INSIDE AFRICA

Now is the time to invest in Africa

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In-depth:

Outlook for private equity and venture capital in Africa

According to the *World Investment Report 2013*, Africa bucked the trend of declining global foreign direct investment (FDI) inflows, which fell by 18% globally, and posted a 5% increase to US$50bn over 2012. The report stated that while this growth was driven partly by FDI in extractive industries, investment in consumer-oriented manufacturing and service industries is also expanding across the continent.

The market for private equity and venture capital investment in Africa is likewise growing and investor interest is increasingly coming from all corners of the globe. An expanding number of fund of funds managers are looking at opportunities in Africa and bringing new investors, development finance institutions are increasingly co-investing and making direct investments, and a new crop of Africa funds are launching almost daily. With strong fundraising targets already announced and met from the likes of the Carlyle Group and DPI, we are definitely seeing an increase in commercial capital coming into Africa and we're confident this will continue.

So far this year deal-making has been strong; we have seen 77 deals (as of November) made across a wide range of sectors. Increasingly, bigger deal sizes are projected as a result of economic growth and greater regional trade across Africa, building bigger businesses and fueling mergers and acquisitions. This increase in activity may also be coupled with a purchase price multiple rerating as the larger general partners and investors compete in this space.

On exits in Africa

In April this year the African Private Equity & Venture Capital Association and EY addressed the issue of whether exits can be successfully executed by private equity in Africa with the launch of ***Harvesting Growth***, the inaugural report of an annual research study on exits. While we showed that a healthy exit market really does exist in Africa (with shining examples detailed from the likes of Africinvest, Abraaj, African Capital Alliance, Cauris, Emerging Capital Partners and Unique Venture Capital, just to name a few), we will be watching other well-known industry players closely for further examples throughout 2014.

2014 outlook

Despite the challenges involved in executing transformational growth via investments in the small-to-medium enterprise (SME) space, SMEs are the growth engine of economies. Private equity and venture capital is increasingly becoming an important funding option for African entrepreneurs as bank financing becomes tougher and they see the strategic management support benefits that private equity and venture capital managers can bring, to take their businesses to the next level. SMEs and startups can also provide much-needed jobs in those African countries experiencing high population growth rates. We even foresee – based on the rise of technological hubs in West and East Africa, such as Konza Techno City, and the growth of companies like iROKO – that one day the continent will spur the creation of an African Silicon Valley. Next year will continue to be a period of Africans doing it for themselves. Almost every week we take part in or see investment forums organised by different African countries that are strengthening their own economies through greater transparency, better governance, and the implementation of global best practice – and which is collectively translating into increased FDI flows. With a continent of 54 countries it is often unhelpful to generalise, but broadly speaking there are many reforms that have been adopted to address the structural and perception issues African nations face, and which are working effectively. Perhaps in 2014 investors will drop the old narratives around what business means in Africa and acknowledge that it is rapidly evolving and not to be missed.

Michelle Kathryn Essomé is CEO of the African Private Equity & Venture Capital Association, the trade body dedicated to catalysing private equity and venture capital across Africa. *(How we made it in Africa)*

Cross-border deal making in Africa expected to rise in 2014

The recently released *Deal Drivers Africa* report, published by media company Mergermarket in collaboration with law firm ENSafrica and South African-based bank Nedbank Capital, indicated that African cross-border deal making will be on the rise in 2014.

The report's research is based on interviews with 100 merger and acquisition (M&A) practitioners operating in Africa, including corporate executives, private equity investors, investment bankers and legal advisers.

Of those surveyed, 88% indicated that they expect cross-border deal making between companies in different African countries to increase in the next 12 months.

South Africa was identified by 89% of respondents as the African country that is expected to be the busiest cross-border acquirer over the next year.

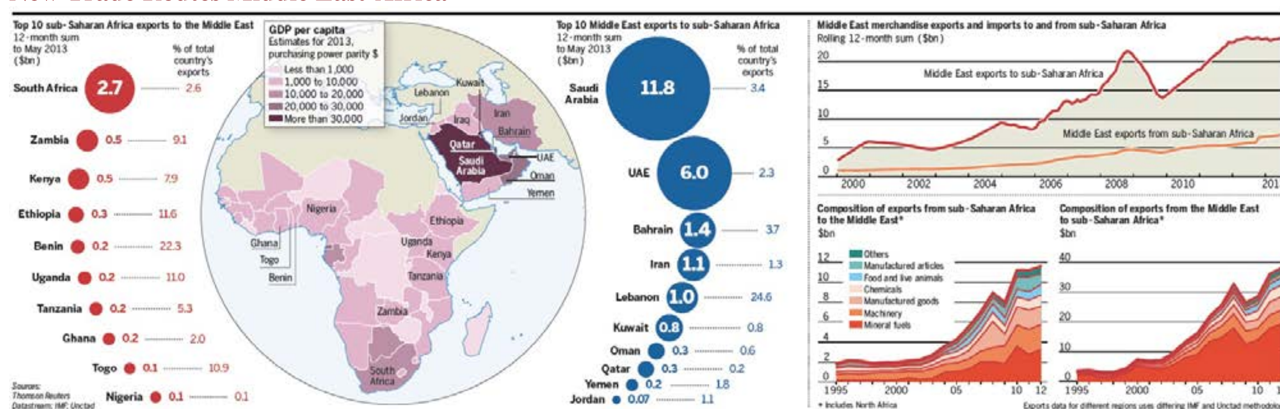
"South Africa is the gateway to sub-Saharan Africa and is the region's most developed economy," said one director of a private equity firm in Togo. "South African outbound M&A is expected to rise as South African companies continue to pursue the continent's rich natural resources and seek to diversify capital away from the domestic market."

After South Africa, Nigeria and Ghana were expected to be the next most active cross-border acquirers over the next 12 months in Africa, followed by Kenya, Tanzania and Angola respectively.

Two reasons are offered for this expected increase in cross-border activity. First are the positive growth trends on the continent, and second is the relatively weak economic growth of global developed markets, that offer less attractive opportunities.

"The growth numbers in Africa are very good when compared with the rest of the world," said the director of a private equity firm in Togo. "Developed world countries are generally flat or negative at the moment, while emerging markets in Africa offer more opportunity."
However, the large majority of respondents (96%) indicated that they expect acquisitions in the continent from international bidders to rise in 2014.
Asia-Pacific was identified by 94% of respondents as one of the most active regions in terms of the source of in-bound buyers in M&A.
"China has a big interest in Africa, particularly its vast natural resources. But its interest is more complex than that," according to a partner at a South African-based private equity firm. "Chinese companies increasingly see the African market as having great potential for increasing their sales and revenue. Chinese products are already a big hit in Africa and now Chinese companies are looking to set up their own plants and facilities in the region by acquiring African companies." *(How we made it in Africa)*

New Trade Routes Middle East-Africa



For many years economists have pointed to Africa's patterns of trade to explain why its share of the global total remains so small. Look at almost any country on the continent and the chances are that it trades more with distant lands than it does with its neighbours. It is this factor that has dragged on the continent's development for decades. The oft-cited reasons for this state of affairs – beyond the economic legacies of colonialism – are poor infrastructure, and the daunting bureaucracy, corruption and other barriers that business people find at borders on the continent. Africa remains in desperate need of better road and rail connections. But there are signs that addressing the difficulties of crossing borders is at last coming into new focus. When the world's trade ministers gather in Bali in December for the biennial ministerial meeting of the World Trade Organisation, they hope to sign off on a "trade facilitation" deal aimed at cutting red tape at state frontiers.
The goal is to standardise fees and paperwork, set clear, transparent and enforceable time-limits on how long goods can be delayed at borders, and put emphasis on such things as automation. The deal would reduce the cost of trade by up to 14.5 per cent in low-income countries worldwide. Each 1 percentage point reduction in costs globally would increase income worldwide by $40bn, with 65 per cent of that benefit going to developing countries, they found. Those sorts of gains would be very large for Africa, according to Raed Safadi, the former Dubai government chief economist who is now one of the OECD's leading trade experts. A protrade industrial policy might reduce costs by 3-5 per cent, Mr Safadi says. Also important is reducing the delays that both exporters and importers face at many borders in Africa. In a report last year, the African Development Bank (AfDB) offered a daunting view of the challenges to intra-regional trade on the continent.
In Africa, the average customs transaction involved 20-30 parties, 40 documents, 200 data points, and the re-keying of 60-70 per cent of all data at least once, the AfDB report's authors wrote. Moreover, "in most African countries, there are two complete sets of controls to be completed – one on each side of the border post". African leaders have certainly latched on to the need for better regional integration. The 15-nation Economic Community of West African States (Ecowas), a bloc of some 300m people, agreed in October to implement a single customs tariff regime from 2015 to speed integration. So too has the private sector. Created in 2011, the Borderless Alliance in west Africa is a private sector advocacy and education group that also monitors the practical costs of trade along the region's roads and at its ports. In 2012, for example, drivers taking goods from the port of Abidjan in Ivory Coast to Bamako, the capital of Mali, could expect to pay $66 in bribes along the road and a further $25 in bribes at the border, according to Borderless Alliance reports. The main obstacle to reform in West Africa remains one of implementation.
Over the years, leaders and ministers have committed to many ambitious goals at summits and delivered few results on the ground. Concrete measures are needed. *(Financial Times)*

SOVEREIGN RATING

FITCH: SUB-SAHARAN AFRICA TO SEE STRONG GROWTH; RESILIENT TO FED TAPERING

Fitch Ratings-London-02 December 2013: In its Sub-Saharan Africa (SSA) Credit Overview, Fitch Ratings says that it expects average GDP growth for the 16 countries rated by the agency to rise above 5% in 2014, despite more subdued emerging market growth and less favourable commodity prices. The agency also does not expect Fed tapering to place significant pressure on SSA countries' domestic and external financing capacity.

Fitch expects SSA to continue benefiting from rising foreign direct investment (FDI), particularly in emergent oil and gas producers like Mozambique, Kenya and Uganda. Public infrastructure spending will trend upwards, as governments gain access to new sources of funding and on improved implementation capacity. Rising public sector wages in a number of countries, combined with improving access to credit, will support private sector consumption.

The prospect and threat posed by Fed tapering will top the agenda in 2014. An improvement in credit fundamentals over the past decade should make most SSA countries resilient. However, countries like South Africa and Ghana, which run large current account and budget deficits and have become increasingly dependent on foreign inflows to fund both the budget and the current account will be most at risk.

Two divergent credit themes have gained traction across SSA since May 2013. The sharp deterioration in government finances and weak commitment to fiscal consolidation prompted downgrades in both Ghana (B/Stable) and Zambia (B/Stable). In Ghana during 2013 the authorities continued to overrun on wages, interest costs and arrears, leading Fitch to forecast that the government would fail to meet the 9% of GDP fiscal deficit target; this was subsequently confirmed by the government. Zambia's budget deficit jumped to an estimated 8.5% of GDP from a budgeted 4.5%, largely due to overspending on subsidies. A 38% increase in the wage bill will see the deficit remain elevated at 6.6% of GDP in 2013. Fitch forecasts that spending will overrun again in 2014, reflecting the cost of the wage increase and higher debt service costs.

In contrast, a steady track record of prudent macroeconomic policies built up over more than a decade, strong growth prospects and commitment to reforms and infrastructure investment, were among the factors that contributed towards the upgrade of Mozambique (B+/Stable) as well as Positive Outlooks on Uganda and Rwanda, both rated 'B'.

Fitch expects the development of the coal and natural gas sectors to support growth of 7%-8.5% in 2013-2015 in Mozambique, due to the scale of FDI estimated at USD5bn annually. However, Fitch acknowledges the risk posed by potential delays in infrastructure investment, falling prices and political violence. In Uganda, a renewed commitment to address weak revenue growth through tax reforms - revenue as a percentage of GDP has remained little changed at 13% of GDP for much of the past decade - also contributed towards the upgrade. Aid has resumed following the 2012 "donor crisis" in Rwanda, which proved only temporary against a background of continued co-operation with the international community and highlighted Rwanda's ability to adjust its budget, despite aid making up 40% of total revenue.

The full Sub-Saharan Africa Credit Overview provides a summary of the credit profile of each of the 16 rated sovereigns in SSA, including key rating drivers, together with an overview of recent developments regional trends and key forecasts. It is available at www.fitchratings.com or by clicking on the link above.

FITCH AFFIRMS MOZAMBIQUE AT 'B+'; STABLE OUTLOOK

Fitch Ratings-London-29 November 2013: Fitch Ratings has affirmed Mozambique's Long-term foreign and local currency Issuer Default Ratings (IDRs) at 'B+' with a Stable Outlook. Fitch has also affirmed the Country Ceiling at 'B+' and Short-term IDR at 'B'.

KEY RATING DRIVERS

The affirmation reflects the fact that the authorities have demonstrated a track record of prudent economic policy and reform, notably in the conduct of monetary policy, revenue collection and public financial management. This is reflected in above-peer growth, for the past 15 years. Fitch forecasts that the economy will expand by 7% in 2013 and 8.3% in 2014, driven by strong growth in the mining sector and financial services as well as communication and transport. Mozambique has significant mineral resources which will support growth, the budget and external finances over the medium term. Coal reserves are estimated at 20 billion tonnes, second only on the continent to South Africa, and the sector has attracted foreign direct investment (FDI) of around USD5bn (30% of GDP) since 2008. Recoverable gas resources are estimated at over 100 trillion cubic feet and the country looks set to become a major gas producer based on substantial FDI-financed exploration.

The government has introduced a five-year strategic plan to improve the business environment after Mozambique fell seven places in the World Bank's Doing Business Survey in 2012/13. Over the past year, the authorities have introduced a new competition law, a draft bill to regulate credit registry bureaus as well as a decree to speed up the time required to register a business. The 2014 Doing Business Survey showed a slight improvement to 139th from 142nd of 189 countries, due to an improvement in dealing with construction permits.

The 2014 budget shows the deficit widening to 11% of GDP, from an estimated 9% in 2013. However, this assumes that the government has the capacity to ramp up infrastructure investment to 17% of GDP compared with the 12% achieved in 2012.
Fitch expects a budget deficit of 6% of GDP in 2014, similar to that which it forecasts for 2013.
Disciplined fiscal policies have led to a persistent decline in government indebtedness, even after Mozambique received debt relief. Government debt has fallen to a projected 42% of GDP in 2013 from 54% in 2006. Fitch expects government debt as a percentage of GDP to rise modestly to 44% of GDP in 2015, although much depends on the government's capacity to increase capital expenditure in line with its projections. Ematum, a state-backed fishing company, issued a government-guaranteed USD850m (or 5.3% of GDP) Eurobond in September 2013, to purchase fishing and patrol boats. With USD300m of the funds used to purchase the boats, it is unclear what the remainder will be spent on.
The development of the liquefied natural gas (LNG) sector will continue to place pressure on the current account deficit. Fitch forecasts the deficit to average around 45% of GDP in 2014 and 2015, as the import-heavy development phase takes off. Fitch does not expect this to pose a threat to macroeconomic stability, with rising imports funded through increased FDI and private debt. As a result, Fitch expects the impact on the overall balance of payments to be modest, with reserves still expected to rise slightly.
Clashes between the ruling party, Frelimo, and long-standing opponents Renamo, have increased speculation about a return to civil war. Fitch does not believe this is likely, given the opposition's limited capacity to re-launch large-scale attacks. However, a continuation of small-scale attacks, sufficient to unnerve foreign investors and delay investment, remains a risk, particularly around the municipal elections in November and in the run up to the presidential elections in 2014. Low per capita income and human development indicators, which are well below the 'B' median, remain a major constraint on the rating.

RATING SENSITIVITIES
The main factors that individually, or collectively, could trigger positive rating action include
- Greater materialisation of the benefits of natural resource endowments on government revenue and exports. This will require adequate investment in infrastructure to support the development of coal and natural gas.
- A continued track record of economic management supportive of strong and stable economic growth and an improvement in per capita income.
- Further regulatory reforms and more effective implementation as reflected in improvements in the business environment.
The main factors that individually, or collectively, could trigger negative rating action include
- A severe and sustained fall in commodity prices that materially erode external debt sustainability and place the development of the coal and LNG sectors in jeopardy.
- A sustained weakening in public finances due to rapid increases in current expenditure, leading to large deficits and a sustained increase in debt.
- An escalation in violence that undermines the business environment and has a detrimental impact on exports and investment.

KEY ASSUMPTIONS
- Infrastructure development will continue to facilitate the expansion of the coal sector and the development of natural gas.
- There is no return to civil war.

Eurozone

09-12-2013	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	B-	B-	NP	B	B
Estonia	A1	AA-	A+	NR	A-1+	F1
Finland	Aaa	AAA	AAA	NR	A-1+	F1+
France	Aa1	AAu	AA+	NR	A-1+u	F1+
Germany	Aaa	AAAu	AAA	NR	A-1+u	F1+
Greece	Caa3	B-	B-	NP	B	B
Ireland	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	AA+u	AAA	P-1	A-1+u	F1+
Portugal	Ba3	BB-	BB+	NR	B	B
Slovakia	A2	A	A+	NR	A-1	F1
Slovenia	Ba1	A-	BBB+	NR	A-2	F2
Spain	Baa3	BBB-	BBB	P-3	A-3	F2

Sources: Bloomberg, Eaglestone Advisory

North and South America - Asia

09-12-2013	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
USA	Aaa	AA+u	AAA -	NR	A-1+u	F1+
CANADA	Aaa	AAA	AAA	NR	A-1+	F1+
BRAZIL	Baa2	BBB	BBB	NR	A-2	F2
ARGENTINA	B3	CCC+u	CC	NR	Cu	C
URUGUAY	Baa3	BBB-	BBB-	NR	A-3	F3
COLOMBIA	Baa3	BBB	BBB-	NR	A-2	F3
INDIA	Baa3	BBB-u	BBB-	NR	A-3u	F3
CHINA	Aa3	AA-	A+	NR	A-1+	F1+
MACAU	Aa3	NR	AA-	NR	NR	F1+
JAPAN	Aa3	AA-u	A+	NR	A-1+u	F1+
SINGAPORE	Aaa	AAAu	AAA	NR	A-1+u	F1+
AUSTRALIA	Aaa	AAAu	AAA	NR	A-1+u	F1+

Sources: Bloomberg, Eaglestone Advisory

09-12-2013	Region - Africa/Middle East					
	FOREIGN CURRENCY LONG TERM			FOREIGN CURRENCY SHORT TERM		
	MOODYS	S&P	FITCH	MOODYS	S&P	FITCH
Angola	Ba3	BB-	BB-	NR	B	B
Bahrain	Baa2	BBB	BBB	NR	A-2	F3
Benin	NR	NR	WD	NR	NR	WD
Botswana	A2	A-	NR	NR	A-2	NR
Burkina Faso	NR	B	NR	NR	B	NR
Cameroon	NR	B	B	NR	B	NR
Cape Verde	NR	B+	B+	NR	B	B
Egypt	Caa1	B-	B-	NR	B	B
Emirate of Abu Dhabi	Aa2	AA	AA	NR	A-1+	F1+
Gabon	NR	BB-	BB-	NR	B	B
Ghana	B1	B	B	NR	B	B
Iran	NR	NR	NR	WR	NR	NR
Israel	A1	A+	A	NR	A-1	F1
Jordan	B1	BB-	NR	NR	B	NR
Kenya	B1	B+	B+	NR	B	B
Kuwait	Aa2	AA	AA	NR	A-1+	F1+
Lebanon	B1	B-	B	NR	B	B
Lesotho	NR	NR	BB-	NR	NR	B
Libya	NR	NR	WD	NR	NR	WD
Mali	NR	NR	WD	NR	NR	NR
Mauritius	Baa1	NR	NR	NR	NR	NR
Morocco	Ba1	BBB-	BBB-	NR	A-3	F3
Mozambique	B1	B+	B+	NR	B	B
Namibia	Baa3	NR	BBB-	NR	NR	F3
Nigeria	Ba3	BB-	BB-	NR	B	B
Oman	A1	A	NR	NR	A-1	NR
Qatar	Aa2	AA	NR	NR	A-1+	NR
Republic of Congo	Ba3	B+	B+	NR	B	B
Republic of Zambia	B1	B+	B	NR	B	B
Rwanda	NR	B	B	NR	B	B
Saudi Arabia	Aa3	AA-	AA-	NR	A-1+	F1+
Senegal	B1	B+	NR	NR	B	NR
Seychelles	NR	NR	B	NR	NR	B
South Africa	Baa1	BBB	BBB	P-2	A-2	F3
Tunisia	Ba3	B	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".

AFRICAN DEVELOPMENT BANK

Board of AfDB approves Strategic Framework and Operational Guidelines for the ADF Partial Credit Guarantee Instrument

On Wednesday, December 4, the Board of the African Development Bank Group approved the Strategic Framework and Operational Guidelines for the **African Development Fund** Partial Credit Guarantee Instrument. The guidelines seek to address the challenges faced by a well-performing country that can only access the concessional African Development Fund (ADF) resources in its quest to mobilize both domestic and external commercial financing for developmental purposes. It does so by introducing Partial Credit Guarantees (PCGs) for ADF countries and related State-Owned Enterprise (SOEs) provided they meet some minimum eligibility criteria.

AfDB Treasury Director Pierre Van Peteghen argued that private financing would help to meet large developmental financing needs of these countries, on the proviso that that such borrowings are adequately assessed, prudently managed and sustainable. The similarity of operational modalities between the two ADF guarantee instruments (Partial Credit Guarantee and Partial Risk Guarantee) such as the common deduction of 25 per cent of the country's program-

based allocation and the requirement of a counterindemnity from the government, argue for a single ceiling for the Fund guarantee instruments. The two instruments will therefore share a combined ceiling of UA 500 million*, allowing for more Partial Risk Guarantee related projects to be pursued outside of the current UA 200 million ceiling exposure, while the ADF Partial Credit Guarantee instrument is fully operationalized.
As of December 2013, 1 Unit of Account (UA) = 1.53521 United States Dollars (USD)

AfDB Board Approves Fully Flexible Loan Product: Embedding Risk Management Features in Sovereign and Sovereign-Guaranteed Loans

On Wednesday, December 4, the Board of the African Development Bank Group approved the Fully Flexible Loan Product, which was developed in response to borrower demand and embeds risk-management features currently offered through the Bank's risk management products, including sovereign and sovereign-guaranteed loans.
It also introduces a maturity-based pricing structure for sovereign guaranteed borrowers that would allow them to select the loan profiles that match their funding needs and debt-management capacities.
The Fully Flexible Loan product has the following features:
1. Ability to convert the lending currency for disbursed and/or undisbursed loan balances into another AfDB approved lending currency, any time after loan signing;
2. Convertibility of the base interest rate (fix, unfix and re-fix the base rate) for disbursed loan balances, any time after loan signing;
3. Ability to establish interest rate caps or collars for disbursed loan balances, any time after the loan agreement has been signed; and
4. Maturity based pricing of loan with a maximum maturity, grace period and average maturity of 25, eight and 17 years, respectively.

In addition, the Board also approved: (i) a one-time free option to fix the floating base rate of discontinued sovereign guaranteed loan products; and (ii) the principle of Management computing and communicating the lending base rates and funding margins for the Bank's loan products, based on methods to be approved by the Board.
The fully Flexible Loan Product derives from the Bank's capacity to enable sovereign and sovereign-guaranteed borrowers to customize the financial terms of signed AfDB loans without amending the loan agreement or incurring any additional risk. The terms and conditions for requesting, accepting and executing the conversion features will be defined in Conversion Guidelines to be issued by Management.

AfDB provides US $73.6 million to Malawi and Zambia for Multinational Nacala Road Corridor Phase IV

The Board of Directors of the **African Development Fund (ADF)**, the concessionary arm of the African Development Bank (AfDB) Group, approved on Tuesday, December 3 a loan of US $65.0 million and a grant of US $900,000 to Malawi, and a loan of US $7.7 million to Zambia, respectively, for a total of about US $73.6 million, for the Multinational Nacala Road Corridor Development Project Phase IV. The facilities constitute part of the Fund's contribution towards strengthening Malawi and Zambia's transport infrastructure to promote inclusive growth and expand trade and regional integration.
The project is a continuation of the Nacala Road Development Corridor being supported by the AfDB in Mozambique, Malawi, and Zambia, respectively. Phase IV will involve rehabilitation of a 75-kilometre road between Liwonde and Mangochi and the establishment of One-Stop Border Posts at Chiponde and Mchinji at the Malawi-Mozambique and Malawi-Zambia borders, respectively.
Under the four phases of the project, more than 900 km of road are under construction or rehabilitation in the three countries. The project has been a model of donor cooperation. AfDB financing of the corridor has been crucial in bringing other co-financing partners such the European Union, the European Investment Bank, Japan International Cooperation Agency and Korea Exim Bank.
The Nacala corridor at its completion will be one of the most cost-effective routes to the sea for imports and exports from Malawi, Zambia and western Mozambique. It will also contribute significantly to boosting intra-regional trade and integrating the economies of the Southern African Development Community region.
The project is expected to generate more than 400 temporary jobs and about 100 permanent jobs. It is anticipated that 70 per cent of the jobs will be taken up by youth and 25 per cent by women. In addition, three roadside markets will be constructed at convenient locations along the road to provide business opportunities to small-scale traders for which 60 per cent are women. The project will also provide for training of women traders in export and import processing and entrepreneur skills.

AfDB Board approves combined 2013-2017 Country Strategy Paper and 2013 Portfolio Review for Côte d'Ivoire

The Board of the African Development Bank Group on Wednesday, December 4 approved the combined Country Strategy Paper (CSP) and 2013 Portfolio Review for Côte d'Ivoire. The CSP derived inputs from the portfolio review, while taking into account the central objective of the **Bank's 2013-2022 Ten Year Strategy**, particularly the Fragile

States component, the expected outcomes of the 2012-2015 National Development Plan (NDP), the analysis of challenges and opportunities for Côte d'Ivoire as well as the Bank's experience in the country.
It focuses the Bank's interventions on two pillars, namely: (i) strengthening of governance and accountability; (ii) and infrastructure development in support of economic recovery. Both pillars feature among the priority thrusts of the Government's action.
The first pillar, in support of NDP Strategic Objectives 1 and 3, aims to help the Government to address the need for inclusion, enhanced governance and improved provision of services to the population through economic and social programs that will minimize the risk of conflict.
In particular, it supports: (i) lasting economic and social re-integration of young people and women, and regions that suffered as a result of the conflicts; (ii) maximization of the impact of growth by creating training and job opportunities; and (iii) support to the improvement of public finance management to ensure efficient and equitable resource allocation to the population, particularly the most disadvantaged segments.
This pillar targets people-oriented development opportunities that would contribute directly to the achievement of the Bank's Ten Year Strategy objective of inclusive growth in Côte d'Ivoire. Based on its comparative advantage and the confirmed experience from implementing of projects such as the Post-Crisis Multisector Institutional Support Project (PAIMSC) and Emergency Programme to Restore Basic Social and Administrative Services (PURSSAB) that produced results deemed positive in the context of the interim strategies, the Bank's intervention will focus on specific projects and targeted program-based support operations.
The Second Pillar, in support of NDP Strategic Objective 2, aims to back the Government's efforts to improve infrastructure with a view to creating the necessary conditions for long-term growth.
In this regard, the Bank will support strengthening the quality and sustainability of growth within the NDP context through the rehabilitation and promotion of lasting, environmentally-friendly agricultural, transport and energy infrastructure.
These interventions will support the agricultural value chain and improve food security by opting for a PPP-based approach and regional integration. It will help to translate the operational priorities of the Bank's Ten Year Strategy on strengthening the quality and sustainability of growth on the ground, to facilitate the smooth transition to a green economy. It will also contribute to the promotion of regional integration to restore Côte d'Ivoire's regional leadership and make it into a key intra-regional trade hub.
The portfolio conducted in May 2013 underscored the relatively young age (less than three years old) of the eight operations with none of the projects deemed to be at risk or problematic. It was considered to be sound overall, with a performance deemed satisfactory and an overall rating of 2.53 out of three.
However, the review noted that urgent action was required concerning a number of projects, at the top of which is the Gourou Watershed Management Project approved in November 2010 that posted a low 3.87 per cent disbursement rate as at the end of August 2013.
As of May 2013, the cumulative disbursement rate for the eight operations was 19 per cent, with 31 per cent for the public sector (average age of 2.6 years) and six per cent for the private-sector window (average age of 1.75 years).

INVESTMENTS

Angola's ANIP signs another 11 private investment contracts

Angola's National Agency for Private Investment (ANIP) Tuesday in Luanda signed 11 contracts with Angolan and foreign investors worth US$71.7 million, according to Angolan news agency Angop. The president of ANIP, Maria Luísa Abrantes, said that signing these contracts demonstrated that Angola remained an attractive country for private investors, both from abroad and Angola itself. Maria Luísa Abrantes noted that the government's target was by 2017 to sign, through ANIP, investment contracts worth a total of US$4 billion and announced that this year's target had already been exceeded. The president of ANIP said Luanda remained the focus of investment as it was the province with the largest number of consumers and infrastructure. *(Macauhub)*

Saudi Billionaire Al-Amoudi Plans Two Cement Plants in Ethiopia

Saudi billionaire Mohammed al-Amoudi, the biggest private investor in Ethiopia, plans to build two more cement factories in the Horn of Africa nation amid an improving investment environment.The plants will add to the $351 million facility al-Amoudi's MIDROC Derba Cement opened in December 2011, the 67-year-old investor said in an interview today in the capital, Addis Ababa. Derba Group, an amalgam of three Ethiopian companies owned by al-Amoudi, plans to invest $3.4 billion in Ethiopia over the next 5 years, the company said in March 2012. "Africa's opportunity lies in involvement of private sector working with stable and responsible government like Ethiopia," al-Amoudi said in a speech at the African High-Growth Markets Summit in Addis Ababa. Continuing improvements in the business climate will probably to lead to a "great" increase in investment, he said, without elaborating. Ethiopian-born Al-Amoudi ranks as the world's 134th richest person, with a net worth estimated at $8.7 billion, according to the Bloomberg Billionaires Index. He is the second-richest person in Saudi Arabia, after Prince Alwaleed bin Talal. Ethiopia's economy is projected to expand 7.5 percent next year, compared with an estimated 7 percent this year, the

International Monetary Fund said in its World Economic Outlook in October. Three farming companies owned by al-Amoudi developed 6,200 hectares (15,321 acres) of land in Ethiopia, al-Amoudi said. Elfora Agro-Industries, Horizon Plantations Ethiopia and Saudi Star Agricultural Development will have prepared an additional 160,000 hectares in the next 2 1/2 to 3 years. "We are focusing on agriculture and industry," he said.

Agriculture Projects

Horizon bought three agricultural projects from Ethiopia's government for $59.4 million in April. The company plans to invest 400 million Ethiopian birr ($21 million) over the next two years in Upper Awash Agro Industry Enterprise, Gojeb Agricultural Development Enterprise and Coffee Processing and Warehouse Enterprise. Saudi Star, a Derba company, has been unable to finance the completion of an irrigation canal at its 10,000-hectare rice project in the western Gambella region, the company said last month. "There were certain problems which we are trying to solve," al-Amoudi said. "Now we are getting in deeply and I'm going to follow it up myself." Al-Amoudi also announced that an "agreement has been reached" with London-based Hikma Pharmaceuticals Plc (HIK) to produce drugs in Ethiopia for the domestic market and export to Africa. He didn't provide further details. *(Bloomberg)*

How cereal maker Weetabix plans to grow its business in Africa

Africa is becoming a more attractive market for breakfast cereal manufacturers as they expand beyond the traditional US and European markets which are now seen as mature and offer little room for growth

Ahsan Manji, managing director of Weetabix East Africa, describes having "cereal for breakfast as a cultural change" that is taking root in most parts of Africa including Kenya, the firm's largest market in East Africa. He attributes this to the country's rising middle class who have disposable incomes and busy lifestyles.

The middle class effect

"People are moving away from arrowroots, sweet potatoes and bread towards a healthy breakfast like cereal. With the rising middle class we are finding our volumes are now beginning to rise. Weetabix, our flagship, is most certainly consumed by the middle class," says Manji. "Middle income consumers are very aspirational. They want to consume the same things as the upper-end of the market is consuming. They want to consume what the Western world is consuming." Weetabix East Africa locally manufactures the Weetabix breakfast cereal under licence from Weetabix UK. The company also markets its imported range of products which includes Alpen muesli and cereal bars, Weetabix minis, Weetos, Fruit and Fibre and Oatibix. "We had a goal to grow 15% this year. We are on track and we have massive ambitions for next year. In 2014, our ambition is to grow 23% and we strongly believe we can achieve that."

While there has been significant growth, Kenya's cereal market is still relatively undeveloped. As of 2011 only 30% of Kenyans ate breakfast cereals according to Consumer Insight, a marketing research firm. Cereals are still perceived as food for children, a notion Weetabix is trying to change through "aggressive marketing, sampling and consumer education". "When you go to the cereal shelf at a supermarket you find all the boxes are filled with cartoons. So what do you expect? Consumers will go out there and think cereal is only for kids," says Manji. "That is changing though. Our research tells us that parents are now eating more cereal because consumers are more informed on the health benefits of cereals."

Business hurdles in East Africa

Weetabix East Africa currently distributes its products to Uganda, Rwanda, Tanzania and Ethiopia. While in Kenya the firm has "brand heritage", it has faced difficulties in other markets such as Rwanda where the traditional breakfast culture of pastries and bread is dominant. Manji says there is a need to educate consumers. "In Tanzania where we believe there is huge potential, the problem there has been non-tariff barriers. The single biggest problem with Ethiopia is the distance. So, it is cheaper to get products from our factory in the UK into Djibouti than it is from Kenya by road. It makes little sense but that is the reality because infrastructure is very poor." In Kenya, Weetabix faces challenges in sourcing wheat locally. Currently, 35% of the wheat Weetabix uses is sourced from domestic supply. "We want to source all our wheat locally and that is a massive challenge for us. The thing about locally produced wheat is that quality is not really up to par with international standards. The prices are also too high. As a result we can't leverage because whether we buy local or import the cost is really the same. Therefore, we will often prefer to import because it is better quality. We are working with local farmers to match the international wheat standards to support local farmers and the agricultural sector at large." Other hurdles Weetabix East Africa faces include operational limitations caused by the "high cost of power and poor infrastructure which makes distribution across Kenya very costly".

Expansion in Africa

Weetabix is seeking to strengthen its position in Ethiopia where Manji says there is "immense opportunity". He also sees significant potential in Nigeria. As it widens its reach, Weetabix intends to use a local manufacturing strategy as opposed to importing products. "We don't go into a market not understating the market. So, we will do in-depth consumer and retail research to understand the taste profile of the consumer. We don't believe one size fits all. Ethiopians have a very spicy palate, Kenyans have a bland palate while Nigerians have a richer palate; they love flavour. We would like to tailor make our products for each market." The company, he says, has a "fantastic innovation pipeline" that will see the launch of new products to keep up with the on-the-go eating trends taking root in Africa.

Manji advises other business leaders in Africa to focus on consumers and not only the bottom line. "The bottom line will come in as a result of the brand you build," he says. "Develop a very strong leadership team, motivate them, give

them the right tools to deliver and empower them. Don't interfere and don't stand in their way. You should strive to coach them and offer advice, but trust them and let them do what they do best." *(How we made it in Africa)*

BANKING

Banks

Mobile payments in Kenya jumped 21.8% year on year to $14.2bn at the end of August from $11.6bn, despite a government hike in transaction charges. In February, the National Treasury introduced a law imposing a 10% excise duty on mobile money transfer services, raising fears of a general reduction in consumer usage. *(African Business)*

Ecobank Transnational Inc. (ETI), the most geographically diverse lender in Africa, said it will probably seek banking licenses in two more Portuguese-speaking countries on the continent next year. "What we're trying to do is really to strengthen our network in lusophone countries," Chief Executive Officer Thierry Tanoh said in an interview yesterday in Abidjan, Ivory Coast's commercial capital. He didn't give further details. Ecobank, which trades on three African exchanges and operates in 35 nations on the continent, already has operations in Portuguese-speaking Cape Verde, Guinea-Bissau and Sao Tome and Principe. The Lome, Togo-based bank doesn't operate in Mozambique and only has a representative office in Angola, another former Portuguese colony in Africa. Ecobank plans to "continue to expand organically," particularly in East Africa, said Tanoh, who is attending the African Securities Exchanges Association conference in Abidjan. "We need to reinforce some of our affiliates with more resources," he said. "East Africa is an area where more resources are needed." Ecobank reported in October that profit increased 65 percent to $250 million in the nine months through September as its businesses in Nigeria and Ghana expanded. Chairman Kolapo Lawson plans to step down on Dec. 31 amid allegations of fraud that are being investigated by Nigeria's capital markets regulator. *(Bloomberg)*

Africa's Ecobank said it had signed a $50 million loan agreement for 10 years with French development institution Proparco, to support the growth of its local banking network. Ecobank, which operates in 35 African countries, said in a statement that the loan would fund regional expansion, including targeting customers on the continent who do not yet have bank accounts. "Pan-African banking groups ... are entering new market segments, targeting those previously excluded from the banking system," it said. Ecobank has been touted as a model success story in pan-African banking due to its strong growth and aggressive expansion strategy across the continent, which has made it attractive to foreign investors seeking Africa exposure spanning several countries south of the Sahara. But the bank has suffered bitter disagreements in the boardroom over allegations of corporate governance issues in the past few months . The disputes led Nigeria's securities regulator to investigate complaints, and the results of the inquiry are still pending. Shares in Ecobank have risen 33 percent so far this year and have not been seriously dented by its recent troubles. The firm gained 0.73 percent to hit 15.44 naira per share at the close on Monday. The broader Nigerian all-share index closed up 0.32 percent. *(Reuters)*

Markets

AFMI announces launch of revamped website

The African Financial Markets Initiative (AFMI), managed by the African Development Bank (AfDB), on Monday, December 9 announced the official launch of the redesigned AFMI website: **www.africanbondmarkets.org . The website displays new features including a mobile-friendly interface. AFMI also used the occasion to launch the inaugural edition of the AFMI newsletter, The African Bond Market Review.**

The African Financial Markets Initiative (AFMI) is an African Development Bank Initiative designed to promote African bond markets. Since its inception, the AFMI website endeavours to be a premier knowledge management and information dissemination tool, raising awareness and understanding of African local currency bond markets. An integral component of the AFMI website is the Data Portal, which provides a variety of data namely: (i) high frequency data from Thomson Reuters' Knowledge Direct platform; (ii) low frequency data on macroeconomic indicators, debt indicators and governance indicators from the AfDB; and (iii) static data and content on bond market infrastructure, monetary policy and public debt management from African Central Banks, Ministries of Finance and stock exchanges. The AFMI website provides more than data and information: it provides a platform for AFMI stakeholders and development partners to engage in debates on a range of bond market development issues. The website is currently available in English, with the French version of the website available in the first quarter 2014.

AFMI is funded by the AfDB, the Fund for African Private Sector Assistance and the Canadian International Development Agency.

ENERGY

German wind farm developers look to SA

Two executives of Germany-headquartered wind farm developers are heading to South Africa to seek development opportunities in the nation's growing renewable-energy industry. PNE Wind chairperson **Martin Billhardt** and WKN and PNE supervisory board chairperson **Dieter Kuprian** planned a provisional review of current projects and market conditions in Johannesburg and Cape Town from December 16 to 18.

The leaders planned to return during the course of next year to undertake a "more intense" visit, engaging South African business leaders and other industry stakeholders. Kuprian commented that the pair hoped to meet with decision-makers to "get a better understanding" of their projected power-supply needs to enable the European companies to develop their future investment strategy. "Through our developments in Europe, we have a lot of experience in providing community benefit programmes, including job creation and training opportunities. I want to use this visit to investigate how that experience can be replicated and maximised in South Africa," he noted. Billhardt added: "South Africa represents a very important market for us, especially in the Eastern Cape province. The Kouga area has a lot of agricultural interests and there are also many commercial businesses as well as good infrastructure. Renewable-energy projects, such as ours, in this area, will not only contribute in securing the electricity supply but can also provide a tremendous boost to the local economy." This emerged after PNE, earlier this year, bought a controlling stake in WKN, which had previously entered into a joint venture agreement with local group Windcurrent to develop and construct a number of renewable-energy projects in South Africa.

These included the Ubuntu wind farm, near Jeffreys Bay, in the Eastern Cape, which comprised the construction of up to 50 wind turbines, producing 100 MW of electricity on farmland. WKN Windcurrent SA also developed the Banna Ba Pifhu wind farm alongside a photovoltaic solar power facility, near Humansdorp, in the Eastern Cape. Billhardt and Kuprian were expected to tour the Banna Ba Pifhu project and the proposed Ubuntu site. "We are very impressed by the South African government's ambitious programme to grant permission for up to 1 000 MW of renewable-energy projects yearly as part of [its] Integrated Resource Plan," Kuprian said. "[The South African government] understands that [it] must find alternative sources to coal and nuclear power and wind energy is one of the key alternatives. We are very confident with the way the [Renewable Energy] Independent Power Producer Procurement Programme has been run and proud to have participated in the current round." During their visit, the two executives would also meet with officials from the German consul general's office in Cape Town. *(Engineering News)*

$150m Kenyan wind project reaches financial close

The African Infrastructure Investment Fund 2 (AIIF2) and the Norwegian investment fund for developing countries Norfund have achieved financial close of the $150-million 60.8 MW Kinangop greenfield wind project, in Nairobi, Kenya.

Kinangop is the first independent large-scale wind farm in East Africa and a landmark transaction for both the African power sector and the project finance market. AIIF2, which became involved in the project in 2012 to assist the developer Aeolus Kenya to conclude all material contracts and deliver a bankable project, is the majority owner of the project company Kinangop Wind Park (KWP), while Norfund held the remaining interest. The mandated lead arranger for the project debt was CFC Stanbic, the Kenyan presence of Standard Bank South Africa, which had also underwritten the full debt requirements of the project. The project, set to be built by Spanish construction company Iberdrola Ingenieria y Construccion, would entail the installation of 38 General Electric 1.6 MW wind turbines. Once completed, KWP would sell electricity to Kenya's electricity distribution company, the Kenya Power and Lighting Company, under a long-term power purchase agreement. Kinangop was expected to start feeding electricity into the grid in the first quarter of 2015, while full commercial operation was expected to start in July 2015.African Infrastructure Investment Managers (AIIM) regional director for East Africa **Kameel Virjee** said AIIF2 reached final close in September 2011 with total commitments of $500-million. AIIM is a joint venture between Macquarie Group and Old Mutual Investment Group and is an adviser to AIIF2. "AIIF2 is designed to invest equity in a diversified infrastructure and infrastructure-related assets portfolio, primarily within sub-Saharan Africa. The fund recognises that effective infrastructure is vital for economic growth and development of the African continent and, as the continent becomes an increasingly attractive investment destination, the role of infrastructure in the development of the continent has become more apparent," he said in a statement. AIIF2 further aimed to draw value from the growing number of African infrastructure investment opportunities and had made several strategic investments in the energy and transport sectors.Meanwhile, Norfund, which was owned by the Norwegian Ministry of Foreign Affairs and served as an instrument in Norwegian development assistance policy, contributed to poverty reduction and economic development through investments in profitable businesses and transfer of knowledge and technology. Its main investment sector was renewable energy, including hydro, wind and solar power projects, with its current investment portfolio totalling $1.5-billion invested in 110 different projects across Eastern and Southern Africa, Central America and South East Asia. *(Engineering News)*

Kenya Suspends Licensing Wind Farms, Solar Plants Until 2017

Kenya suspended issuing new licenses for wind farms and solar plants until 2017 as it prioritizes development of cheaper fuel-based sources to help cut electricity prices, Energy Secretary **Davis Chirchir** said. The East African government plans to add at least 5,500 megawatts of power supply in the 40 months from September, almost tripling output from current installed capacity of 1,700 megawatts mainly from rain-fed hydropower plants. About 80% of that additional capacity will be tapped from coal-, liquefied natural gas-, and geothermal-powered facilities, Chirchir said in

a phone interview on Nov. 25 from Nairobi. Wind and power generation will account for a maximum of 15% of new supplies and projects already under way have filled that quota. Hydropower and diesel-fired sources will comprise the remainder, he said. The government has approved new wind farms capable of generating a combined 630 megawatts, including the planned 300-megawatt Lake Turkana Wind Power project in northern Kenya, and solar plants that will provide another 200 megawatts. "We will resume licensing new wind and solar power producers after this 40-month phase," he said. *(Bloomberg)*

Foreign Players Score Pushover Try in South Africa

On Nov. 4, the Department of Energy awarded preferred bidder status to 17 projects for Round 3 of the Renewable Energy Independent Power Procurement Programme. The round has seen the lowest bid prices to date and a surge in competition, with a large international contingent developing an increasing appetite for the growing market. Round 3 received 93 bids totalling 6,023 megawatts, all vying for the 1,473 megawatts available. Photovoltaics attracted the most interest, with 57 bids for the initial 401 megawatts of available capacity, while wind received 26 bids for the 653 megawatts on offer. *(Bloomberg)*

Cape Verde – a model for wind power, but Euro headwinds provide a challenge

Cape Verde has found a way to channel the energy of the wind – blowing sand from as far away as the Sahara Desert onto the islands – not only into inspiration for beautiful songs, but into economic benefit for its people. Around 25% of the country's power is currently produced from four wind farms. The government has set itself the target to reduce non-renewable energy to 50% of the country's energy consumption by 2020.

According to Ibra Mbaye, country manager of DHL Express in Cape Verde, there are investment opportunities for companies wanting to assist with the government's renewable energy programme. Cape Verde, an archipelago of 10 islands about 570km from the coast of West Africa, is also viewed as a model for political rights and civil liberties in Africa. In 2011 the country's former President Pedro Pires received the U$5m Ibrahim Prize that is awarded to African heads of state who deliver security, health, education and economic development to their constituents, and who democratically transfer power to their successor.

A unique tourism destination

Cape Verde's tourism industry has been the major driver of the economy in recent years. The islands are a relatively short flight from Europe and many leisure hotels and properties have sprung up. Last year, 533,877 tourists visited the archipelago, for the first time surpassing the native population. "The archipelago enjoys a mild climate, conducive to the practice of marine activities throughout the year and an unusual geographical environment," says Mbaye. ***National Geographic Traveler*** recently identified Cape Verde as one of its "best trips for 2014". The magazine described the country as an "uncharted hideaway, where tourism is nascent and blissfully small scale". Hotels and restaurants grew approximately six times faster than the national economy between 2000 and 2010, accounting for almost 16% of GDP in 2010. It is estimated that more than three-quarters of Cape Verde's tourist beds are concentrated in all-inclusive hotels and on two of the nine inhabited islands.

Economic headwinds

However, good governance doesn't make one immune to global economic turmoil, and Cape Verde is currently feeling the effects of the economic slowdown in Europe, especially in Spain and Portugal.

According to the ***African Economic Outlook*** report, Cape Verde's overwhelming reliance on the European economy will likely affect remittances, official development assistance, foreign direct investment and external demand.

"Cape Verde has a shortage of natural resources. The economy is service-oriented with trade, transport, tourism and the public sector accounting for the bulk of GDP. Tourism is the backbone of the economy. Cape Verde's future prospects depend strongly on the stimulation of tourism and remittances from emigrants," says Mbaye.

Other challenges facing businesspeople is having to travel between Cape Verde's 10 islands. Access to credit, rigorous labour laws, high taxes and telecommunication costs can also make it difficult to operate in Cape Verde. In addition, accessing skilled human resources can be problematic. Despite these difficulties, Mbaye says many companies are succeeding in Cape Verde, adding that one of the biggest misconceptions about Cape Verde is that there are no industries in the country. He says Cape Verde's top companies include telecommunication providers CV Telecom and Unitel T+, as well as the Calu & Angela supermarket chain. *(How we made it in Africa)*

MINING

Mozambican government publicises mining contracts

On 3 December the Mozambican government started to publicise the mining and oil contracts and concessions operating in the country, the country's Minister for Mining Resources, Esperança Bias said Thursday in Maputo.

Answering questions from members of parliament at a parliamentary session due to end Friday, the minister said that the publicity was part of a commitment made by the government to make information about the extractive industries public, based on the Law on Public-Private Partnerships, Megaprojects and Business Concessions, which stipulates that all contracts signed after 2001 should be made public.

"However, as there are contracts signed before 2001, the Ministry for Mining Resources has contacted the companies in order for both parties to give up the confidentiality clause, (…) and, for example, Sasol agreed to publish all the contracts it has signed and these are already available on the Ministry of Mining Resources website," the minister said.
In relation to renegotiating some of these contracts, due, mainly, to incentives to concession companies, Bias said that these benefits were in line with legislation in place when they were signed and that they were due to expire soon.
According to Bias, the corporate tax (IRC) benefits to Sasol had ended in 2011 and were due to end in 2016 for Kenmare Resources, which explores heavy sands in Moma and in relation to the Vale group corporate tax is due to be reduced by 25 percent for five years from the date when the group posts a profit."As a result of the end of some tax benefits and recovery of the investments made, Sasol's contribution to State revenues rose from 189 million meticals in 2011 to 1.052 billion in 2012," she noted. *(Macauhub)*

Miners invest in infrastructure and development to boost Mozambique coal output

Last week Rio Tinto Coal Mozambique (RTCM), a subsidiary of global mining major Rio Tinto, reported that it had set a new monthly record for the transport of coal from its Benga mine in Tete province to the Port of Beira, in Sofala province. The quantity of coal involved came to 95 000 t and it was carried by 38 trains, running on the Sena railway line. The increased amount of coal despatched from Benga was the result of "continuing improvements which are being introduced on the Sena line", RTCM coal supply chain director **Carlos Galego** told local media.
Late last month, the company announced that it had acquired four new locomotives and 110 wagons to haul coal from Benga to Beira. Of these, two locomotives and all the wagons had already been delivered, with the remaining two locomotives expected this month. "[T]his new rolling stock is intended to complement the improvements which are being introduced on the Sena line and will increase the transport capacity for RTCM coal," he stated. The carrying capacity of the 575-km-long Sena line is being increased from its current 6.5-million tons a year (Mt/y) to 20-Mt/y. This work should be completed in February 2015.
In addition to the Benga operation, in which it holds a 65% share (the remaining 35% belonging to Tata Steel of India), which produces both coking (or metallurgical) and thermal coal, RTCM was awarded a mining licence for its wholly owned Zambeze project in August. It also has an exploration licence for its also 100%-held Tete East project. (The Zululand Anthracite Colliery, in South Africa, also falls under RTCM, which holds 74% of the operation.)
At the start of this month, the company revealed that it was evacuating the families of expatriate employees from Mozambique because of worries about the security situation. There have been sporadic clashes between armed members of the opposition Renamo party and the national security forces, particularly in parts of Sofala province. There has also been an increase in the number of kidnappings in the country's main cities. "The safety of employees and their families is the number one priority," said RTCM in a press release at the time. "RTCM's operations continue as planned, including the shipment of coal." It also affirmed that the withdrawal of the families would be a temporary measure.
Meanwhile, in its production report for the third quarter of this year, Brazilian major miner Vale reported that the ramp-up of production at its Moatize mine, in Tete, was being impeded by the limitations of the Sena line and Beira port. Moatize Phase 1 has a nominal capacity of 11-Mt/y. Actual output during the third quarter was 1 168-million tons, composed of 706 000 t of metallurgical (or coking) coal and 462 000 t of thermal coal. This was actually lower than the figure for the second quarter, which was 1 297- million tons (composed of 849 000 t of coking coal and 448 000 t of thermal coal). The decline in metallurgical coal output in the third quarter, in comparison to the second quarter, was 16.8%, but thermal coal saw a rise of 3.2%. For the first nine months of this year, Moatize metallurgical coal output was 6.4% higher than for the same period last year, while that for thermal coal rose by 23%.
Nevertheless, work continues on the development of Moatize Phase 2, which is expected to be commissioned in the second half of 2015. To date, $734-million of capital expenditure (capex) has been made for Phase 2, of which $278-million was during the first three quarters of this year. Total capex for Phase 2 for this year is programmed to be $381-million. The total cost for the complete development of this next phase of Moatize is budgeted at just over $2-billion. *(Mining Weekly)*

More private equity investment expected in mining – Deloitte

More private equity investment is on the horizon for the mining sector, Deloitte South Africa mining industry leader (assurance) **Tony Zoghby** said. In 2012 alone, eight mining funds raised private equity of $8.5-billion as mining majors wrote off asset value of $75-billion in impairments. Zoghby and Deloitte South Africa mining industry leader (advisory) **Abrie Olivier** were speaking at the presentation of Deloitte's sixth Tracking the Trends annual, which outlined how mining companies would next year continue to face rising costs, falling commodity prices, supply-and-demand imbalances and decreased productivity levels. Olivier disclosed that Deloitte would soon be releasing a study on how South Africa's Mining and Petroleum Resources Development Act (MPRDA) Amendment Bill stacked up against country's National Development Plan (NDP). "The NDP talks about the nation and everything in it. From a mining perspective, there could be misalignment in certain areas, and we need to understand what needs to be done to achieve alignment," Olivier said.

On mining investment, Zoghby said that traditional means of funding were becoming increasingly scarce and banks were shying away from over-committing their balance sheets to mining finance.
As a result, mining majors were forced to pursue other financing, including the issuing of bonds, and they were also cutting back on their capital projects.
The divestiture of the large companies out of noncore assets was, in turn, presenting favourable buying opportunities to organisations with cash holdings, which were recognising the potential to turn stressed assets around as entities unfettered by onerous corporate overheads and free to concentrate solely on operational improvement. “We’re seeing more innovative forms of financing, and here I’m talking about private equity. I think we’re going to see more private equity funds getting into investing in mining and turning around these assets,” Zoghby said. He expected South African private equity to target individual mining assets out of which the majors were divesting, restore those to profit and then sell them off. In South Africa, private equity investment was expected to take place at asset level rather than holding company level.

NATIONAL DEVELOPMENT PLAN

Deloitte is currently undertaking a study that will indicate the extent to which the MPRDA Amendment Bill meshes with the NDP. Last week Deloitte facilitated discussion between the mining industry and the African National Congress (ANC) on the state of the mining sector and what is needed to grow the industry and create more jobs, which will be the subject of a media release in the next fortnight. The discussions took place within the framework of the Progressive Business Forum, an arm of the ANC, with Deloitte engaged as the facilitator. Attempts are under way to create a new level of understanding of the NDP through the presentation of well-analysed industry overlays.

MINING INNOVATION

Deloitte’s latest trends annual says that mining companies which embrace new forms of innovation can lay the foundation for long-term business growth and be best positioned for future success, which is juxtaposed against mining productivity falling still further, market imbalances wreaking havoc on commodity prices and junior miners fighting for survival.Meanwhile, the demands of near-mine communities are ramping up, governments are growing more hostile and executive suites are growing short of talent. Shareholder activism is on the rise and boards are light on technical nonexecutive directors. “It’s not a pendulum swing, it’s a seismic shift,” is the publication’s summing up of the current atmosphere in mining. By the second half of 2014, a number of companies and their management teams are expected to be knocked out of the ring. In the meantime, calls are being made for a relentless focus on productivity and the embrace of far-reaching innovation. The mounting cost of doing business tops the list of trends for the third year running, with lower grades and higher strip ratios are pushing costs higher. Between 2001 and 2012, the weighted average head grade for copper fell 30% and three-quarters of new copper discoveries are below 300 m, pushing up strip ratios. Many mines have gone from marginal to loss making and mining sector market capitalisation fell 21% in the 12 months to May 30. The talent pool is being shrunk, executive compensation is being reduced and funding approvals are being limited to strictly the highest quality projects in mining-friendly geographies. Production visibility tools and automated visuals of mining operations from pit to port are advocated as palliatives against the trends of stubbornly high input and production costs and worsening skills pools. In safety, emphasis on zero fatalities rather than insistence on zero harm is being advocated. *(Mining Weekly)*

Angolans exploring for all minerals at home and diamonds abroad

The Geological Institute of Angola (abbreviated to IGA in Portuguese) is to oversee a major survey programme over the next five years, intended to greatly increase knowledge about the country’s mineral resources. The programme will cost more than 40-billion kwanzas (about $410-million), Angolan news agency Angop reported, and forms part of the country’s National Geology and Mines Plan. Currently, it is estimated that there is infor-mation about only 40% of the country’s geology. IGA director-general **Makenda Ambrosie** describes this as “incipient knowl-edge” that has led to the “unsatisfactory exploitation of the few known reserves”. Pre-liminary results are expected within two years. While the IGA will manage the programme, it will be executed by three foreign companies – one Brazilian, one Chinese and one Spanish. According to Amrosie, Angolan countries suffer a “lack of technical capacity” to carry out the work. “Angolan companies will be visible, providing complementary services. For this work, some companies bid, but they did not meet the required conditions.” Each of the three companies awarded the work has been assigned a different region of the country to survey. The Brazilian enterprise, Costa Negócios, is responsible for the eastern region. The Chinese company, Citic, will cover the north and the Spanish company, Impulso, the south. Each company will be responsible for the organisation of its own logistics. Each is expected to spend more than one-billion kwanzas (about $10.25-million) over the next five years. The National Geology and Mines Plan also involves the restructuring of, and capacity-building in, the IGA, including the establishment of three laboratories. The Angolan government has contracted a company to undertake the economic, institutional, operational and technological capacitation of the IGA. Separately, earlier this month, Angolan mining company Sociedade Mineira de Catoca (Catoca) reported that it was going to start exploring for diamonds in Zimbabwe next year. This follows the signing of a bilateral mining cooperation agreement by Angolan Mines and Geology Minister **Francisco Queiroz** and Zimbabwe Mining and Mineral Development Minister **Walter Chidhakwa** on October 28. The pact covers economic cooper- ation in the mining sector, including explora-tion, prospecting, research, technical and tech- nological support and permits Angolan com-panies to invest in Zimbabwe. This agreement thus provides safeguards for Catoca’s oper-ations and investments in

Zimbabwe. “In terms of the selected areas, we intend to work in the area of the Limpopo basin and the Marange zone, particularly in the frontier zone between Zimbabwe and Mozambique,” Catoca CEO **José Ganga Júnior** told Angop. “These are the areas of most interest to Catoca, initially, within our process of internationalisation.”

The Limpopo basin encompasses some 415 000 km2, but this figure covers Botswana, South Africa and Mozambique, as well as Zimbabwe, and it is not yet known where Catoca will focus its efforts. As for Marange, its diamond fields have been described as one of the biggest diamondiferous discoveries in recent times. They could provide a significant stimulus to the Zimbabwe economy. Regarding the scale of the investments that his company would make in Zimbabwe, Ganga Júnior noted that it was too early to give any estimates. Firstly, Catoca would have to award an exploration contract and, thereafter, develop an action plan that would start with prospecting operations. Catoca’s internationalisation programme forms part of its plan to increase its diamond operations beyond its current exploitation of the Catoca kimberlite. This plan includes exploration in Angola, and Catoca is cur-rently active on seven concessions in its home country. It is financing this exploration pro-gramme from its own resources. Catoca is owned by four groups – Angolan State dia- mond group Endiama (32.8%), Russian diamond miner Alrosa (also 32.8%), Israel’s Daumonty (18%) and Brazilian conglomerate Odebrecht (16.4%). *(Mining Weekly)*

KPCS reforms more important than ever for diamond industry – Shabangu

Conditions in the diamond industry have been turbulent since the start of the global financial crisis in 2008 and the 2013 Kimberley Process Certification Scheme (KPCS) plenary meeting, held in Johannesburg last week, held more significance than ever, as the work of the ad hoc committee on reform would set the tone on how the KPCS would proceed with its work going forward.

This is according to South Africa’s Mineral Resources Minister **Susan Shabangu**, who gave the keynote address at the opening of the plenary meeting, at which South Africa handed over the chairpersonship to current vice-chair China, which takes over the reins in 2014. Shabangu stated that the diamond industry had been under stress since the global financial crisis and that the years between 2009 and 2012 presented a challenging period for all participants across the diamond value chain. She added that, through robust engagement on reforms among members of the KPCS over the last few years, the most significant observation made was that the Kimberley Process (KP) was inclusive and did not ignore the voices of the smaller and emerging participants in its deliberations on important matters. She said this further confirmed the robust founding statutes of the KP, which are premised on an arduous consensus-building process that is enshrined in the scheme’s democratic principles. “The argument still stands that the KPCS cannot be seen [in] the works of other organisations, especially those that complement the KPCS, namely the System of Warranties, which was developed by the World Diamond Council to extend the KP conflict-free assurance to polished diamonds and to provide a means by which consumers can be assured that their diamonds are from conflict-free sources,” Shabangu stated. She noted that there were many organisations that had an oversight responsibility over the industry, notwithstanding the sovereign responsibility of each member country to develop and invoke the appropriate legisla- tive frameworks to regulate the mining sector, including diamond mining and trade. The Minister commended the US and Angola on efforts to ensure that the Washington Declaration, a resolution that incorporates development and small-scale diamond mining objectives, found meaning and rele- vance in matters surrounding small-scale mining. She said artisanal small-scale mining posed challenges for any country and could stem from difficulties in achieving regulatory oversight of a large number of small operations, including concerns such as security of land tenure for artisanal miners, enforcement of environmental and safety standards, and access to start-up capital. According to a 2013 report by global business consulting firm Bain & Company, the diamond industry currently has suffi- cient reserves to sustain production for 18 years, with 70% of those reserves found in Africa and Russia. Shabangu said that, for Africa’s minerals sector to be knowledge-based and vibrant, it was vital to learn and study the best prac- tice of peer jurisdictions and to develop partnership mechanisms that benefit both parties.

African Mining Vision

“This is significant, as it marks an important departure from the well-entrenched historical practice of some parties benefiting exclusively at the expense of others. This model of partnership has already demonstrated that it is not sustainable and must be abandoned with immediate effect,” the Minister stated, adding that the KP should endeavour to build relations and work jointly with the African Union, which has developed and adopted the African Mining Vision.

She said the African Mining Vision’s key objective was to achieve a transparent, equit- able and optimal exploitation of mineral resources to underpin broad-based sustain- able growth and socioeconomic development. Meanwhile, it was noted that the African Diamond Producers’ Association was created within the context of the African Mining Vision, with a specific focus on diamonds. Shabangu stated that it was important for formations such as the KP to recognise and work closely with this African association, which aimed to steer the fate of diamond development on the African continent to the benefit of the people of the continent and to develop mutually beneficial partnerships with foreign investors. “History has shown us that, when countries engage in a collaborative effort for a common good, sustainability is well within reach. As South Africa, we support the candidacy of Angola as the KP vice-chair for 2014, and, therefore, the chair for 2015,” she concluded. *(Mining Weekly)*

WDC welcomes Angola's appointment as KP 2014 vice-chair

World Diamond Council (WDC) president Avi Paz has welcomed the appointment of the government of Angola as vice-chair of the Kimberley Process (KP) for 2014. "It is a proud moment for the KP that a country which, once afflicted by civil conflict, has now regained political and economic stability and, as a consequence, is in a position to assume a position of leadership in the very institution that helped set it on its way to recovery," he said.
Angola would, in 2015, succeed China as KP chair. Further, Paz also welcomed the three-year extension of the KP's ageement with the WDC for the management of the KP's Administrative Support Mechanism (ASM).“The decision by the KP to extend the contract with the WDC for the management of the ASM for another three years means that the council will continue to provide logistic, organisational and communications support to the KP chair on an ongoing basis though 2016, via four of its members – the Israel Diamond Institute, the Gem and Jewellery Export Promotion Council of India, the Antwerp World Diamond Center and the Diamond House of the Government of Ghana.” *(Mining Weekly)*

Beacon Hill subsidiary to acquire stake in Moz pig iron prospecting licence

Dual-listed Beacon Hill Resources' subsidiary BHR Investments has entered into an agreement with Acácia Mineração to acquire up to a 70% stake in a prospecting and exploration licence that has “strong potential” for pig iron mineralisation, in Mozambique's Tete province."Following many months of due diligence, we are confident that Licence 3788L represents a significant potential pig iron opportunity and that this transaction provides us with an ideal, low-cost opportunity to vertically integrate our portfolio and broaden our exposure to a broader group of steel-related commodities. “Maintaining low costs is very important to us and of particular importance is both the project's close proximity to our existing Minas Moatize project, which will enable us to [use] existing infrastructure and personnel, and the implications of our proposed cogeneration project on processing costs. We will now proceed to complete our sampling work to understand the size of the deposit better and look forward to providing updates at the appropriate time,” Beacon Hill CEO **Rowan Karstel** said in a statement to shareholders.
The company added that, in addition to pig iron, the project could also be a potential source of magnetite, which is used by BHR in its coal washing process. Under the terms of the agreement, the licence would be transferred to a newly incorporated entity, or special purpose vehicle (SPV), after mining licences have been granted for aggregates and magnetite for coal washing projects. BHR would start sampling work to determine the prospectivity of the licence area and to define an exploration programme. It would need to invest $200 000 or more into the project within 12 months to earn a 20% interest in the SPV, with Acacia to hold the balance. Thereafter, BHR would be entitled to earn an aggregate 51% interest in the SPV by funding the completion of a Joint Ore Reserves Committee-compliant inferred resource for the project within 36 months or to earn an aggregate 70% interest in the SPV by funding the completion of a definitive feasibility study for the project within 48 months. *(Mining Weekly)*

OIL & GAS

Oil Discoveries

The estimated resource range of the Lontra field in offshore Angola is 700 million barrels of oil equivalent to more than 1.1 billion barrels of oil equivalent, Cobalt International said in slides on its website.*(Bloomberg)*

Angola copies Brazil

Oil explorers in Angola will drill almost half of their offshore wells next year beneath a layer of salt under the seafloor to test the theory that the geology off Angola's coast mirrors that off Brazil, where multibillion- barrel finds have been made. There are 32 wells planned off Angola in 2014 including 15 in the pre-salt rock strata, compared to only two pre-salt wells this year. Explorers will invest at least s3bn in wells off Angola next year. BP, Statoil and ConocoPhillips are among companies seeking to replicate Brazil's success. *(African Business)*

Benin restarts production

Benin plans to restart oil production next year in blocks controlled by South Atlantic Petroleum (Sapetro) from neighbouring Nigeria. Sapetro is sitting on 87m barrels of oil in Benin's onshore Block i and output could start at 7,500 barrels per day. Sapetro has 110m barrels of oil in the Seme offshore block to the east of Cotonou but production is not be expected before 2015. Sapetro owns oil fields in Nigeria in joint ventures with France's Total and China's CNOOC. *(African Business)*

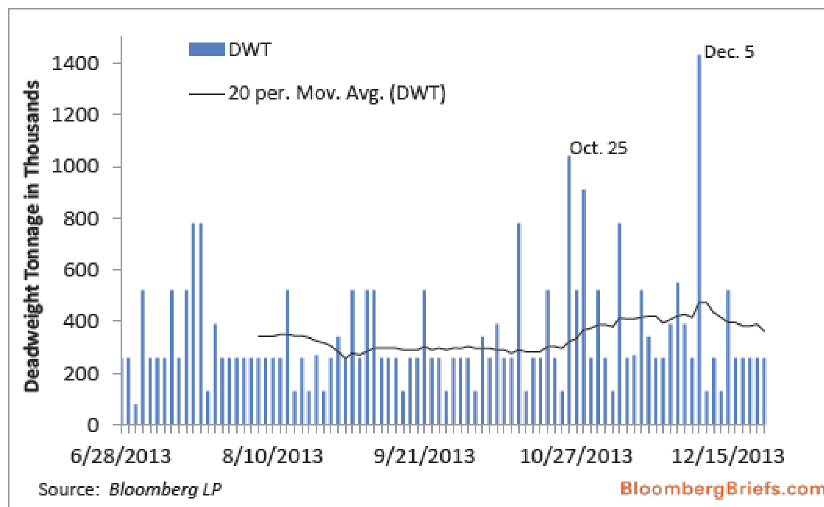
Oil majors sell off in Nigeria

The Nigerian unit of Royal Dutch Company Shell has placed on sale four onshore oil blocks in the market for an estimated $2bn, as its production becomes plagued by thefts and community issues stemming from oil spillages. US-based Chevron Corp is considering bids from prospective buyers of three oil blocks in the Delta. ConocoPhillips has also agreed with Oando, a local company, to sell off its Nigerian operations for $1.8bn. *(African Business)*

W. African Oil Shipments Surge on Chinese Orders

The benchmark freight rate for West African crude remains at a five-year seasonal high as dirty tanker traffic picks up, according to data compiled by Bloomberg. Five very large crude carriers (VLCCs) and one Suezmax vessel were scheduled to load from West Africa on Dec. 5, according to the data. The data indicates that five of the cargoes were destined for China and one for India. The deadweight tonnage of the day's six loadings from the region was more than three times the 20-day moving average, the data show. The proxy freight rate for West African crude – the Arabian Gulf to Japan rate – had recently been weaker, tracking below the five-year seasonal average until October, when it rose to a seasonal high. Behind the earlier freight rate weakness was a large available fleet of tankers and less West African crude to transport due to supply disruptions from Libya. *(Bloomberg)*

Charters From West Africa for Dec. 5 Are Triple the Average



Ivory Coast gets $300m loan for refinery from World Bank, SocGen

Ivory Coast is to borrow up to $300-million from the World Bank's International Finance Corporation (IFC) and Societe Generale (SocGen) to help finance crude oil imports over the next two years for its sole refinery. The IFC and SocGen will each lend the Societe Ivoirienne de Raffinage (SIR) up to $100-million, the lenders said in separate statements. Standard Chartered and BNP Paribas will also take part in the structured trade facility to help fund about $2-billion of oil imports. Ivory Coast is emerging from a decade of political turmoil that saw growth and industry stagnate. Gross domestic product growth was 9.8% last year after a contraction of 4.7% in 2011, when a brief civil war ended the crisis. The IFC said in a statement the loan facility may help mitigate price spikes that drive up costs for both businesses and households, and also help SIR regain direct access to the international financial markets. The 65 000 bbl/d SIR refinery in Ivory Coast's commercial capital Abidjan provides the country with nearly all of its refined petroleum products as well as supplies regional landlocked neighbours, including Mali and Burkina Faso. Oil purchases for the refinery cost more than $200-million a month and Ivory Coast – the world's number one cocoa producer and French-speaking West Africa's largest economy – has a supply contract with Africa's top oil exporter Nigeria. *(Engineering News)*

Oil joint venture commits to Bayelsa

The Bayelsa Oil Company, owned by the Bayelsa State, Nigeria, has entered into a joint venture (JV) with London-listed upstream exploration and production company Heritage Oil, as part of Heritage's commitment to the Nigerian oil industry. Heritage will take a 45% equity stake in JV Company Petrobay, headquartered in Yenagoa, which will buy assets from established oil firms as it moves into the Delta. *(African Business)*

INFRASTRUCTURE

Bollore to invest €97m to develop Dakar port terminal

Bollore Africa Logistics said it had won a contract to develop and operate a Dakar port facility, used mainly to import vehicles, and pledged to invest €97-million over 25 years.

The subsidiary of French industrial group Bollore signed the agreement with the Autonomous Port of Dakar on Thursday to run a roll-on/roll-off terminal, which allows cars and other wheeled cargo to be offloaded directly onto the dock.

The company's president, **Dominique Lafont**, told Reuters it was awarded the contract after negotiations ended between Senegal authorities and Italy-based logistics firm Grimaldi Group. "The strong engagement of Bollore Africa Logistics in the port of Dakar demonstrates our desire to make Dakar's roll-on/roll-off terminal one of the best performers in West Africa,"

Lafont said in a statement. The company plans to extend the existing terminal by 165 m and deepen it to 10.5 m in order to accommodate larger vessels. A new 30 000 m^2 parking area will also be built.
Bollore is a well-established player in the port and transportation sectors of French-speaking Africa, including operating the national rail companies of Ivory Coast, Burkina Faso and Cameroon and managing a dozen container terminals. Earlier this year, a consortium led by Bollore won a hotly contested tender to operate a second container terminal to be built at the port of Abidjan, Francophone West Africa's busiest port, pledging investments of nearly $600-million. In Dakar in 2007, it lost out to Emirati marine terminal operator DP World for the right to operate Dakar's container terminal. *(Engineering News)*

Cabo Verde's port sector to be privatised in 2014

The government of Cabo Verde (Cape Verde) is finishing drawing up the legal framework for the privatisation of the port sector in 2014, the Minister for Infrastructure and the Maritime Economy, Sara Lopes said cited by the Cape Verdean press. During a conference on reforming the transport sector in Cabo Verde, the minister said that the new legal and institutional framework would be in place next year. Last June Cabo Verde's parliament authorised the government to change the legal framework of the country's ports with a view to privatising them. As part of the privatisation, the government plans for national port management company, Empresa Nacional de Administração dos Portos (Enapor) to continue as the general concession holder for the archipelago's ports, but for its to be allowed to sub-concession port services and operations whenever possible.
The future law is also expected to outline port assets in the public domain and to clarify the responsibilities of the public agents involved in the marine sector, specifically the Directorate General for Mobility and Transport and the Marine Economy, the Maritime and Port Institute and Enapor. *(Macauhub)*

Infrastructure projects will increase future copper production

The disruption in copper production in Central Africa over the past two years – the result of power failures owing to the lack of infrastructure in the Copperbelt – has led to the construction of power plants in the Democratic Republic of Congo (DRC) and Zambia, says research and consulting services company Wood Mackenzie. "Following the significant boom in investment in the Copperbelt from 2004 to 2007, it became an important region for copper development. However, production growth is limited by the lack of power plants and the road and railway infrastructure needed to match smelting capacities in the Copperbelt. This has led to the need for large infrastructure investments in the DRC and Zambia," notes Wood Mackenzie copper cost services analyst **Bolade Olu-Adeyanju**. He adds that, as a result of the investment boom, major power plant projects, such as the Ndola heavy fuel oil (HFO) plant and the Kabompo Gorge hydropower plant, both in Zambia, as well as the Inga III hydroelectric project, in the DRC, have materialised. Last year, Africa news content website allAfrica reported that research and investment company Ndola Energy Company appealed to the Zambian government to upgrade the Ndola HFO power station so that it could produce 100 MW. The initial plans were to generate 50 MW of electricity for sale to Ndola consumers. Ndola Energy Company production manager **Anders Longhorn** says the company appealed to the Zambian government to consider allowing the power station to double its capacity to avoid power shortages and enable smelters operating on the Copperbelt to be more efficient. "Ndola Energy Company has invested more than $60-million in the construction of the first-ever HFO power plant in Ndola, which is conveniently situated near Tazama Pipelines and State-owned oil refinery Indeni oil refinery's plants. The company will source its feedstock through a 286-m-long oil pipeline from Indeni," he notes. In February this year, interdisciplinary academic journal Africa Review reported that Ndola Energy Company had completed the installation of step-up transformers, which were expected to generate electricity in April. Longhorn notes that the electricity will then be connected to the national electricity grid through the Zambia Electricity Supply Corporation's (Zesco's) Skyways substation and sold to Ndola-based electricity consumers.

Kabompo Gorge Hydropower Plant

With the Zambian government realising that hydropower is the most appropriate power generation medium to ensure the country's continued economic growth, plans to increase the country's power generation capacity are currently under way. Online news publication Infrastructure News reported in October that construction of the Kabompo Gorge hydropower plant, situated in Zambia's Northwestern province, was scheduled to start in 2014 and was an early indicator of other large projects in the pipeline. The publication further reported that South African consulting engineering firm GIBB had played an administrative and facilitative role in the project and was in the final negotiation stages of the engineering, procurement and construction (EPC) process with preferred contractors at that time. "Owing to the risk of unforeseen geological conditions in the area, we acknowledged that the nature of the contract could result in excessively inflated tendered prices or few bids being submitted. "With this in mind, a modification to the standard contract was prepared as an option that allowed for geological risk sharing, which resulted in competitive bids being submitted," explains GIBB project manager **Sean Renecke**. Once finalised, GIBB, in a joint venture with engineering consultancy Knight Piésold and project management and consulting engineering firm Royal HaskoningDHV, will facilitate the technical construction of the Kabompo Gorge hydropower plant with a team of office-bound designers and a group of supervisors on site. "Hydropower in Zambia is very important, as the country has an estimated 6 000 MW potential of hydropower capacity and only a third of it has been developed," notes Renecke, adding that the 40 MW Kabompo Gorge hydropower project will incorporate a 50-m-high dam and significant underground works. The project

is expected to create development opportunities for the districts surrounding the project area and it will be connected to the main Zambian electricity grid through a transmission line to a future Zesco substation at Kalumbila. Significant progress is expected in the selection of an EPC contractor and in the further development of project documentation and site preparation activities. Some EPC activities have already started under an early works agreement, while the main construction works is expected to begin by February 2014 and will continue for 32 months, Infrastructure News noted.

Inga III Hydroelectric Plant

The construction of the first phase of the hydroelectric project at Inga III, in the DRC, is likely to begin in October 2015, according to The Africa Report. In February 2010, the energy Ministers of the DRC, Angola, Botswana, Namibia and South Africa decided to abandon a project, dubbed the Western Corridor, that would have led to the construction of an electricity interconnection system along the Atlantic Ocean, starting at a third hydroelectric dam at Inga, in the DRC's Bas-Congo province. Creamer Media's Research Channel reported last month that, following the signing of the Grand Inga Hydropower Project Treaty, the South African and DRC governments were planning a series of engagements with other countries in Southern Africa to assess their role or interest in participating in the revived project. South Africa, through State-owned power utility Eskom, has committed to taking an initial 15% equity position in the first 4 800 MW phase of the project and to supporting efforts that will secure funding for the scheme. Significantly, Eskom has also committed to a power purchase agreement for an initial 2 500 MW, with the 2 300 MW balance to flow to the DRC. In addition, offtake commitments for a minimum of 30% of any future phases have also been agreed, with experts estimating that the Congo river has hydropower potential of about 44 000 MW. The South African Cabinet has welcomed the treaty, saying the project will increase energy access to support agriculture, mining and manufacturing in Africa.

In addition, Energy Minister **Dikobe Ben Martins** told *Engineering News* last month that there is a sense of optimism that the scheme, which has had several false starts, is poised to move forward under the treaty framework. Bilateral meetings have already been held with Angola and are being planned with transit countries Zambia and Zimbabwe. Meetings will also be held with countries such as Botswana, Namibia and several other East African countries, which may want to add tributary lines off the main truck transmission network. Given the scale of the project and the transmission distances involved, the funding challenges are likely to be significant, but Martins insists that the commitment to seeing the project through is higher than ever before. South Africa has set aside a substantial amount for the project in its 2013 Budget. However, close energy-market observers believe it will still be some time before the project is realised, partly owing to the challenges associated with having multiple countries involved. Another key consideration is the currency risk for a utility such as Eskom, which will have to deal with the likelihood of having to finance a dollar-based project and tariffs through rand-based revenues.

After the failure of a first attempt in 2010, DRC President **Joseph Kabila** hopes that this time the deal will be successful, as South Africa and the DRC signed a treaty in October on the Inga hydropower project, which could eventually become the largest hydroelectric project in the world, with the potential to power half of the continent.

Olu-Adeyanju highlights that the construction of power plants and other infrastructure projects, as well as companies' readiness to commit to power infrastructure projects, seems to progress quicker in Zambia than in the DRC, with Zambia also having the upper hand in rail infrastructure. The long-awaited refurbishment of the Benguela railway is nearing completion. "Work on the 1 344 km line between the Atlantic Port of Lobito, in Angola, and the town of Luau, on the border of Zambia, is scheduled for completion by the end of 2013. "The $1.9-billion project to refurbish the line has been financed through loans from China. "A branch line inside Zambia, due for completion this month, should offer copper producers in Zambia and the DRC an alternative route to import supplies and export production," he explains.

He adds that Luau is about 850 km from Chingola, in Zambia's Copperbelt province, and that copper producers in the region have long been hampered by logistics issues, with the two main export/import routes available to them being by rail through Tanzania to the congested Port of Dar es Salaam – a distance of about 2 400 km – or by road through South Africa to Durban – a distance of about 3 500km. As a result of these infrastructure projects taking place in Zambia and the DRC, Olu-Adeyanju concludes, copper production will increase in the future, which will result in the Copperbelt becoming a leading copper producer worldwide. *(Mining Weekly)*

AGRIBUSINESS

Agri-Vie acquires 49.9% in Intelichem

Food and agribusiness investment-focused fund Agri-Vie on Tuesday announced that it had acquired a 49.9% stake in Terason and Technichem holding company Intelichem.

The investment into the Intelichem businesses was in line with Agri-Vie's focus on agricultural inputs as a strategic growth sector, Agri-Vie investment adviser **Rudi van Niekerk** said."There are substantial growth opportunities for the Intelichem business locally, in Africa, as well as in sub-Saharan Africa and Agri-Vie is in a position to provide the additional capital to unlock its investment potential," he added. Van Niekerk pointed out that while 24% of all cultivated land globally was in Africa, the continent only contributed 9% of the world's agricultural produce. According to a study conducted by the McKinsey Global Institute, 60% of the world's uncultivated arable land is in Africa. "The African continent is behind in

technology, mechanisation, and plant fertilisers/nutrition and crop protection products. Because these three inputs are lacking, Africa's agriculture growth is lagging behind," the study stated.
Intelichem CEO, **Rudolph Geldenhuys** stated that Terason and Technichem were in a position to alleviate these agricultural challenges by contributing towards food security through a solution-focused approach that optimised output and quality.
"In order for farmers to grow their businesses and produce more crops sustainably and effectively, they need to focus on the quality of the output from the smallest hectare," he said.Geldenhuys explained that Intelichem provided a combination of products, skills, technology and expertise through programmes and applications that helped keep agribusinesses and food security strong."Terason and Technichem are geared towards the sustainability of the environment through their responsible and safe handling and application of pesticides training initiatives, campaigns and the use of biopesticides. We have seen a definitive shift in farmers' attitudes towards more responsible and sustainable practices and our output-based offerings focus on adding value to the end-user," he said.Meanwhile, Van Niekerk added that Agri-Vie was further attracted to Intelichem as a result of the company's record."Intelichem has a 20% market share in the market. No other company of its kind has this size market share in the country," he said.He added that the business was primed to continue achieving successes."Management knows exactly what their clients' needs are, having established continuous communication channels and strong relationships with clients. Years of experience allows the business to make thorough, accurate and ethical recommendations. Clients also benefit from the efficient and timely delivery of products thanks to excellent, well-established logistical and enterprise resources," Van Niekerk concluded. *(Engineering News)*

Nampula province, in Mozambique to have cashew research centre

A cashew research centre is due to be installed in Nassuruma, in Mozambique's Nampula province, to drive research and studies into cashews in the country, said Filomena Maiopué, director of the Cashew Institute (Incaju). Maiopué told Mozambican daily newspaper Notícias that the centre's installation would initially have support from specialists form Tanzania, which has vast experience in cashew research and production.
In Mozambique cashews are produced in almost all of the country's provinces and the nuts are one of the key products for the family and industrial sector, with estimated annual production of 90,000 tons per year.
In the last few years, cashew production has faced a number of problems including climate change, disease and price volatility on the international market. Maiopué also said that the cashew sector continued to attract investment and noted a factory to process cashew oil, which has a high commercial value. *(Macauhub)*

Mozambique expects to earn $90 million a year after it establishes a tuna-fishing fleet, Victor Borges, the country's fisheries minister said. The country, which lies on the Indian Ocean, could catch 23,000 metric tons of the fish a year, Borges said, citing a feasibility study. Mozambique this year sold $850 million in bonds to fund the purchase of tuna fishing vessels and patrol boats, according to advisory company Teneo Intelligence. Empresa Mocambicana de Atum SA, or Mozambican Tuna Co., was set up by the government in August. Revenue from tuna fishing is currently only about $1 million, Borges said. "Tuna fishing in Mozambique is currently dominated by foreign companies," Borges told parliament in Maputo, the capital, yesterday. "There are 130 vessels catching tuna in the Mozambique economic zone and among those only one is Mozambican." Currently shrimp accounts for about 70 percent of Mozambique's fishing catch, according to the United Nations Food & Agriculture Organisation. *(Bloomberg)*

AfDB and Government of Angola sign loan agreement for Artisanal Fisheries Support Project

A loan agreement for the Artisanal Fisheries Support Project was signed on Monday, December 2 by Septime Martin, the African Development Bank's Resident Representative in Angola, on behalf of the Bank and Job Graça, the Minister of Planning and Territorial Development, representing the Government of Angola.
The objective of the Fisheries Sector Support Project is to increase of incomes of small-scale fishers and traders (mostly women) through marked improvements in fish landing and handling facilities, thereby reducing post-harvest losses and improving quantity and quality of fish landed and traded.
The project will be implemented in coastal communities in four provinces in Angola (Cabinda, Benguela, Kwanza Sul and Bengo) and the direct beneficiaries are the fishing population of over 10,000 at the project sites, including women who constitute 80 per cent of small-scale fish processors and traders. The project will cost UA 25.96 million* (US $39.85 million) and will be implemented over a five-year period.
This project is a follow up of the successfully concluded Artisanal Fisheries Development Project and is aligned both with the Bank Group's corporate strategy and the Government of Angola National Plan aiming to achieve diversification through non-oil private sector led growth to create employment and promote poverty reduction. *(AfDB)*
**As of December 2013, 1 Unit of Account (UA) = 1.53521 United States Dollars (USD)*

A focus on niche markets reduces risk for Rwandan coffee producers

The landlocked, East African country of Rwanda has an economy that relies heavily on agricultural exports, mainly in coffee and tea

However, the fluctuating price of coffee on the international market has posed a threat to Rwandan coffee producers and exporters. In early 2011, the coffee price on the international market hit a high, but has since fallen considerably. To

reduce the financial insecurity caused by fluctuating prices, many of the industry players in Rwanda have turned their focus to speciality coffee, for which Rwanda has been developing a reputation.

One speciality coffee producer and exporter is David Rubanzangabo, founder and managing director of Huye Mountain Coffee. He told ***How we made it in Africa*** that to be marked as speciality, coffee cherries must be fully washed, carefully assessed and must score above 85 points by trained coffee experts or cuppers. Rubanzangabo added that the product must also be certified as the international market wants to know where the product comes from and how it makes its way onto the shelves.

Rwanda's rainfall, hilly geography, altitudes and volcanic soils make it an ideal place to grow coffee. It also has a large agriculturally-based workforce with between 70% and 90% of the workforce being engaged in subsistence farming. Last year, ***How we made it in Africa*** reported that nearly 27% of Rwandan coffee exported is marked as speciality – up from zero in 2000.

The turnaround in the quality of coffee production in Rwanda is a result of the industry being privatised in 2001, as well as through the work of several international development projects such as USAID-funded PEARL and SPREAD. In 2000, these projects worked to kick-start a speciality coffee industry by building new coffee washing stations, organising farmers into cooperatives and training local farmers, cuppers and agronomists on quality. Before setting up his own operations, Rubanzangabo was the head agronomist at SPREAD.

Despite speciality coffee making up just 3% of the global coffee market, there is a demand for it with it usually commanding an additional 15%-25% premium on top of current market prices for ordinary coffee.

For Rubanzangabo, who has his own plantation and works with small-scale farmers in the area, there are two reasons why he has chosen to cater to this niche market. Firstly, he said his company cannot supply the ordinary coffee market as the export market require large quantities of coffee to make production financially viable and, like many other coffee producers in Rwanda, Rubanzangabo does not have enough land to allow large-scale production. He added that the condition of the soil in Rwanda is generally not of a high enough quality to support mass production and requires expensive inputs.

A focus on quality

During the Growing SMEs conference held in Kigali, Rwanda last month, which saw entrepreneurs in the region present their businesses to investors and seek advice from experts, it was mentioned that the average coffee tree is meant to produce 40kgs of coffee. Rubanzangabo said his trees generally produce only 10kgs-15kgs.

"That is why we are targeting the quality not the quantity."

According to Rubanzangabo, the risk of fluctuating market prices for ordinary coffee is just too risky for most small-scale coffee producers and exporters in Rwanda. "That is why we want to target the speciality coffee market and not the ordinary… For me to produce two containers of high quality coffee is equal to someone who produces 10 containers of ordinary coffee."

He added that by placing an emphasis on quality and focusing on niche markets, he has been able to develop longer term relationships with buyers, which reduces financial insecurity. He said he is now signing two year contracts with many of his international buyers.

Rubanzangabo exports his coffee products to the US, Australia and Japan. "And I think this year we are going to also have a market in Korea," he said, adding that they package and sell the finished product locally.

Since setting up operations, Huye Mountain Coffee has grown from employing 60 workers in 2011 to 150 workers in 2013, of which 80% are women. Rubanzangabo advises other coffee producers in Rwanda and Africa to get the necessary certification for their produce, pointing out that this provides financial security in the international market as it means coffee cannot be sold for less than a certain amount. "You have to conform to the needs of the market," he emphasised. "If a market needs a certification, you have to do your best to get that certification." *(How we made it in Africa)*

Burundi's tea export earnings slumped 65 percent in October from the same month last year, pushed lower by a weaker world market and higher tea output in Kenya, the country's state-run tea board (OTB) said on Thursday. Tea earnings dropped to $740,791 from $2.15 million in October 2012, with the east African country exporting 400,010 kg versus 682,827 kg the previous year. "Prices and earnings for Burundi's commodity were seriously affected by lower global prices and a higher cumulative production of Kenyan tea," OTB export official Joseph Marc Ndahigeze told Reuters. In a report, OTB said the average price of exported tea in October fell to $1.85 per kilogram from $3.15 last year. Tea revenues for the ten months to October totalled $18.5 million, down from $22.9 million earned in the same period in 2012. Landlocked Burundi exports 80 percent of its tea through a regional weekly auction held in the Kenyan port city of Mombasa. Kenya is the biggest regional producer and the world's top exporter of black tea. Tea is the country's second-largest hard currency earner after coffee and employs some 300,000 smallholder growers in a nation of over 8 million people. *(Reuters)*

The Netherlands Embassy has signed a seven million- Euro grant for a four-year Cocoa Rehabilitation and Intensification Programme (CORIP). The grant is expected to leverage additional private sector cocoa industry funding of 14 million Euros. The project managed and coordinated by Solidaridad West Africa was jointly developed by a consortium of cocoa sector partners and industry companies including international Fertiliser Development

Corporation, Armajaro, Cargill, ECOM, Barry Callebaut, ADM and Continaf. The Dutch Ambassador, Hans Docter noted that the support from his country aims at developing economic, social and environmentally sustainable support for cocoa farmers in the main cocoa producing regions of the country. He said the programme is a good example of current Dutch policy of combining trade and development cooperation. "The programme shows that public and private interests can go hand in hand to add value, without the government having to take on additional burden increase export revenue, make production more sustainable and improve farmer's profit," he said. Mr Isaac Gyamfi, Managing Director Solidaridad said the programme would provide the necessary technical support for farmers to rehabilitate old farms and intensify existing cocoa systems. It will work with the Cocoa Research Institute of Ghana and Coco Board to boost availability of improved planting materials for the farmers, he said. He explained that the programme would target entrepreneurial farmers who really want to develop their cocoa farms into sustainable and viable business enterprises. Mr Gyamfi said CORIP would promote the establishment and operation of cocoa Rural Service Centres (RSCs) that would promote and upscale cocoa production in a sustainable self financing way. "RSCs would privately run entities that provide training, information, inputs and other technical support for improved cocoa production," he said, adding that the programme targets the rehabilitation and intensification of between 60-80 hectares. The Netherlands is the largest importer of cocoa from West Africa. Ghana is the second largest producer of cocoa in the world with total bean sales averaging $ 2 billion per annum. *(Business Ghana)*

TRADE

Remittances are the fourth largest source of foreign exchange in Kenya after revenue from tea, horticulture and tourism. A total of §1.17bn was sent back to Kenya by its citizens abroad last year. Kenya's share of e-commerce transactions was less than 1 % of all trade transactions: e-commerce in South Africa was 4 % of the total. *(African Business)*

Stanchart seeks Chinese speakers

Standard Chartered Kenya is targeting Chinese speakers to attract local Chinese businessmen and bridge the language barrier and bring on board newly settled Asians, most of whom have started businesses recently. Trade between Kenya and China is surging, reaching $1.97bn last year. *(African Business)*

The leaders of five East African countries signed a protocol on Saturday laying the groundwork for a monetary union within 10 years that they expect will expand regional trade. Heads of state of Kenya, Tanzania, Uganda, Rwanda and Burundi, which have already signed a common market and a single customs union, say the protocol will allow them to progressively converge their currencies and increase commerce. In the run-up to achieving a common currency, the East African Community (EAC) nations aim to harmonise monetary and fiscal policies and establish a common central bank. Kenya, Uganda, Tanzania and Rwanda already present their budgets simultaneously every June. The plan by the region of about 135 million people, a new frontier for oil and gas exploration, is also meant to draw foreign investment and wean EAC countries off external aid. "The promise of economic development and prosperity hinges on our integration," said Kenya's President Uhuru Kenyatta. "Businesses will find more freedom to trade and invest more widely, and foreign investors will find additional, irresistible reasons to pitch tent in our region," said Kenyatta, leader of the biggest economy in east Africa. Kenyatta, who is due to face trial at the International Criminal Court on crimes against humanity charges in February, took over the chairmanship of the bloc from Ugandan President Yoweri Museveni, hosting the summit. Kenya has launched a $13.8 billion Chinese-built railway that aims to cut transport costs, part of regional plans that also include building new ports and railways.

Landlocked Uganda and Kenya have discovered oil, while Tanzania has vast natural gas reserves, which require improved infrastructure and foreign investment so they can be exploited. Tanzania, where the bloc's secretariat is based, has complained that it has been sidelined in discussions to plan these projects, but Kenyatta said the EAC was still united. Kenneth Kitariko, chief executive officer at African Alliance Uganda, an investment advisory firm, said the monetary union would boost efficiency in the region's economy estimated at about $85 billion in combined gross domestic product. "In a monetary union, the absence of currency risk provides a greater incentive to trade," he said. Kitariko said, however, that achieving a successful monetary union would require convergence of the union's economies, hinting that some challenges lay ahead. "Adjusting to a single monetary and exchange rate policy is an inescapable feature of monetary union ... but this will take time and may be painful for some," he said, referring to the fact that some countries may struggle to meet agreed benchmarks. *(Reuters)*

MARKET INDICATORS

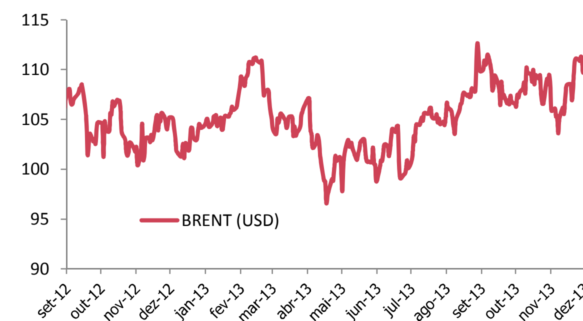
09-12-2013

STOCK EXCHANGES		
Index Name (Country)	**09-12-2013**	**YTD % Change**
Botswana Gaborone Domestic Index (Botswana)	8.851,83	17,86%
Bourse Régionale des Valeurs Mobilières (Ivory Coast)	217,92	30,82%
Case 30 Index (Egypt)	6.470,59	18,46%
FTSE NSE Kenya 15 Index (Kenya)	173,25	37,77%
Morocco Casablanca Stock Exchange CFG 25 (Morocco)	19.125,61	-0,09%
Nigerian Stock Exchange All Share Index (Nigeria)	38.622,08	37,55%
FTSE/JSE Africa All Shares Index (South Africa)	44.481,50	13,33%
Tunindex (Tunisia)	4.428,56	-3,30%

Source: Bloomberg and Eaglestone Securities

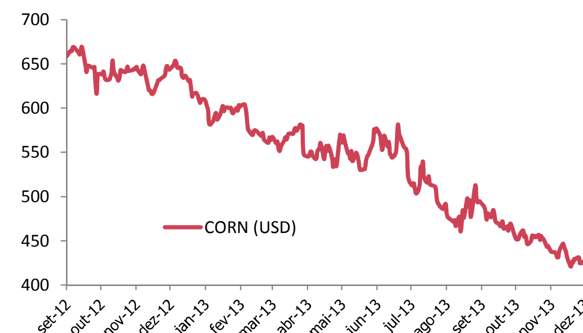
METALS		
	Spot	**YTD % Change**
Gold	1.228	-26,68%
Silver	20	-35,72%
Platinum	1.361	-11,63%
Copper $/mt	7.122	-10,20%

Source: Bloomberg and Eaglestone Securities



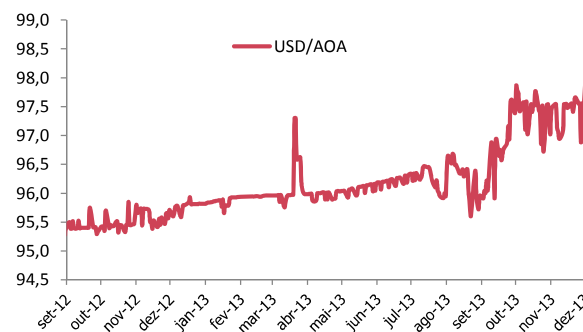
ENERGY		
	Spot	**YTD % Change**
NYMEX WTI Crude (USD/barril)	97,6	4,76%
ICE Brent (USD/barril)	110,6	2,00%
ICE Gasoil (USD/cents per tonne)	941,0	2,76%

Source: Bloomberg and Eaglestone Securities



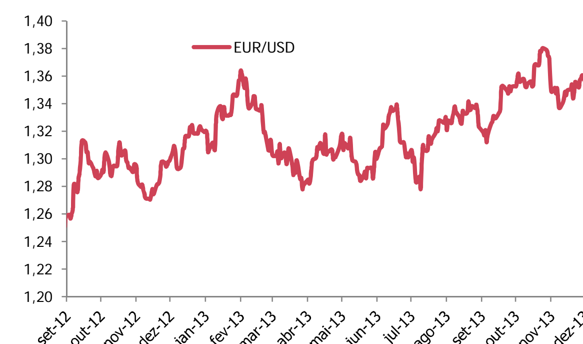
AGRICULTURE		
	Spot	**YTD % Change**
Corn cents/bu.	436,0	-37,74%
Wheat cents/bu.	653,0	-17,11%
Coffee (KC) c/lb	107,1	-26,99%
Sugar#11 c/lb	16,8	-15,15%
Cocoa $/mt	2795,0	24,00%
Cotton cents/lb	80,2	5,72%
Soybeans c/bsh	1330,3	-4,93%

Source: Bloomberg and Eaglestone Securities



CURRENCIES	
	Spot
KWANZAS	
USD	97,546
EUR	133,828
GBP	159,781
ZAR	9,427
BRL	42,043
NEW MOZAMBIQUE METICAL	
USD	29,950
EUR	41,088
GBP	49,057
ZAR	2,894
SOUTH AFRICAN RAND SPOT	
USD	10,348
EUR	14,196
GBP	16,949
BRL	4,460
EUROZONE	
USD	1,37
GBP	0,84
CHF	1,22
JPY	141,39
GBP / USD	1,64

Source: Bloomberg and Eaglestone Securities



UPCOMING EVENTS

African Mining Indaba- 3-6 Feb 2014-Cape Town, South Africa
Global professionals including key mining analysts, fund managers, investment specialists, and governments clearly define Mining Indaba as their preferred venue for obtaining the most current economic and mining developments from the world's leading experts on African mining. It is held annually at the Cape Town International Convention Centre in Cape Town, South Africa and is organised by Mining Indaba LLC. (*http://www.miningindaba.com/*)

Build Africa 5-7 Feb 2014- Brazzaville, Republic of the Congo
The premier business & investment forum for infrastructure in Africa. For the first time in Sub-Saharan Africa, the BUILD AFRICA forum, to be held in Brazzaville, February 5th-7th, 2014, provides a framework for practical exchange and reflection between the global players who are forging Africa's development. For two days, policymakers, donor agencies, NGOs and infrastructure and construction experts from around the world, all involved in the major challenges of infrastructures, will gather to tackle the continent's main obstacles and find new solutions to specifically pan-African problems. (*http://www.buildafricaforum.com/en/home*)

Africa Renewable Energy Investment Forum 5th - 7th March 2014 Centro de Congressos de Lisboa-Lisbon, Portugal
This Forum will bring together all the major actors involved in the renewable energy sector in Africa, including African Ministers of Energy, energy companies, representatives of the European Union, African regional economic communities, development financial institutions, investors and financiers. The aim of the Forum is to discuss current projects, learn about case-studies, and explore new opportunities. The forum will offer a platform to significantly develop the African Renewable Energy sector by creating win-win solutions for governments, investors and businesses in Africa as well as internationally.(*http://www.ic-events.net/2013/renewableenergy/*)

POWER-GEN Africa 17 Mar 2014 - 19 Mar 2014 Cape Town, South Africa
POWER-GEN Africa will consist of a conference and exhibition dedicated to the needs, resources and issues facing the power generation sector across sub-Saharan Africa. It will, for the 2nd year, bring together a range of experts involved in every aspect of the business of power generation from policy makers, project developers, financiers,...

ARA WEEK 2014 Indaba 24th - 28th March 2014 Marrakech
Meet with all of the key players of the North and Sub-Saharan African and International downstream oil industry to discuss the theme of the conference "Investing in Infrastructure".
Join representatives from refineries, government ministries, banks, regulators, importers, distributors, traders, storage companies, marketing companies and refinery equipment and technology suppliers.

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

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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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