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2013 – 40 Years devoted to reinforce Europe – Africa Business and Development

SUMMARY:

ONE) – **DONOR CONFERENCE ON MALI: EU PLEDGES € 50 MILLION TO SUPPORT AN AFRICAN-LED PEACE OPERATION (AFISMA)**

At a donor conference on Mali hosted by the African Union in Addis Ababa, Commissioner for development, Andris Piebalgs, representing the European Union, confirmed the contribution of €50 million from the European Union to support the African-led International Support Mission to Mali (AFISMA).

On this occasion, Andris Piebalgs stated: "By providing a substantial financial support to AFISMA, the European Union is sending a strong message that we are serious about actively supporting Mali in maintaining its unity and territorial integrity and bringing back peace and stability to the region."

He added: "The African Peace Facility could cover non-military expenditures like medical expenses, daily allowances and transport costs of the troops deployed on the ground. In parallel we are preparing new programmes to provide assistance to the civilian population, who are severely affected by the crisis, and to assist the Malian government's efforts towards the swift restoration of democracy in line with the roadmap recently adopted".

UN Security Council Resolution 2085 (2012) authorised the deployment of the African-led International Support Mission to Mali for an initial period of one year.

The EU's financial support for AFISMA will come from the African Peace Facility, which is used to support peace operations conducted by the African Union and African regional organisations, such as the African Union Mission in Somalia (AMISOM) and the Mission for Consolidation of peace in the Central African Republic (MICOPAX).

In view of the difficulties endured by the civilian population and in an effort to support the Malian government's efforts to bring about the transition to democracy, a number of development programmes in Mali may be resumed as soon as possible. Some €250 million may be mobilised for this purpose. They will complement existing programmes which among other things, help reinforce civil society, strengthen food security and improve supply of drinking water.

EU development cooperation in Mali

Following the coup d'état of 22nd March 2012 the European Commission adopted precautionary measures. Currently, the EU's development cooperation is focused on direct support to the local population, the transition to democracy and humanitarian aid.

Accordingly, since the coup and throughout the current events, the EU has shown its commitment to the Malian people in this period of crisis by continuing to provide development aid.

The 10th European Development Fund (EDF) indicative programme (2008-2013) has an allocation of €583 million for Mali.

The 10th EDF focal sectors are:

- governance: support for public sector reform, decentralisation and migration policy;
- support for the economic development of the North and Delta du Niger regions;
- support for growth measures and the poverty reduction strategy;

Non-focal areas include: culture, civil society, food security and access to water.

Under the 'Strategy for Security and Development in the Sahel' an additional €50 million was allocated for Mali.

TWO) - **HOW U.S. BUSINESS CAN GROW ITS INVESTMENT IN AFRICA'S ECONOMY**

A lot has been written about American business and American policy losing Africa. I, for one, have often said in my speeches that African countries will necessarily gravitate to those countries who are investing in their respective economies. I believe that to be largely true. Granted that there are other factors than only business investment in a country that determine relationships, including culture, language, religion, geopolitics, and even geography, but in developing countries especially, those countries who become the largest investors in developing economies will have a major advantage in future political alliances and the economic directions of the nations. Notice, for instance, how we often temper any criticism of China policy, which just also happens to be our largest creditor. Courage is being unafraid of your banker, or as Colin Powell was so fond of saying, "Money is a coward."

However, I don't really think that Africa is ours to win or lose. It is a continent of 54 nations for a starter, and each has its own way of being and seeing in the world. Africa tends to consume those who suffer under the illusion of winning and losing, but that is for another column. What is accurate to say is that U.S. investment and its market share in Africa have fallen behind other nations. If one takes oil out of the equation, we are far down the line in investment in Africa compared to other nations.

Nevertheless, despite having fallen behind China and other countries in investing and trading with Africa there are the intrepid among the U.S. corporate sector, including smaller and larger companies. There are also a few daring adventurers who are trying to find their fortune just as if they were potential miners in the gold rushes of old in America. Many are doing well and others are finding their ships dashed on the rocks of frustration. The race belongs to the dogged and not necessarily to the fleet.

The oil companies cannot really be classed as the intrepid. It is not bravery that determines where they go, but simply the supply of crude oil. They have little choice. Therefore, I will not include the oil companies, which do represent about 75 percent of all U.S. investment in Africa. The intrepid are those who have had limited experience in Africa and are not of the extractive industry, (not that you don't have to be brave to work in the extractive industry in the pits and on the rigs) but those businesses who are going where there are no apparent immediate riches to be had, except through hard work, and the development of their own product line. They create wealth, jobs, and opportunity.

The power sector is probably the one most open to U.S. business right now. There is no country in Africa that is meeting its current power needs, let along its future needs, including South Africa. Every country in Africa needs a far more developed power system if they are to develop more rapidly and effectively. Foremost among these companies would be General Electric. It is a company that is not only selling products to Africa but one that is investing its resources in the continent. Over the past two or so years they have established regional offices in East Africa, and continue to work West Africa with increasing fervor. The power sector is one that is open to large and small companies, so great the need.

As the power sector develops, IT will follow. Microsoft, Oracle, Cisco, and IBM are all beginning to explore Africa for opportunity and are increasing their stakes, and as large companies go, their suppliers, usually smaller companies will soon follow.

Infrastructure is also another area where American companies can do well, despite the contention that major infrastructure projects are being done primarily by the Chinese. A very good smaller company in New Jersey, called ACROW Bridges, a maker of prefab bridges, an ideal product for a developing nation, is doing very well in Africa and is expecting its share of the market to increase.

Doing business in Africa is still largely for the intrepid. It is full of challenges, but Africa does represent the world's largest untapped set of markets. American companies wishing to survive in the international arena need to include Africa in their portfolios. (By Stephen Hayes President and CEO of the Corporate Council on Africa)

THREE) – **NIGERIA CAN BE AMONG LARGEST ECONOMY IN 2020**

The Director of communications of the Central Bank of Nigeria; (CBN) Ugo Okoroafor said that Nigeria has done well with the finance of the economy compared to some countries not only in Africa but in Europe as well.

Mr Okoroafor, who was a guest on Channels Television’s programme, Sunrise, cited Greece as an example of countries facing recession in the global economy.

The CBN’s director said Nigeria is controlling the Foreign Direct Investment coming into Africa as it is now the arrowhead of sub-Saharan Africa, accounting for $46 billion in foreign reserves, opening doors for foreign investment in banking with RAND Merchant Bank signifying its interest in the Nigerian economy.

He listed some of the steps the country needs to take to be among the top economies of the world come 2020.

FOUR) - **LINC, EXXARO SIGN AFRICAN UNDERGROUND COAL GASIFICATION AGREEMENT**

ASX-listed Linc Energy has signed a term sheet with diversified miner Exxaro Resources to jointly pursue underground coal gasification (UCG) projects in sub-Saharan Africa.

Exxaro would pay Linc a fee of A$3-million within the next 30 days, and would also pay an agreed-upon upfront licence fee as well as ongoing royalties for the synthesis gas produced from Linc's UCG technologies used in the region.

Linc would hold a minimum of 15% equity interest in the first project to be developed and would have the option to participate up to a 49% equity position in all UCG projects which Exxaro developed.

Exxaro, in turn, would be granted a nonexclusive licence to use Linc's UCG intellectual property in the region and would have conditional access to the UCG intellectual property to jointly develop commercial opportunities on its own coal resources outside of the sub-Saharan region.

"This is a substantial move towards UCG commercialisation in an area that has embraced and spearheaded the move towards clean energy through its historic dominance in conversion of coal and natural gas to liquid fuels and power, and more recently its renewable-energy programmes," said Linc Energy CEO Peter Bond.

He noted that the joint business model with Exxaro was well-aligned to optimally draw on the companies' respective strengths.

The two companies were aiming to finalise the binding formal agreements for the development and implementation of commercial opportunities during the first quarter of 2013, at which point further details of the agreement would be released to the market. (Mining Weekly)

FIVE) – **DHL RANKS KENYA TOP IN TRADE, INFORMATION**

Kenya has been ranked the 98th most connected country out of 140 countries in the new DHL Global Connectedness Index (GCI).The index measures how linked global economies are along international flows of trade, capital, information and people.

The GCI is an annual comprehensive analysis of the state of globalisation around the world, and it ranked Kenya six places better than last year.

The report, drawing on over one million data points from 2005 to 2011, concludes that the world today is less globally connected than it was in 2007.

According to Managing Director for DHL Express Equatorial Africa Alan Cassels, the Sub-Saharan Africa region remains the world's least connected, but it has averaged the largest connectedness increase from 2010 to 2011.

"Five of the countries with the largest increases in their connectedness scores – Mozambique, Togo, Ghana, Guinea and Zambia – are all from the region. Although Sub-Saharan Africa did not perform well against Europe, Asia and the Americas, the region is definitely on the correct path when it comes to growth in global trade and connectivity," he said.

"We are confident that with increased investment in Africa and a sustained commitment from governments, we will continue to improve these scores year on year," he added.

From the baseline year of 2005, DHL concludes that global connectedness grew robustly to 2007, and then dropped sharply at the onset of the financial crisis.

Of the top 10 most-connected countries in 2011, nine are located in Europe – the world's most-connected region by DHL's measure.

Kenya's connectedness has generally remained fairly stable since 2005 and among the more noteworthy aspects of Kenya´s connectedness profile are the high depth of its inward Foreign Direct Investment stock (56th out of 132 countries) and the proportion of its tertiary students studying abroad (8 percent, ranked 37th out of 130 countries).

Kenya has moderately higher breadth (74th globally) than depth (106th) and the country also ranks 4th worldwide on the breadth of its inbound international telephone calls.

Cassels explained that depth refers to how much of a given activity is international (rather than domestic). Breadth complements depth by looking at how broadly the international component of a given type of activity is distributed across countries.

He added that the GCI also reveals that in 2011, intra-Africa trade continued to lag far behind its European and Asian counterparts.

"If we want to improve this interconnectivity, we need to look at the ease of doing business across borders in the region and work towards regional trade agreements, customs improvements and border efficiencies, to name just a few," he explained.

Kenya's top export destinations are: Uganda (13 percent), United Kingdom (10 percent), Tanzania (8 percent), Netherlands (7 percent), United States of America (6 percent), United Arab Emirates (5 percent), Sudan (5 percent), Egypt (4 percent), Pakistan (4 percent) and Somalia (3 percent).

Kenya's major exported goods include tea, horticultural products, coffee, petroleum, products, fish and cement.

Cassels explained that from a global perspective, the GCI 2012 indicates that today's volatile and uncertain business environment bears the lasting impact of the financial crisis.

"In this period of slow growth, it's important to remember the tremendous gains that globalization has brought to the world and recognise it as an engine of economic progress. It is crucial that governments around the globe resist protectionist measures that hinder cross-border interactions," he added.

Managing Director for DHL Express in Sub-Saharan Africa Charles Brewer said that the GCI also reveals that in 2011, intra-Africa trade continues to lag far behind its European and Asian counterparts.

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Some surprising facts from the GCI 2012 include; along most dimensions, the world is less than 20 percent globalised – often even less than 10 percent, of the international flows that do take place, 50-60 percent occur within regions, the world's centre of economic gravity shifted thousands of kilometres to the East in the past decade, and continues to do so and the most connected country, the Netherlands, is hundreds of times more connected than the least, Burundi. (Capital FM)

SIX) – **NIGERIA STRENGTHENS TRADE RELATIONS WITH US**

The Federal Government has announced plans to redirect its focus, strategies and policies from exporting raw materials to finished goods to boost the country's economic base.

The Minister for Trade and Investment, Olusegun Aganga made the announcement at the 7th Nigeria-US trade and investment framework agreement council meeting in Abuja.

The Minister emphasized that Nigeria needs long term foreign investments in critical sectors to reduce challenges of poverty and unemployment, adding that genuine investors can now acquire visas within ten days.

The assistant United States trade representative, Florizella Liser however pledged the commitment of the US while announcing a $20 million assistance towards the development of various value chain projects in the country.

SEVEN) – **ZESCO OF ZAMBIA SEEKS $2 BILLION IN DEBT FROM U.K., U.S.**

Zesco Ltd., Zambia's state-owned power utility, has sent managers to the U.K. and the U.S. in a bid to raise as much as $2 billion in debt from investors, Managing Director Cyprian Chitundu said.

Standard Bank Group Ltd. of South Africa is advising the company, which met investors in London, Boston and New York, Chitundu said in an interview in Livingstone, in the south west of the country. It may also sell a Eurobond similar to the $750 million raised by the government in September, he said.

"We are probably talking $1 billion, probably even $2 billion," Chitundu said on the sidelines of the Zambia International Investment Forum.

Zesco plans to spend on average $1 billion a year over the next five years as it seeks to end a power shortage that has led to blackouts across Africa's biggest copper producer, preventing the mining industry from gaining the full benefit of higher metal prices. The price of copper traded on the London Metal Exchange has risen almost fivefold in the last decade.

Zambia operates hydropower plants on the Kafue River and at the Kariba dam, which lies on the Zambezi River. The country has about 1,970 megawatts of installed electricity generation capacity, 99 percent of which comes from hydropower. It intends to reduce this to 60 percent by 2015 with the introduction of privately owned coal-fired plants, also reducing Zesco's share of the mix from over 90 percent this year. Most of the remainder comes from imports.

Doubling Up

The southern African nation will double generation capacity by around 2017 to remove the 250-megawatt peak shortfall it is suffering this year and allow the economy to expand, Mines, Energy and Water Resources Minister Yamfwa Mukanga said in a speech in Livingstone, which straddles the Victoria Falls on the border with Zimbabwe.

Zambia's power shortage will disappear by January 2014, when the Kariba North Bank expansion starts producing electricity, Chitundu said.

Power prices need to rise to justify the expansion of generation capacity, he said. Zesco applied to the Energy Regulation Board on July 27 to increase tariffs by an average 26 percent. The regulator has yet to decide on the increase, which was due to come into effect on Nov. 1.

"We've lost a lot of revenue," because of the delayed decision, said Bestty Phiri, a spokesman for Zesco. "We had planned for it, and now all our plans are being put on ice," he said in the same interview. Phiri expects the regulator will reach a decision by the end of the year.

No Decision

The Energy Regulation Board has no indication when it will decide on the tariff, spokeswoman Agnes Phiri commented in an e-mailed reply to questions. The regulator's board appointed George Chabwera chairman on Nov. 27. Chabwera is the managing director and chairman of Associated Fire Services Ltd.

Zambia is rated B1 by Moody's Investors Service, the fourth-highest junk rating. Eskom Holdings SOC Ltd., the South African power utility that's rated four steps higher, last year issued $1.75 billion of bonds maturing in January 2021. The yield on the debt has fallen 156 basis points this year to 3.92 percent.

Zambia's kwacha has declined 2.1 percent against the dollar this year, trading at 5,230 by 12:01 p.m. in Lusaka.

Zesco's management team has already visited London, talked to investors in Boston on Nov. 29, and ended with meetings in New York on Nov. 30, Chitundu said.

The company also plans to list on the Lusaka Stock Exchange within two years, he said (Bloomberg)

EIGHT) – **FRENCH AND MALIAN TROOPS RETAKE TIMBUKTU**

French and Malian soldiers have recaptured Timbuktu and experienced a celebrated welcome by the population, most European media report. While French President François Hollande has stated he was winning the battle, many remain cautious on the subject, fearing a recrudescence of terrorist attacks. Many journalists write their belief that Islamists are obviously not defeated, but have only withdrawn into the uncontrollable area of the Sahara.

According to *FAZ*, many Europeans believe that Al Qaida in Mali should not be of concern for Europe. The paper explains that the terrorists are too strong for African forces, which should rather care about implementing good governance while leaving the fighting to the French. In an interview with *SZ,* European Commissioner Andris Piebalgs said the EU will make a *"reasonable contribution"* of €50 million in addition to humanitarian aid and the training mission. Austrian Foreign Affairs minister Michael Spindlegger, cited by *Der Standard*, criticises that the EU's battle groups have not been deployed so far. He pushes for Austria's participation in the EU mission in Mali. *The Guardian* reports that Britain is prepared to take the risk of sending a *"sizeable amount"* of troops, to Mali and neighbouring West African countries as David Cameron offers strong support to France in its operation to drive Islamist militants from its former colony. Also, the *IHT* reports, The U.S. military command in Africa is preparing plans to establish a drone base in north-western Africa to increase unarmed surveillance missions on the local affiliate of Al Qaeda and other Islamist extremist groups that American and other Western officials say pose a growing menace to the region. *Le Monde* reports on the fears of locals over possible looting and skin-color-linked personal assaults. Arabs are calling on the French army to ensure their protection. The next objective is also to take the city of Kidal from the Islamists, but La Croix wonders whether the French troops should continue its offensive. *El Pais* considers that If France manages to appease suspicion from Algeria and integrate it in a regional solution, the regional context may contribute to progressive stabilisation. *De Morgen* compares the French troops' actions in Mali to a tornado. As French troops are very proactive, the situation could be solved soon, the paper hopes.

Many papers also report that the fight to retake Timbuktu came at a dear cost, as the Ahmed-Baba library was set on fire by Islamist forces, burning thousands of priceless documents. Danish *Mandag Morgen* says that the war in Mali is a war for all of Europe, as it is an example of the future of European security policy, according to a number of experts.(EC)

NINE) **– WHY INVEST IN SOUTH AFRICAN BANKS?**

South Africa is the most developed country in the African continent. With a population of about 48 million, the country is rich in many mineral resources including gold, diamonds and platinum. The economy's size is about $555.0 billion and mining is the largest industry. Investors looking to gain exposure to Africa are better off starting with South Africa.

The CIA's World Factbook states the following on the state of South Africa's economy:

Growth was robust from 2004 to 2007 as South Africa reaped the benefits of macroeconomic stability and a global commodities boom but began to slow in the second half of 2007 due to an electricity crisis and the subsequent global financial crisis' impact on commodity prices and demand. GDP fell nearly 2% in 2009 but recovered in 2010-11. Unemployment remains high and outdated infrastructure has constrained growth. State power supplier Eskom encountered problems with aging plants and meeting electricity demand necessitating "load-shedding" cuts in 2007 and 2008 to residents and businesses in the major cities. Daunting economic problems remain from the apartheid era - especially poverty, lack of economic empowerment among the disadvantaged groups, and a shortage of public transportation. South Africa's economic policy is fiscally conservative focusing on controlling inflation and attaining a budget surplus. The current government largely follows these prudent policies but must contend with the impact of the global crisis and is facing growing pressure from special interest groups to use state-owned enterprises to deliver basic services to low-income areas and to increase job growth.

Though mining is the major sector in the country, I am not a big fan of investing in mining stocks simply because investing in commodities involves extremely high risks and they can be highly volatile. Hence commodity stocks are not for the faint-hearted especially those trying to invest their hard-earned money or investors trying to earn income in the form of dividends. For example, after reaching record-high prices recently, silver fell 30% in just 6 days. Investing in commodities such as silver, gold and diamonds makes sense only when one takes the physical delivery.

However banking is one South African sector that is attractive but is often ignored by international investors. The four biggest banks in the country are FirstRand, Absa, Standard Bank and Nedbank accounting for 85% of the total banking assets. Some of the reasons to invest in South African banking stocks include:

- The banking sector is highly regulated in South Africa.

- The sluggish domestic economy is forcing banks to grow in other parts of Africa and some smaller lenders are increasing unsecured consumer lending.
- South African banks remained strong during the global financial crisis when many developed banks were on the verge of complete collapse.
- The World Economic Forum recently ranked South Africa's banking industry as the second safest in the world.
- The country's banks are poised to implement the Basel III requirements quickly and smoothly.
- Most of the South African banks have capital adequacy ratios of at least 13% which is higher than the minimum requirements set by the Bank of International Settlement's Basel standards.
- South African banks are expanding in other African countries in the retail market. In the commercial market, they are increasing their services to South African companies that are the biggest investors on the continent except in the oil and gas sector. For example, Standard Bank has licenses to operate in 17 sub-Saharan countries and Nedbank has a partnership with Togo-based Ecobank which has presence in 32 countries. Absa is considering merging its retail operations with that of Barclays, its major shareholder, and thus gain a foothold in Kenya, Tanzania and Ghana. FirstRand has been aggressively expanding in Africa through its investment banking arm, Rand Merchant Bank.
- The big four banks primarily focus on high earners in the personal unsecured lending market as opposed to poorer South Africans.
- Since the South African economy is projected to grow about by 3% for the next two years, banks' Return on Equity (ROE) may reach 20% instead of 25% when the economy was booming. The 20% ROE is much higher than the ROE levels of most European and US banks. (The Banker)

TEN) – **NIGERIA: GROUP SEEKS RAPID DEVELOPMENT FOR AFRICA**

The Chief Communications Officer at African Center for Economic Transformation (ACET) Dr. Sheila Ochugboju, has stressed the need for policy makers in Nigeria and other African countries to initiate policies that would bring about rapid development of the continent.

To this end, Ochugboju who spoke at a media briefing organised by the Africa Future Roundtable in Lagos at the weekend, disclosed that the group would hold a two-day conference starting today.

Ochugboju explained: "We are trying to engage in a conversation about developing vision for the future, building scenario and planning towards a better future. We believe the media is very important in that conversation. We have to tell our story which is very important when you are moving towards the journey for the future."

"We need to map the future for Africa. We know Nigeria should be better and can be better. Many countries are finding new resources and country like Nigeria is learning to manage the resources that they already have."

He expressed regret over the high unemployment rate in the country and other African countries.

On his part, Mr. Diego Okenyodo of the Centre for Democracy and Development (CDD) , said the event was focused on ways to develop the continent.

"Generally, people are looking for what they can get for the present not thinking about the tomorrow and many years' time. If we send our children abroad for education, they will still come back into a generally deprived population. So how would these children cope?

"The problems we have in Nigeria are not caused by just the government. Therefore, solutions for those problems have to come collectively. We expect at the end of this conference to actualise the dreams," he added.(This Day)

ELEVEN) – **INDIAN GROUP JINDAL STEEL STARTS COAL EXPORTS FROM MOZAMBIQUE MOÇAMBIQUE**

Indian Jindal Steel and Power Limited (JSPL) will start this year exporting coal from Chirodzi, in the province of Tete, in Mozambique.

Indian paper "Business Standard" writes that JSPL plans to import 500.000 tons for the steel plants. Actual imports of coal are around 1 million tons.
JSPL plans to invest one thousand million dollars in their operations abroad during the next 2 years, by acquiring new mines and expanding existing operations
In Mozambique JPSL will build a power station with the capacity of 2.640 megawatts.
The other major coal exporters from Mozambique are the Brazilian Vale and the Anglo Australian Rio Tinto.

TWELVE) – **DEBT RELIEF: THE NORWEGIAN APPROACH**

The Heavily Indebted Poor Countries (HIPC) initiative and the Multilateral Debt Relief Initiative (MDRI) remain the cornerstones of Norwegian debt relief policy. The achievements made from the inception of the HIPC initiative in 1996 up until today are remarkable.

Norway will continue to ensure full financing of these schemes.
It is important to build on what works, and keep ourselves from reinventing the wheel. There are three topics regarding debt cancelation in the Norwegian government's political platform. The first one is working for international principles for responsible lending and borrowing. Secondly, Norway intends to work for a new international debt resolution mechanism. Lastly, we conduct reviews and audits of Norway's claims on developing countries.

Building on the HIPC initiative
The HIPC initiative is in a mature phase, but it remains imperfect. Many post Completion Point HIPC-countries are facing a renewed risk of debt distress. Post-conflict countries are struggling to qualify. There are still poor countries with a heavy debt burden not eligible for HIPC. There are HIPC-eligible Countries in fragile post-conflict situations not able to qualify.
The mix between domestic debt external debt and the mix of bilateral, multilateral and private debt is also changing: new emerging economies become more important and relevant creditors and the Paris Club creditors' claims are becoming smaller, relatively speaking.
More should be done to prevent debt accumulation (Public Debt Management) and a more comprehensive framework should be discussed for poor countries with an unsustainable debt burden.
Responsible borrowing and lending is increasingly coming to the forefront as an important policy issue and will require close cooperation of both debtors and creditors. Norway has worked with UNCTAD for the last three years to make international Principles on responsible lending and borrowing happen. They were launched in Doha in April and endorsed by many countries.
Based on UN Principles, the Norwegian government has decided to conduct a review/audit of all our claims on developing countries through an international tender totalling USD150 million over 7 countries and 34 contract. The purpose is not to cancel debt, but to put the spotlight on lending and on a creditor's shared responsibility. Norway believes that debt cancellation should also be based on an analysis of how the loans were given, and not only on the analysis of how much debt the developing countries can handle. In other words, debt cancellation is not only about sustainability.

The way forward
We think the global community needs to attack the problem in a more comprehensive, fair, predictable and preventive way. The asymmetric power between the debtor and the creditors and the ownership of the instruments should also be discussed. Consequently, we welcome the discussion on a new debt workout mechanism.
However, we need to be realistic and pragmatic. The discussion of improvements to existing debt relief mechanisms aimed at the poorest countries must not be "drowned out" by the struggle to make the instruments better. One should maintain what works and not "throw the baby out with the bath water". With this in mind, the missing links in the in the international financial architecture for debt restructuring are the following;

1. All types of debt should be systematically covered, including domestic debt and commercial debt .
2. The instrument should cover the period from an arrear clearance, and including a vulture fund operation where it is needed.
3. All creditors should be included. New emerging economies are becoming more important and the traditional creditors in the Paris Club countries smaller, relatively speaking.

4. Debt sustainability should not be the only yardstick. Not only how much debt a country can handle, but also an assessment of how the debt came about, should be included.
5. A more neutral judge – a less creditor driven restructuring. World Bank, IMF, Regional Development Banks and The Paris Club are all creditors.

Finally, debt cancellation is not sustainable, and it is not the last solution. The most important issues are those that can help to avoid debt distress: domestic resource mobilization, taxes, innovative financing, amongst others. With regards to debt however, attention should be paid to the important work done by UNCTAD on Public Debt Management and Responsible Lending. UNCTAD launched new Principles on Responsible Lending and Borrowing in April.

THIRTEEN) – **CONSOLIDATED INFRASTRUCTURE BUYS FOOTHOLD IN ANGOLA OIL SERVICES**

Consolidated Infrastructure Group Ltd. (CIL) bought almost a third of Angola Environmental Servicos Limitada, an oil and gas waste-management company, to gain exposure to the country's expanding oil industry.

Consolidated paid $15.3 million for 30.5 percent of AES while two other investors bought smaller stakes, the Johannesburg-based company said in a statement. AES generated sales of $42.6 million in the year ended 31 December, it said.

"The number of oil rigs operating offshore in Angola will increase significantly over the next few years," the company said in the statement published on the Johannesburg stock exchange news service. "Changes to environmental legislation enacted in July 2012 will significantly enhance AES's business."

Angola pumps about 1.8 million barrels of oil a day, making it Africa's largest producer after Nigeria. Exploration in so-called pre-salt offshore blocks could double Angola's output in 10 to 15 years, Tako Koning, a geologist and manager of Angola business development at Gaffney, Cline & Associates, said last month.

Shares in Consolidated advanced 2.5 percent to 14.55 rand, its highest value in almost five years. The company has gained more than 45 percent this year, valuing it at 1.73 billion rand ($195 million).

Consolidated, which builds electricity stations for utilities and miners, said it would fund 30 percent of the purchase with cash and the remaining 70 percent with shares. The shares could number about 7.5 million at a 10 percent discount to the Nov. 27 price, according to pro-forma financial information in the statement.

Fundo De Investimento Privado Angola S.C.A., a private equity fund based in Luxembourg, bought 16 percent of AES for $8 million, Consolidated said. Morten Eriksen, a portfolio manager at Laerernes Pension Forsikrin in Denmark, purchased 1.5 percent for $750,000. The total price for 48 percent of the company was $24 million.(Bloomberg)

FOURTEEN) – **ANGOLA DROPS FIVE PLACES ON PRICEWATERHOUSECOOPERS TAX COMPETITIVENESS LIST**

Angola fell five places in the annual tax competitiveness list drawn up by the PricewaterhouseCoopers (PwC) consultancy, to 154th place out of a total 185 countries, according to the Paying Taxes 2013 report cited by Portuguese weekly newspaper Sol.

The report, drawn up in partnership with the World Bank and the International Finance Corporation, of the World Bank group, said that the Angolan tax system, "remains difficult," for companies although it recognised that reforms underway would make the tax system, "simpler and fairer."

To establish each country's ranking on the annual tax competitiveness list, the survey uses three criteria. These are: Number of tax payments a company must make in each year, the number of hours the company spends on meeting its tax obligations and, finally, the total rate of taxation.

Although for the first criteria Angola had one of the best results in Africa, for the second companies require an average 282 hours to pay their taxes, a figure that has not changed since the survey began eight years ago. In terms of the third criteria everything also remained the same, with Angola's rate of taxation totalling 53.2 percent of profit, which is 13th highest level amongst the 51 African countries analysed.

Although Angola has reduced levels of social security payments for which employers are responsible, it is clear there is a high rate of taxation on profits, which accounts for almost half of companies' tax burden, leading to the country having an overall rate of taxation that is higher than the world average.

According to PwC however, "the situation may change in the next few Paying Taxes reports," due to "expected changes to industrial taxation and, more generally, an expansion of the taxpayer base."

According to the report there are "several tax reforms underway with the aim of making the Angolan fiscal system simpler and fairer," notably the new laws published at the end of March of this year, which introduced changes to capital gains tax, stamp duty and consumer tax. (macauhub)

FIFTEEN) – **GABON SEEKS TOUGHER TERMS FROM OIL COMPANIES**

Gabon is seeking to squeeze more money out of foreign oil companies operating in the country, executives say, potentially damping enthusiasm for a long-awaited deepwater licensing round due next year.

The move mirrors similar steps by resource-rich nations around the world over the past decade, when countries such as Kazakhstan or Venezuela clawed back projects or tightened the terms for international companies as energy prices soared.

Oil accounts for around half of Gabon's economy but output has fallen by a third since peaking at 370,000 barrels per day in 1997. However, the country's reserves are put at around 3.7 billion barrels, giving it several decades yet of hydrocarbon wealth.

The West African country's government has launched audits of oil producers that have led to big back-tax claims and is demanding tougher terms for, and equity stakes in, new contracts, said executives, who declined to be named for fear of jeopardising their interests in the country.

"I think it is really driven by the desire to get a better deal for the state," said one oil executive.

The government declined to respond to questions about whether it had launched a concerted drive to extract more money from oil companies but the country's oil and energy minister confirmed some companies were being audited.

"We got the opportunity to do some audits to see if a contract is well run and ... we noticed a lot of exceptions," said Etienne Ngoubou.

"You engage in some negotiations with the operation company to check each exception and to agree if you have some tax (due)," he added in an interview with Reuters.

Three executives said Addax Petroleum, a unit of China's Sinopec, had been threatened with the loss of an oil field in a dispute over terms.

Ngoubou acknowledged the dispute but said the disagreement was over environmental problems at the field, which one executive identified as the Obangue onshore field.

"They got some accidents. Their facility doesn't respect the rules of the Institute of Petroleum ... They have to fit with the specifications. Otherwise we take some decisions," he said.

Sinopec was not available for comment. Sinopec took control of the field through the purchase of Addax in 2009 in what was then China's largest overseas oil acquisition.

Other companies affected by the governments' moves include Canadian Natural Resources and French groups Maurel & Prom and unlisted Perenco.

Deepwater hopes

In addition to auditing existing contracts, the government is demanding tougher fiscal terms to extend contracts that are close to expiring.

Perenco had to agree to tougher terms on the renewal of one of its licences, two industry executives said. The company declined comment.

Executives said the government was starting to demand that its new national oil company be given equity stakes in new fields and fields whose licences were due for renewal.

The government did not respond to questions about whether equity stakes in existing fields were being sought but Ngoubou said he planned for the state oil company to take a 10-20 percent stake in new offshore licences.

It is not unusual for state oil companies to retain stakes in oil licences awarded to foreign oil companies, but the executives said this was new for Gabon.

Four executives said the government was also targeting oil services companies, including, two of them said, the local unit of French helicopter charter firm Heli-Union.

The government had sought a stake in Heli-Union's Gabon operation and required the company to hire more Gabon nationals, forcing the company to hike its charter prices by 25 percent, one executive said.

The company and the Gabon government declined to comment.

Gabon plans to launch a new deepwater oil licensing round in June 2013, and recent discoveries in the region have boosted hopes that big reserves could be discovered.

The exploration blocks were previously offered in 2010, but that sale was pulled following concerns about offshore drilling safety after BP's Gulf of Mexico oil spill and because the government wanted to make some legal changes.

Deepwater exploration is an expensive business, with individual wells costing in excess of $100 million, requiring foreign know-how and cash.

Oil executives say the government's moves to exert more control over the sector in the past year could deter bidders from the planned auction.

"It's probably not the time to scare potential investors," one foreign oil man said. (Reuters)

SIXTEEN) - **ANGOLA: DIAMOND SECTOR IN RECOVERY**

The minister of Geology and Mining, Francisco de Queiróis, said in Washington that the Diamond sector in Angola is recovering from the European crises of 2011 and international financial crisis of 2008.

According to the official, who was assessing the Angolan participation in the annual plenary meeting on Kimberly Process in Washington, the sector was very much hit by the world financial crisis in 2008.

"Some of the world countries were obliged to close doors what affected Angola both financially and socially. "In 2011, there was another slowdown due to the crisis in European countries, but at this moment the Angola is in the recovery phase".

He underlined that in Angola, the recovery of the sector has been contributing a lot to the improvement of population's living standards.

Regarding the annual meeting, the minister said that the participation of Angola was a success, provided that the activity of the sector was considered very positive.

Speaking about the institution, Francisco de Queiróis said that Kimberly Process exists for 10 years and it is a tool with a great incidence that has been showing a lot of efficiency and safety in relation to the diamond industry, thus contributing to stabilization of the diamond market".

The minister led the Angolan delegation that participated on 27-30 November in the annual plenary meeting on Kimberly Process in Washington in the US State department.

The Kimberley Process started when Southern African diamond-producing states met in Kimberley, South Africa, in May 2000, to discuss ways to stop the trade in 'conflict diamonds' and ensure that diamond purchases were not financing violence by rebel movements and their allies seeking to undermine legitimate governments.

In December 2000, the United Nations General Assembly adopted a landmark resolution supporting the creation of an international certification scheme for rough diamonds. By November 2002, negotiations between governments, the international diamond industry and civil society organisations resulted in the creation of the Kimberley Process Certification Scheme (KPCS).

The KPCS document sets out the requirements for controlling rough diamond production and trade. The KPCS entered into force in 2003, when participating countries started to implement its rules (Angola Press)

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