suburban trains, **will boost Angola's economic growth**, according to the **Economist Intelligence Unit** (EIU). Included in the projects to modernize the Angolan capital's transport network presented by the government at the beginning of 2013 is the extension of the Viana Special Economic Area railway as far as the center of Luanda. Cargo transport along Angola's railways from the port of Luanda was re-launched in March following a 20-year stoppage. studies are underway for a further three railways: One linking the center of Luanda to the suburb of Talatona (south), a second one to the district of Kilamba Kiaxi, a new large housing are and a third to the new airport, which is under construction at Bom Jesus. The project requires construction of a central station in Luanda where all modes of passenger transport will come together (road, rail and individual transport). *(Bloomberg)*

Angola's roads will have weigh bridges to control excessive cargo loads

Angola's National Roads Institute (INEA) plans to install 31 weigh bridges along some of the country's main roads in order to prevent trucks from travelling with excess cargo, the head of the conservation department at INEA said Thursday in Luanda.

Speaking to Angolan news agency Angop, on the sidelines of INEA Consultation Council, Florentino Silva noted that installing the weigh bridges was part of the Road Maintenance and Conservation Programme that also includes using five mobile weigh bridges.

Silva added that locations for the weigh bridges had been identified and that it was essential to control excess cargo on the country's main roads as this is one of the main reasons for the road's poor state of repair.

At the meeting, which is due to end Friday, Minister for Construction, Waldemar Pires Alexandre, said that INEA was one of the country's institutions with greatest relative weight in use of public resources due to the government's focus on rebuilding road infrastructure .

The minister mentioned INEA's involvement in national reconstruction, noting that since the end of the civil war in 2002, over 9,000 kilometres of roads had been built or repaired as well as around 500 bridges of various sizes.*(Macauhub)*

Five nations build six lanes

Five West African countries - Nigeria, Benin, Togo, Ghana and Cote d'Ivoire - will invest and expand the Lagos-Abidjan highway into a six-lane road. It will provide a vital link to sea ports for the landlocked countries in the sub-region, including Burkina Faso, Mali and Niger, and is expected to make the corridor more viable for doing business.

AGRIBUSINESS

Investor is a fan

The **Abraaj Group**, a leading investor operating in growth markets, has announced its acquiring a 100 percent stake in Fan Milk International (FMI), West Africa's market leading manufacturer and distributor of frozen dairy products and juices. FMI, through its subsidiaries, currently sells over 1.8 million products on a daily basis across West Africa. *(African Business Review)*

South Africa Sugar Industry Proposes $2.1 Billion Power Projects

South Africa's sugar industry has proposed that 20.4 billion rand ($2.1 billion) be invested in 15 cane-fueled power projects to help address electricity shortages in the continent's largest economy. The projects could create as many as 712 megawatts of capacity and 37,786 jobs, the South African Sugar Association said in a written presentation to Parliament's energy committee today. Implementation is contingent on the government agreeing to power-purchase agreements that will cover fuel and operating costs and provide for an appropriate return on capital, it said. State-owned

Eskom Holdings SOC Ltd. currently supplies about 95 percent of South Africa’s power. Electricity shortages caused mines and factories to shut for five days in 2008 and demand is currently close to outstripping supply. Today, peak electricity usage is forecast to exceed capacity by 7 megawatts, Eskom said. One megawatt is enough capacity to power 500 to 1,000 homes.

South Africa’s 26,600 sugar farmers produce about 2.2 million metric tons of the sweetener a year, earning revenue of about 12 billion rand, the industry association’s data show. The country has 14 sugar mills that produce sufficient power to meet their own needs from bagasse, a byproduct from cane that remains once the juice has been extracted.

The plants could invest in bigger and more efficient boilers and sell excess electricity to other users, according to the association. Illovo Sugar Ltd. (ILV), is South Africa’s biggest sugar producer by output and market value.

The country will face a capacity shortfall of at least 700 megawatts next year that will have to be met by encouraging co-generation by companies and economizing, according to the South African National Energy Development Institute, a state research body. While waste from sugar, pulp and paper plants has the potential to produce 1,500 megawatts of power, industries have no incentive to increase generation because of a lack of off-take agreements and tax incentives, Kadri Nassiep, the institute’s chief executive officer, told the energy committee. *(Bloomberg Businessweek)*

Construction in Capanda Agro-Industrial Pole should be finished in 2014

The Sociedade de Desenvolvimento Agro-industrial de Capanda (Sodepac) is investing more than 10.9 billion kwanzas (US$113 million) in a project situated north of the Cuanza River in Angola’s Malanje province, the company’s president said. During a meeting at Fazenda Pedras Negras in Cacuso municipality, Carlos Fernandes said that the construction work, which began in November 2012 and should end in October 2014, covered 173 km of roads, 164 km of electric power lines, two power substations, removal of landmines from adjacent areas and other associated work. The Jornal de Angola newspaper reported that Sodepac, via its land management department, supplies specialised support to investors interested in drawing up business plans to exploit areas in the Capanda Agro-Industrial Pole. Among the established companies, Fernandes highlighted the Companhia de Alimentos de Malange, the Pungo Andongo and Pedras Negras estates and the Quizenga project.

“Other projects are also being negotiated, such as the integrated cereals and aviculture project headed by the África Sementes group for cotton production,” he said. The Capanda Agro-Industrial Pole is an Agriculture and Rural Development Ministry project encompassing the provision of services, family agriculture, construction and renovation of social infrastructures. Set up in 2006, the pole covers an area of 411,000 hectares, 270,000 of which are used for dry farming, 18,000 for the irrigated perimeter, 70,000 for an environmental reserve and 10,000 to resettle people. *(Macauhub)*

Cameroon's robusta coffee exports from the start of the 2012/13 season to June 30 were down 49.6 percent year on year at 10,675 tonnes, statistics from the National Cocoa and Coffee Board (NCCB) showed on Monday. Exports for June hit 2,269 tonnes, a slight drop from 2,290 tonnes in May but a sharp fall from the 4,848 tonnes recorded in the same month a year ago. NCCB did not give reasons for the fall in exports. Cameroon is one of few African countries that grows both robusta and arabica coffee. The robusta season runs from December 1 to November 30 and the arabica season runs from October 1 to September 30. Data also showed Cameroon exported 599 tonnes of arabica coffee beans in June, up from 252 tonnes in May and 368 tonnes for the same month last year. Arabica volumes shipped since the beginning of the 2012/13 season have now reached 1,798 tonnes, up slightly from 1,573 tonnes for the same period the previous season. *(Reuters)*

Angolan government to begin farm product purchase and preservation programme

The Angolan government will this year begin a programme involving the purchase for later preservation of agricultural products in farmers’ possession, Trade Minister Rosa Pacavira said on Sunday in Ndalatando, Cuanza Norte province. At the end of a three-day visit to Cuanza Norte to study public investment programmes linked to the commercial sector, the extent of rural trade implementation and programmes to fight poverty in the province, Pacavira acknowledged that many farm products deteriorate in the field due to distribution problems. She added that the initiative is part of the national strategy for rural trade and support for entrepreneurs, with financial backing from Banco de Desenvolvimento Angolano (BDA). The bank has US$75 million available to help farmers channel their agricultural products. The programme includes the concession of financing to build infrastructures to preserve and process farm products and to buy farmers’ products and materials to support agricultural production.

To that end, two sites have been identified for the establishment of rural markets in Cambambe and Lucala municipalities, where infrastructures will be built to receive and unload agricultural products for purchase by the government under the Propagro agro-livestock production programme. The minister said that products obtained at those markets will be routed to places with storage capacity such as Chinguar in Bié province, Calenga in Huambo and Gabela in Cuanza Sul, as well as Benguela and Luanda. There they will be sold to the large shopping centres interested in buying them. “In this first phase the government will buy everything that is an agricultural product and in the next phase only products from farmers associated in cooperatives with good handling, processing and preservation practices,” Pacavira said. *(Macauhub)*

Sugar used as model for development of commercial agriculture in Mozambique

The sugar industry is serving as a model for development of commercial agriculture in Mozambique, demonstrating the country's potential in this sector, according to the Economist Intelligence Unit (EIU).

Last year, sugar production totalled 243,538 tons, or 23 percent more than in 2011, and was the second most important exported agricultural product, after tobacco, the EIU said in its latest report on Mozambique. After collapsing in the 1990s the sugar sector was privatised and has attracted significant foreign investment due to "low production costs, vast land availability and favourable tariff structure, both domestically and abroad (in the EU)." Almost all the sugar produced in Mozambique is exported to the European Union (EU) as part of the "Anything but Arms" initiative and benefits from preferential access free of customs tariffs and at guaranteed prices.

Last year the European market experienced a period of weakness that also meant sugar prices were higher than those on the international market, leading the value of this Mozambican export to almost double.

The country has four sugar refineries, largely controlled by South African groups, which employ a total of 35,000 people, making the sector one of the country's biggest employers. A fifth refinery is planned for Mopeia, in Zambézia province, with South African investment, and may start operating in 2014. Production, according to the EIU, may exceed 500,000 tons within the next four years, due to increased productivity and an increase in the area planted with sugar cane. "The projection for sugar production and exports in the 2013/17 period is clearly positive," said the British analysts.

The Mozambican government in April launched its National Plan for Investment in the Agricultural Sector 2013/17, which is intended to transform subsistence agriculture, predominant in the country, into commercial agriculture. The programme will cover production and yield, improved market access, food safety, reforms and natural resources and involves funding of 119 billion meticals (US$3.89 billion), 20 percent of which will be provided by the State Budget.

Mozambique is this year projected to post economic growth of over 7 percent, driven by industry (10.5 percent) and services (7.7 percent), with agriculture posting modest growth of 2.5 percent, at a time when the country is still dealing with the effects of recent flooding. However, in 2014 agriculture is expected to be the most dynamic sector in the country, with growth of 9 percent, which will be above the 7 percent growth forecast for industry and services. *(Macauhub)*

Africa's coffee exports were $2bn in 2010. Germany's coffee re-exports were $3.6bn. Germany now exports more coffee than all of Africa put together. In 2011 African countries exported 10m bags (60kg each), or about 9% of total world production. African growers get 7% of the value of roasted coffee sold in supermarkets.*(African Business)*

The Board of Directors of the African Development Bank (AfDB) approved on 26 June 2013 a senior loan of USD 80 million in local currencies for OLAM Africa Investment Program (OAIP) to deepen the integration of OLAM Group's agricultural value chain by investments in processing of wheat and palm oil in Africa. The program includes five sub-projects in Cameroon, Ghana, Mozambique and Senegal. Ultimately, this program will enhance the regional food supply chain and act as a catalyst to support job creation and improve sustainability of agribusiness sector, thereby enhancing food security in Africa. **African food and agricultural markets are extremely fragmented along regional, national and even local lines due to the predominance of small scale farming in the region**. Harnessing the opportunities in the sector and successfully competing in the global market therefore demands efficiency in the deployment of labor and logistics infrastructure to link suppliers and buyers in the region. The OLAM Group's scale and existing distribution strength will positively impact the linkages.

OLAM Aviv Investment Holdings, Mauritius, a fully owned subsidiary of OLAM Group, will be the program's borrowing entity. OLAM Group, a leading global integrated supply chain manager with a direct presence in 65 countries, has built a leadership position in many of its businesses – including cocoa, coffee, cashew, sesame, rice, cotton and wood products. In Africa, OLAM Group is present in 26 countries and conducts business in 28 countries. The Group's Africa business includes an integrated supply chain of 16 products, employing 6800 employees, 1700 of which are women.

OLAM Group works with 3.4 million small-scale farmers in Africa. The Group has 110 initiatives to help address many of the issues faced by these smallholders such as poverty and lack of education, food security and basic social amenities. OLAM Group was awarded "The leadership award for sustainable development in Africa" at the 2012 World Bank Annual Meetings. The award recognizes the Olam Livelihood Charter – the flagship Corporate Social Responsibility program of OLAM that will benefit up to 500,000 farmers in Africa by 2015.

The OAIP program as part of value chain will create 600,000 tons/annum of additional wheat processing capacity, 1 million ton of palm oil supply chain with matching infrastructure, regional food supply chain as well as 8500 direct and indirect employment opportunities - 25% for women - in upstream, sourcing, direct employment and distribution. The transaction will also contribute to private sector development by building partnership with an international agribusiness group to strengthen supply chain linkages for the sector as well as by deepening local financial markets through bond issuance.*(AfDB)*

TRADE

Trade growth based on crude oil imports to South Africa

While there has been a notable increase in trade between the two economies, the research showed that 83% of total South Africa-Nigeria trade in 2012 was from South African imports of Nigerian crude oil.

"Quite clearly, this component of SA-Nigeria trade has been responsible for much of the recent leap in ties," wrote Standard Bank analyst Simon Freemantle. "Indicatively, where SA exports to Nigeria have grown by a relatively modest 130% since 2002, SA imports from Nigeria have swelled by almost 750% in the same time period."

South Africa's investment footprint in Nigeria has been maturing

By the end of 2010 South Africa's private sector had a combined investment stock in Nigeria that accounted for almost 20% of South Africa's total investment footprint on the continent. This means that Nigeria held the second largest share of outward private investment stock from South Africa on the African continent, behind Mauritius.

South Africa's direct private investment profile in Nigeria is also more appropriately weighted than in trade. By the end of 2012, research showed that of the 30 most prominent South African companies with a physical presence in Nigeria:

- 25% were in wholesale and retail trade, such as Shoprite, Pep and Massmart
- 22% were in financial and business support services, such as Standard Bank and the First Rand Group
- 16% were in manufacturing, such as Nampak and AECI
- 13% were in telecommunications, such as MTN
- 13% were in travel and leisure, such as Protea Hotels and Sun International
- 10% were in construction, such as Basil Read and Group Five.

According to Freemantle, Nigeria's economic advancement presents far more opportunities than threats for South Africa. A number of large South African firms have secured a significant market share of Nigerian industries. On the other hand, Nigerian firms with pan-African aspirations can leverage South Africa as a base to access other markets in Southern Africa.

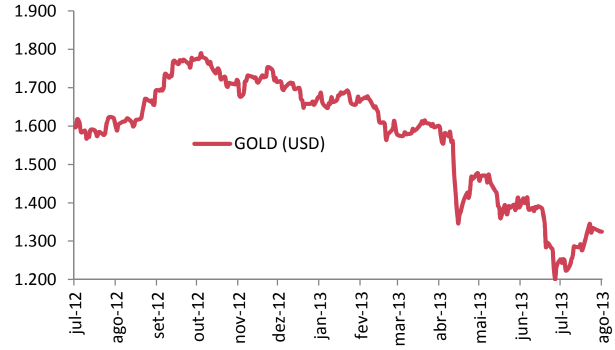
"Yet, trade linkages have yet to meet the synergies outlined by these investment advances," explained Freemantle. "And it is here that efforts to build more formidable diplomatic ties have the ability to provide clear and pronounced advantages."

MARKET INDICATORS

01-08-2013

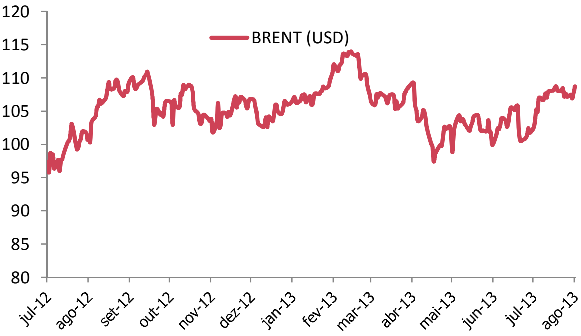
STOCK EXCHANGES Index Name (Country)	01-08-2013	YTD % Change
Botswana Gaborone Domestic Index (Botswana)	8.663,22	15,35%
Bourse Régionale des Valeurs Mobilières (Ivory Coast)	208,53	25,18%
Case 30 Index (Egypt)	5.356,39	-1,94%
FTSE NSE Kenya 15 Index (Kenya)	159,60	26,92%
Morocco Casablanca Stock Exchange CFG 25 (Morocco)	17.798,97	-7,02%
Nigerian Stock Exchange All Share Index (Nigeria)	38.031,12	35,44%
FTSE/JSE Africa All Shares Index (South Africa)	41.569,16	5,91%
Tunindex (Tunisia)	4.532,61	-1,03%

Source: Bloomberg and Eaglestone Securities



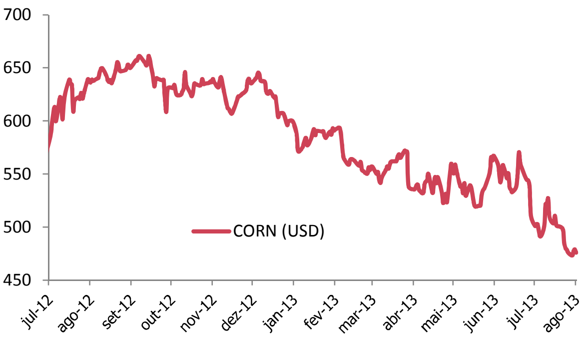
METALS	Spot	YTD % Change
Gold	1.325	-20,94%
Silver	20	-34,89%
Platinum	1.437	-6,68%
Copper $/mt	6.880	-13,25%

Source: Bloomberg and Eaglestone Securities



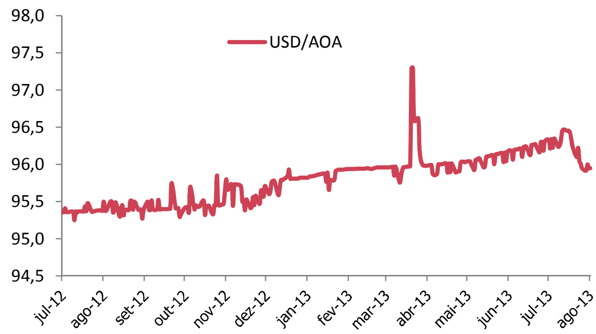
ENERGY	Spot	YTD % Change
NYMEX WTI Crude (USD/barril)	106,2	14,00%
ICE Brent (USD/barril)	108,7	0,22%
ICE Gasoil (USD/cents per tonne)	926,0	1,12%

Source: Bloomberg and Eaglestone Securities



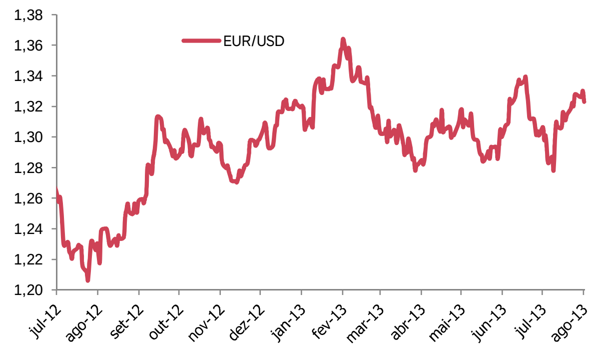
AGRICULTURE	Spot	YTD % Change
Corn cents/bu.	476,0	-32,02%
Wheat cents/bu.	664,8	-15,61%
Coffee (KC) c/lb	118,3	-19,36%
Sugar#11 c/lb	17,0	-14,03%
Cocoa $/mt	2303,0	2,17%
Cotton cents/lb	84,8	11,72%
Soybeans c/bsh	1205,8	-13,83%

Source: Bloomberg and Eaglestone Securities



CURRENCIES	Spot
KWANZAS	
USD	95,950
EUR	126,943
GBP	145,760
ZAR	9,709
BRL	42,145
NEW MOZAMBIQUE METICAL	
USD	30,000
EUR	39,691
GBP	45,574
ZAR	3,036
SOUTH AFRICAN RAND SPOT	
USD	9,882
EUR	13,074
GBP	15,012
BRL	4,340
EUROZONE	
USD	1,32
GBP	0,87
CHF	1,23
JPY	130,77
GBP / USD	1,52

Source: Bloomberg and Eaglestone Securities



UPCOMING EVENTS

Bauma Africa 2013- 1st International Trade Fair for Construction Machinery, Building Material Machines, Mining Machines and Construction Vehicles
The first Bauma Africa takes place from **September 18–21, 2013 in Johannesburg** and is directed primarily at attendees from Sub-Saharan Africa. The premiere of Bauma Africa is attracting great interest in the sector, both at home and abroad: the South African Construction and Mining Equipment Suppliers' Association (CONMESA) expressly welcomes the launch of a show for the whole construction and mining branch *(http://www.bauma-africa.com/en/visitors)*

Africa Hotel Investment Forum 2013 which will take place 23-25 September at the InterContinental, Nairobi. *(http://www.africa-conference.com/)*

Ai CEO Institutional Investment Summit 2013 24 September 2013 - New York Stock Exchange, New York, USA
Africa investor will again host its market leading, annual Ai CEO Institutional Investment Summit in partnership with the New York Stock Exchange, to profile leading African capital market opportunities to African and global pension fund investors through high-level panel discussions and interactive one-on-one meetings.*(http://www.africainvestor.com/event.asp?id=342)*

Bank Risk Africa - Event Date: 7-9 October 2013 , **A Five Stars Venue to be Confirmed, Johannesburg, South Africa** *(http://bankriskafrica.marcusevans.com/EventDetails.asp?PageID=520&AD=africainvestor)*

Africa Electricity 2013 The third edition of the **Africa Electricity** Exhibition & Conference takes place **9 – 11 October 2013** at the **Sandton Convention Centre**, Johannesburg, South Africa.
Africa Electricity serves as a comprehensive showcase for these core segments of the power and energy industry: power generation, transmission & distribution, lighting, new and renewable energy, nuclear energy, water. *(http://www.africaelectricity.com/)*

PRIVATE EQUITY IN AFRICA – 16 OCTOBER , INTERCONTINENTAL PARK LANE, LONDON - FT AND EMPEA
This is Africa and the Emerging Markets Private Equity Association (EMPEA), are pleased to present this year's annual Private Equity in Africa Summit. Against the backdrop of a slowing global economy and increasingly constrained development spending, the private sector is now recognized to lie at the heart of driving Africa's economic transformation. On the back of business friendly reform, investor interest in the region is soaring, with FDI levels at their highest ever. Harnessing such trends for domestic private sector development will be essential to realizing Africa's potential. This one day event will critically examine the role of private equity in supporting and accelerating private sector development across Africa, and the true return potential of the continent

IPAD MOZAMBIQUE POWER & GAS FORUM – 22-24 October , Maputo, Mozambique
iPAD Mozambique Power & Gas Forum is the vital platform to discuss the infrastructure requirements of the Power & Gas sectors and also highlights the vital issues shaping the industry. iPAD Mozambique invites government, global experts and regional leaders to share their expertise and knowledge around investment opportunities, technological innovation, risk management - natural disaster damage prevention, legal and regulatory updates : latest projects evolving, impacts on the energy sectors across the regions, infrastructure developments, transport & logistics, finance & investment and the latest on the new master plan as it impacts on the Power & Gas sectors. *(http://www.ipad-mozambique.com/conference)*

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Disclosures

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

The company has three business activities — financial advisory services, asset 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.

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

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