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The Changing Climate: How Much Is it Costing Africa?

AfDB President Donald Kaberuka declared that rich nations at the Copenhagen climate summit should commit \$40 billion a year in new money to help Africa tackle the consequences of global warming.

Climate change is costing this continent almost 3 percent of GDP per year, said the President, equivalent to about \$40 billion on an annual basis. Before the Copenhagen conference, a group of African countries, comprising more than 50 nations, also estimated that cash needed to help developing nations adapt to climate change, such as building stronger defenses against rising sea levels or developing drought-resistant crops, needed to be at least \$67 billion a year by 2020.

Kaberuka said Africa would spend the \$40 billion a year on helping countries adapt to climate change, on energy sources that are low on harmful emissions, and on measures like preserving forests to help absorb excess carbon dioxide. He said he also wanted the Copenhagen summit to lead to an "ambitious" agreement on cutting global emissions, and the creation of a governance structure to monitor countries' compliance with emissions targets and aid commitments.

"For us the issues of climate are issues of development, you cannot disassociate the two because we are living at such a margin in terms of development, the level of fragility of vulnerable economies, that even small alterations in



Climate change is costing the African continent almost 3% of GDP a year.

temperature take us almost over the brink," said President Kaberuka.

The World Bank's latest GDP growth projection for Sub-Saharan Africa for 2010 is 3.7 %, compared with 1.3% for rich countries as a group and 2.5% for developing countries as a group excluding India and China.

Climate experts estimate that global warming of 2 degrees Celsius above pre-industrial temperatures could result in permanent

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Investors Pump \$250 Million Toward Rwanda Bio-Fuel Project

US-based Eco-Fuel Global and UK's Eco Positive Ltd. have signed an agreement with the Government of Rwanda to jointly invest \$250 million into the production of bio-fuels using *Jatropha Curcas*.

The agreement allows the companies to grow *Jatropha Curcas* on 10,000 hectares of land near Akagera National Park, which will be capable of producing 20 million liters of bio-fuel



Jatropha

reduced price risk, production of fertilizers as a by-product, increase

every year. Rwanda currently imports about 160 million liters of fuel annually.

The benefits of the project include: the direct employment for 6,500 people, increased fuel security, food security,

agricultural yields with the help of intercropping, use of US based biofuel refinery equipment and technology to increase US exports. The project can provide environmental benefits such as soil stability, reduction of greenhouse gas emissions, and watershed protection.

The project is expected to start production in 3-4 years and ground work is expected to kick off in 6 months time.

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The Climate Issue

The recent climate summit in Copenhagen by world leaders ended in a non-binding agreement to limit the impact of climate change due to greenhouse gas emissions.

The talks turned chaotic at one point when African leaders stormed out over claims poor nations were being sidelined. The truth is Africa has contributed less than any other region to greenhouse gas emissions that are widely responsible for global warming and the most to lose from climate change.

The continent has witnessed irregular and insufficient rainfalls, drought – plagued areas across the continent leading to critical food shortages and livestock losses.

Given the devastation climate change has had on the continent so far, African countries must adapt to the changing climate environment.

Energy experts believe Africa needs new sources of clean energy, including a mix of wind and solar energy technologies and introduce “climate innovation centers” to speed the adaptation of these emerging technologies. This will limit the reliance on hydroelectric power due to changes in rainfall pattern across some areas of Africa.

There are notable changes taken place all over the continent, including in certain areas of the Sahel belt, where the selection of different crops and varying planting dates according to rainfall predictions is turning the tide against low food production.

Africans alone cannot solve these problems. African countries need financing, project developers and policy measures that encourage investment by the private sector. And also, there should be a strong financial commitment and desire on the part of the major emitters of greenhouse gas to reduce global emissions.

Banana Train!



Banana transporters on bicycles are a common sight in Burundi, where bananas are a very important staple food. In fact, bananas represent 40% of the country's total agriculture production and provide an important source of income for farmers. Banana wine, for instance, is a traditional drink of the Burundi people and is consumed in large quantities.

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Shell Wins Karoo Hydrocarbon Study Contract

The South African Petroleum Authorities has awarded Shell a Technical Cooperation Permit for a one-year study to determine the hydrocarbon potential in parts of the Karoo Basin in central South Africa.

The permit covers an area of approximately 185,000 square kilometers. The study will provide a better understanding of the area's geology and shale gas potential, establishing the scope to pursue natural gas exploration. Shell will have the exclusive right to apply for exploration permits following completion of the study.

"This onshore study and the recent award of offshore

exploration acreage in the Orange Basin area together reinforce Shell's interest in exploring for oil and gas in South Africa," said Ceri Powell, Executive Vice President International Exploration.

Shell has been active in the South African retail markets since 1904 and in refining since 1963. Karoo Basin of South Africa is a retro-foreland that accumulated sediment from

Carboniferous to Jurassic times in southwestern Gondwana. The sequence is highly asymmetrical in nature, being thickest in the south and thinning dramatically to the north.

Sasol To Double Wax Production in South Africa

Sasol has approved an investment of R8.4 billion which will double the Sasol Wax production of hard wax in South Africa. The investment will be done in two phases.

Phase one will come into operation in 2012 and will increase the hard wax capacity by close to 40%. The investment for phase one includes pre-investment to optimize the remaining investment for phase two.

Sasol has already completed the basic engineering and ordered some of the long lead items for project's first phase. The project will, on completion, have doubled the current hard wax production capacity. Phase two is currently expected to come into operation by 2014.

"This large investment shows Sasol's commitment to the wax business and enables us to grow with our customers in this market," says Johan du Preez, managing director of Sasol Wax.

Sasol group general manager for the Chemical Cluster Reiner Groh adds: "This is a significant investment for the Sasolburg site and demonstrates our commitment to our South African asset base. It is in line with Sasol's strategy to

leverage our advanced proprietary technology and is also aligned with our longer term plans to significantly grow the chemicals businesses of the Sasol group."

Hard wax is used in a number of unique applications. An important application is in hot melt adhesives (glue which is applied at high speed on seal cereal boxes or milk cartons).

This is a rapidly growing application, especially in the developing world.

An environmentally friendly application for hard wax is as an additive in bitumen used in road construction. This additive is patented by Sasol and sold as Sasobit™. It reduces the temperature at which the bitumen can be laid, thereby reducing emissions and greenhouse gases. The wax additive improves the resistance to deformation and cracking of the road surface.

This year, following a deterioration in safety record in South Africa, Sasol launched a remedial process that involved halting production and only restarting once every section head was confident of operating without endangering personnel.



Sasol Wax is pursuing growth opportunities offered by robust demand for waxes manufactured via Sasol's proprietary Fischer-Tropsch process.

BRIEFS

Tanzania Seeks Investors in Livestock

Tanzania's National Ranching Company or NARCO is inviting local and international private investors to invest in livestock breeding and production joint venture.

NARCO is a state owned ranching company, under the Ministry of Livestock Development and Fisheries, owns ranches with a total area of 230,384 hectares and a good number of beef cattle, goats and sheep.

The Company is charged with the responsibility of producing quality livestock for the domestic and export markets and has identified investment opportunities within its ranches

Consolidated Africa to Buy Mining Firms

Consolidated Africa Mining plc has signed an agreement to acquire Olduvai Ltd. and Diamond Africa Ltd., two companies that hold various mining operations in the north-west of Tanzania.

Olduvai is an International Business Company incorporated in the British Virgin Islands. Olduvai owns 50% of the issued share capital of Nyangwale Diamonds Ltd., a private Tanzanian company which is jointly owned with Soud Diamonds Ltd., a Tanzanian company owned by Hilal Soud, a Tanzanian National of Omani descent, and his brother Badar Soud.

Diamond Africa owns two mining licences covering contiguous land in the Mwadui area of Kishapu District. The Mwadui mine has been one of Africa's most significant diamond producers over the last sixty years and is currently owned by Petra Diamonds, a company quoted on the AIM market of the London Stock Exchange.

SNC-Lavalin Lands Iron Ore Project

SNC-Lavalin has signed a contract with Société Nationale Industrielle et Minière (SNIM) to provide engineering, procurement and construction management services (EPCM) for an iron ore concentrator project near Zouerate, Mauritania.

The Guelb II Iron Ore Project is adjacent to SNIM's existing iron ore operations in the region, and is expected to contribute an additional four million tonnes of iron ore concentrate annually. The total capital investment for the new facilities is estimated at \$630 million.

The government of Mauritania owns approximately 78% of SNIM, with the balance being held by various institutions and other investors. SNIM produced close to eleven million tonnes of iron ore products in 2008.

EVEREADY's profit rise despite challenges

EVEREADY registered a 58% increase in profit after tax compared to the same period last year. This was achieved



Tanzania's state owned ranching company seeks investors to participate in livestock breeding joint ventures.

against a backdrop of a very challenging operating environment experienced in the year, which caused a decline in revenues by 7%.

Revenues were also affected by the lack of enforcement of standards by the authorities as well as the famine situation witnessed in the country, which eroded the purchasing power of consumers within a large segment of the battery market making the cheap sub-standard products more attractive to them.

Rwanda, China Enter Trade Pact

The Rwanda Development Board (RDB) Friday signed a Memorandum of Understanding (MoU) with Zhejiang Province of China on strengthening and increasing trade and investment relations between the two countries.

According to a press statement by RDB, the Zhejiang province which was represented by its sub-council led by Wang Fu, the Secretary General of the China Council for Promotion of International Trade, the two parties agreed to enhance trade and economic relations by recommending and introducing opportunities for trade and investment in Rwanda.

They also agreed that they would be organizing economic and trade delegations, exhibitions, workshops, seminars, high level forums and technical exchange conferences.

Speaking at the signing, the CEO of RDB, John Gara, was upbeat that the agreement would pave way for more business with China. "This is an important step because one of our target countries for trade and investment is China and we expect this partnership to pave way for more investments in the country." Gara said.

Cherrypal Launches \$99 Laptops for African Users

Cherrypal, the company that brought the world's "greenest" desktop computer to market last year, announced recently that it has officially launched the first \$99 laptop computer: the Cherrypal Africa.

With a screen size of just 7 inches, the Africa is a mini netbook computer that enables anyone to browse the Internet at an affordable price.

"At Cherrypal, we're extremely conscious of the so-called 'digital divide'," said Max Seybold, the company's founder. "We're constantly looking for ways to bridge that gap, and the Cherrypal Africa is a huge step in the right direction. Plus, everyone who has tried it has absolutely loved it!"

Named after Cherrypal's recent community building initiative in Ghana,



World's first \$99 laptop was named after its maker's recent community building initiative in Ghana.

the Africa packs quite a punch for its size and price point. The computer runs on a 400 MHz processor and features 256 GB RAM, 2 GB flash memory and

can run either Linux or Windows CE operating systems.

The Africa isn't just user friendly - it's also environmentally friendly. From top to bottom, Cherrypal designs all of its computers to consume the least amount of power possible, while using fewer parts than other manufacturers. This saves electricity and keeps excess computer byproducts out of landfills. The company relies on wind energy to power its website.

Africa is not meant to be sold as a "computer" in the traditional sense, but as an "appliance" to provide Internet access to people who cannot afford to buy a traditional computer. The only thing Cherrypal promises for \$99 is the ability to access the Internet.

Farmers Urged To Plant Coffee, Banana Together

Researchers are encouraging coffee and banana farmers in Uganda, Rwanda, Burundi and the Democratic Republic of Congo to grow the two crops together.

The researchers believe, based on a recent study, that the farmers could increase revenues by as much as 50% as a result.

The study, conducted by the IITA and the Ugandan National Agricultural Research Organization, found that Ugandan farmers got nearly 50 percent more income from growing coffee and bananas together than growing either crop alone.

The research showed that in the Arabic coffee-growing region around Mt Elgon, annual returns per hectare averaged



Research shows planting coffee and banana together could boost revenue.

\$4,441 for coffee and bananas grown together, compared with \$1,728 and \$2,364 for bananas and coffee grown alone, respectively.

In the robust-growing areas in South and Southwest Uganda, annual returns per hectare averaged \$1,827 for coffee plus bananas, while farmers earned \$1,170 and \$1,286 for solely growing bananas and coffee, respectively.

Climate Change A Constant Threat To Continent

Continued from Page 1

reductions in annual per capita consumption of 4-5% in Africa. This could also likely destroy 10-15 % of species.

Rainfed agriculture contributes about 30% of the region's GDP, but that source of income may start drying up. By 2080, as much as 9-20% of the region's arable land will become much

less suitable for agriculture. Even today, about 86% of the land in Sub-Saharan Africa is moisture-stressed.

Africa also suffers from natural fragility (two-thirds of its surface area is desert or dry land) and high exposure to droughts and floods, which will likely increase with climate change.

Devastating floods, once rare, have

been reported across the region. In 2000, flooding in Mozambique cost the country an estimated \$550 million, lowering national GDP by 1.5%.

In addition, the continent is rapidly urbanizing, with the urban population set to exceed the rural by 2030. About 300 million additional urban residents are expected over the next 25 years.

Fund Focus: *Aureos Capital*

By David Dankwa

Aureos Capital, a private equity fund management company domiciled in Mauritius, has raised numerous private equity funds to focus on investment opportunities in Sub-Saharan Africa since it was founded in 2001.



Vettivetpillai

Vettivetpillai is CEO of the London-based Aureos Advisers Ltd., its parent company.

Altogether, Aureos has established 16 new regional private equity funds between 2001 and 2009 with total capital commitments of approximately \$1.2 billion. Currently, the private equity firm is marketing the Aureos Africa Fund, Africa Health Fund and the South-East Asia Fund II. The team of investment professionals at Aureos includes 85 investment executives, and a diverse global team from more than 40 different nationalities. Sivendran

History

In 2003, for instance, Aureos set up three funds, Aureos Southern Africa Fund, the Aureos East Africa Fund, and the Aureos West Africa Fund, with a combined committed capital of \$140 million. In September 2008, the Aureos Africa Fund raised \$253.5 million at first close and currently has \$322.8 million committed capital.

Philosophy

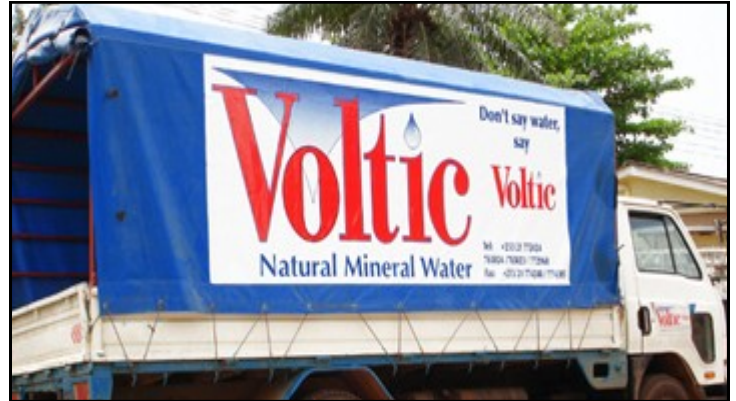
Aureos funds have invested in a wide range of sectors, including telecommunications, pharmaceuticals, plastics, fast-moving consumer goods and microfinance.

Aureos typically is interested in MBOs, expansions, pre-IPO and acquisition type of transactions in the \$2 million to \$10 million investment range. Most businesses in which the firm invests in have an operating history of between three and seven years.

Aureos funds seek to returns for its investors by backing sustainable businesses that have the potential to grow, and



Aureos also has invested in SA Block, a South African brick manufacturer.



In 2004, Aureos West Africa Fund invested \$4 million to help Voltic finance its plant modernization and capacity expansion.

can produce internal rate of return in the 15% to 20%-plus margin.

Interests in Africa

Aureos' current Africa holdings include Golden Lay Farms, the largest table egg producer in Zambia's 'copperbelt' region, controlling approximately 15% of the national market share.

Aureos invested \$4.35 million in the business in the form of equity and debt. Within a year of this investment the capacity of the plant had increased by 14%, leading to a first year turnover surpassing budget by 17%. Going forward, the plan remains building Golden Lay's capacity as well as through acquisition of other assets within the Southern Africa region, with a view toward creating a substantial mid-cap Southern African agri-processing business.

Voltic International, a bottled mineral water producer in Ghana and Togo, is also another one of Aureos' successful ventures. Voltic's water, bottles and labels are all locally produced in Ghana, also making the company a national success story.

In 2004, Aureos West Africa Fund invested \$4 million to help Voltic finance its plant modernization and capacity expansion. This financial input has helped the company set up subsidiaries in Togo and Nigeria as part of a regional roll-out strategy

Aureos also has invested in SA Block, a South African brick manufacturer that makes bricks using clinker – the ash by-product of chain boilers that burn coal to produce steam for electricity generation.

Aureos Southern Africa invested \$4.2 million in the block maker in 2006 in order to facilitate an expansion of the business and capitalize on the vertical integration opportunities within the sector in the run-up to the FIFA soccer World Cup.

Project Focus: *Kigali Institute of Technology*

By David Dankwa

The establishment of KIST was part of Rwanda Government's mission to build a strong post-genocide human resource base that was so desperately needed then, and is still needed now.

Its establishment was made possible by the combined efforts of the Government of Rwanda as the main stakeholder, UNDP (Rwanda) as the executor of the project, and the German Agency for Technical Co-operation as the implementing agency.

The initial funding for starting the Institute came from a UNDP core funding and a UNDP Trust Fund obtained from the generous contributions by the Governments of Japan and the Netherlands.

This financial boost enabled KIST to initiate operations smoothly, taking only two months for the first class of 209 students to begin their studies and those who were successful later graduated in July 27, 2002.

It is now fifteen years since the war and genocide of 1994. During this reconstruction period, the country has slowly but surely continued to rebuild all sectors of its national economy, including its human resource base, and is striving to join the international community in activities such as trade, technological developments, the transfer of technology, the promotion of scientific and technical know-how, and information and communication technologies. KIST's establishment as an institute of science and technology has been part of this ongoing rebuilding effort.

The onus to rekindle the scientific and technical resource base and managerial skills in Rwanda therefore is so far largely on KIST. After only two years of existence, the Institute has progressively endeavored to build an indigenous scientific and technical human resource base, capable in the



The newly created KIST IV Lab in Kigali, Rwanda. Former Xerox scientist Hadimioglu has been named director.

near future, of propelling the country forward in her efforts to develop all sectors of the economy.

Through its regular, part-time, and outreach programs, KIST is making an impact, which is already being felt, in most parts of the country.

The recently completed KIST IV Laboratories boasts of an state of the art infrastructure and equipment, making it one of the best research facilities on the continent.

KIST recently tapped Professor Babur Hadimioglu, a forme electronic engineering from Stanford University, and a former member and principal scientist at Xerox-PARC, to join the institution as director of the KIST Lab IV.



Students at the KIST IV Lab, which boast of state of the art research equipment and infrastructure.

Country Focus: *Equatorial Guinea*

By Asha Attoh-Okine

Republic of Equatorial Guinea, the only former Spanish colony in sub-Sahara Africa and one of the smallest, is emerging to be one of the fastest growing economies in Africa due to the massive discovery of oil in the 1990s.

With oil reserves of 1.8 billion barrels, REG is expected to be on a sound economic footing for the next 20 years at current world oil prices. Recent production of methanol and liquid gas provides additional revenue to offset any declines in oil production.

REG is also endowed with arable land and other mineral resources including gold and diamond.

Economic Development

The heavy dependence on oil production as a percentage of GDP (over 80%) and government revenue has created a robust growth in GDP, with GDP per capital at around \$19,174, well above the average for Sub-Sahara Africa.

It has also lead to neglect in other social areas. Key social indicators including life expectancy, infant mortality and physical infrastructure are lacking and in most cases lower than the average social indicator measures in Africa.

The level of chronic poverty affecting more than 77% of the population of REG is a striking resemblance of resource curse affecting developing countries with natural resource discovery.

National Economic and Social Plan

In 2008, the country embarked on a National Economic and Social Plan or NESDP, with the goal of diversifying the economy, eliminating poverty and making the REG an emerging country by 2020.

NESDP objectives and outcomes are based on four pillars:

- Build world class infrastructure to improve productivity and accelerate economic growth;
- Strengthen human capital and improve the quality of

Selected Economic Indicators

| | 2000 | 2005 | 2007 | 2008 |
|--|------|-------|-------|-------|
| GDP (current US\$) (billions) | 1.25 | 8.22 | 12.58 | 18.53 |
| GDP growth (annual %) | 13.5 | 9.7 | 21.4 | 11.3 |
| Inflation, GDP deflator (annual %) | 46.6 | 42.6 | -1.2 | 23.7 |
| Agriculture, value added (% of GDP) | 10 | 3 | 3 | 2 |
| Industry, value added (% of GDP) | 86 | 94 | 95 | 96 |
| Services, etc., value added (% of GDP) | 4 | 3 | 3 | 2 |
| Exports of goods and services (% of GDP) | 99 | 87 | 82 | 78 |
| Imports of goods and services (% of GDP) | 85 | 44 | 30 | 32 |
| Gross capital formation (% of GDP) | 61 | 40 | 35 | 27 |
| Revenue, excluding grants (% of GDP) | .. | .. | .. | .. |
| Total Outstanding debt (US\$) (millions) | .. | 245.4 | 136.3 | .. |

Source: World Bank

life of every citizen;

- Build a diversified economy based on the private sector; and
- Put in place good governance at the service of the citizen.

Challenges

The challenges facing REG are numerous including problem of transparency in public resources management, accountability and corruption in the public sector; overreliance on oil and gas revenue which accounts for 94% of budget revenue and 90% of export earnings; the inability to provide basic services to its citizens; and strong and fragile economic growth which may sow the seeds for inflation and weaken the competitiveness of non-oil sectors.

The future bodes well for REG if it can successfully diversify away from oil and continue to make investments in the infrastructure sector, such as roads, port, and airports.

The Africonomist, launched in Feb. 2009, is a financial newsletter focused on investments and economic development in Africa.

Our primary goal is to inform our readers about developments shaping the economic landscape in Africa.

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