SECURITIES AFRICA
RESEARCH & CAPITAL MARKETS

PAN-AFRICA

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

We have included summaries for the countries listed below, please click on the country name should you wish to navigate to it directly:

- **Botswana**
- **Egypt**
- **Ghana**
- **Kenya**
- **Malawi**
- **Mauritius**
- **Nigeria**
- **Tanzania**
- **Zambia**
- **Zimbabwe**

AFRICA STOCK EXCHANGE PERFORMANCE

				WTD % Change		YTD % Change	
Country	Index	20-Jun-14	27-Jun-14	Local	USD	Local	USD
Botswana	DCI	9125.08	9133.50	0.09%	3.03%	0.89%	2.37%
Egypt	CASE 30	8746.23	8070.76	-7.72%	-5.90%	18.99%	17.61%
Ghana	GSE Comp Index	2358.73	2352.45	-0.27%	-2.11%	9.66%	-17.31%
Ivory Coast	BRVM Composite	238.46	235.38	-1.29%	1.33%	1.45%	2.39%
Kenya	NSE 20	4836.71	4834.02	-0.06%	2.27%	-1.89%	-1.17%
Malawi	Malawi All Share	13241.27	13417.47	1.33%	3.94%	7.07%	16.23%
Mauritius	SEMDEX	2075.14	2079.24	0.20%	2.43%	-0.78%	0.76%
	SEM 7	403.77	401.33	-0.60%	1.61%	-0.57%	0.98%
Namibia	Overall Index	1104.65	1095.15	-0.86%	2.08%	9.84%	10.71%
Nigeria	Nigeria All Share	41517.10	42187.62	1.62%	3.76%	2.08%	3.01%
Swaziland	All Share	284.32	284.32	0.00%	2.97%	-0.47%	0.31%
Tanzania	TSI	3305.07	3564.00	7.83%	11.41%	25.34%	21.92%
Tunisia	TunIndex	4548.96	4599.33	1.11%	1.17%	4.98%	4.42%
Zambia	LUSE All Share	6033.80	6012.44	-0.35%	6.90%	12.41%	4.15%
Zimbabwe	Industrial Index	180.74	187.08	3.51%	3.51%	-7.44%	-7.44%
	Mining Index	45.17	61.71	36.62%	36.62%	34.77%	34.77%

CURRENCIES

	20-Jun-14	27-Jun-14	WTD %	YTD %
Cur-rency	Close	Close	Change	Change
BWP	8.77	8.52	- 2.85	- 1.46
EGP	7.13	6.99	- 1.94	1.17
GHS	1.87	3.13	1.88	32.61
CFA	484.81	472.26	- 2.59	- 0.92
KES	86.44	84.47	- 2.27	- 0.72
MWK	389.90	380.09	- 2.51	- 7.88
MUR	29.21	28.57	- 2.18	- 1.54
NAD	10.71	10.41	- 2.88	- 0.78
NGN	161.43	158.09	- 2.06	- 0.90
SZL	10.71	158.09	- 2.88	- 0.78
TZS	1,653.42	1,600.39	- 3.21	2.81
TND	1.65	1.65	- 0.06	0.54
ZMW	6.36	5.93	- 6.79	7.93

SECURITIES AFRICA

Botswana

Corporate News

No Corporate News This Week

Economic News

No Economic News This Week

Egypt

Corporate News

Nutrition, health and wellness company Nestle announced Monday it has inaugurated the "first-ever confectionery plant" in Egypt at the company's dry goods factory in 6th of October City. The plant represents an investment of over EGP 65m and will introduce a new chocolate product named Crunch Triangles. Nestlé's Executive Vice President Nandu Nandkishore, Zone Director for Asia, Oceania, Africa and Middle East Roger Stettler and Chairman and CEO of Nestlé Egypt Suresh Narayanan attended the inaugurations. "Egypt has massive consumer and labour potential, making it attractive for investment in the region," said Nandkishore. "For Nestlé, Egypt is and will continue to be an important centre for trade and production." He added that Nestlé factories in Egypt produce and supply some of the company's biggest brands for the region. "Nestlé's latest expansion project in Egypt is particularly special for the company," Nandkishore added. "Since 2011, we have invested close to EGP 1bn in Egypt and doubled our local work force from 3,200 to our current 6,300 employees." The company's executive pointed out that this plant proves Nestlé's commitment to Egypt. *(Daily News)*

Egypt's oil minister said on Thursday that BP's $10 billion gas project, stalled for three years, had restarted and that production would begin in 2017, a sign of progress in efforts to ease the worst energy crunch in decades. In another move that could help improve investor confidence, Sherif Ismail also said Egypt would pay $1.5 billion of the money it owed to foreign energy companies by the end of 2014. The minister told reporters on a visit to al-Aseel oil field in the western desert that production at BP's North Alexandria concession would begin in 2017, with 450 million cubic feet per day initially being extracted. He said output would rise to 800 million cubic feet per day in 2018. Those volumes would mean a significant boost to current production, which Ismail told a local newspaper this month was expected to reach 5.2 billion cubic feet (bcf) per day by the end of December. The news comes a day after Algeria agreed to ship five cargoes of liquefied natural gas (LNG) to Egypt this year, according to a source at Algerian state energy firm SonatrachThe total amount of the Algerian shipments will be enough to meet around three days' worth of average daily consumption, according to Reuters calculations, enough to provide serious short-term relief to gas shortages that have resulted in regular power cuts in Egypt this year. "Gas imports are planned for a period of the next four to five years, until energy self-sufficiency is achieved," Ismail told reporters on Thursday, referring to overall imports. Political turmoil and violence since the 2011 revolt that ousted autocrat Hosni Mubarak has hit the economy hard.

The government has struggled to pay foreign companies for gas and work on some major new gas projects has ground to a halt at a time when generous state subsidies are stoking growing demand. Egypt earlier this year forecast gas production would fail to meet surging domestic demand in the next fiscal year that begins July 1, signalling more blackouts ahead. Egypt's steadily declining gas production has been exacerbated by foreign firms' wariness about increasing investment when the government owes them money and has diverted most of the gas promised for exports to meet domestic demand. The near-daily power cuts are forcing energy-intensive industries to close factories or sharply cut production. BG Group's problems in Egypt have affected its LNG unit so much that it cut production forecasts for the year and served "force majeure" notices to affected buyers and lenders. Egypt's new president Abdel Fattah al-Sisi may soon be forced to tackle challenges in the sector in order to boost production and draw back wary investors. But given that power cuts and long lines at fuel stations have stoked public anger in recent years, he will have to act carefully when reforming the wasteful subsidies system that accounts for a quarter of government spending. In another move that could help improve investor confidence, Ismail said Egypt would pay $1.5 billion of the money it owed to foreign energy companies by the end of 2014. The latest government figures put Egypt's debts to foreign oil companies operating there at $5.7 billion, but officials including Ismail acknowledge that debts are mounting even as the government pays off what it owes now. The government has promised to pay companies including BG Group and BP $3 billion by the end of 2017 as it tries to lure back investors to help it develop its reserves. In April, Ismail said Egypt would pay about $1 billion "within two months" but the government has not yet announced that it has paid. BP, one of the largest foreign investors in Egypt, had initially planned to start production at its North Alexandria project this year, the minister said. Ismail said a delegation from BP would arrive on July 17 for talks with the government. A BP spokesman declined to comment the project. *(Reuters)*

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Economic News

Saudi Arabia's Almarai , the Gulf's biggest dairy company, and U.S. soft drinks giant PepsiCo will invest at least $345 million in Egypt over the next five years, the Saudi firm said on Sunday. The announcement was a fresh sign that after three years of stagnation because of political and economic turmoil following Egypt's 2011 revolution, foreign investment in the country may revive as a measure of stability returns. The Almarai investment would be conducted through Egyptian dairy and juice products firm International Company for Agro-Industrial Projects (Beyti), a subsidiary of International Dairy & Juice Ltd, which is owned 52 percent by Almarai and the remainder by Pepsico. Most of the money would come from equity injections by the joint venture partners in line with their ownership ratios, while Beyti would take on some debt. Almarai will finance its investment through its own cash flow, with the financial impact gradually reflected on its group balance sheet between the third quarter of this year and 2019, the company said. The $345 million investment plan, approved by Almarai's board, includes setting up a new juice factory, expanding existing facilities, increasing Beyti's fleet of vehicles and sales netork, and creating a new dairy farm for 5,000 cows, Beyti's chief executive Mohamed Badran told Reuters. Almarai's CEO Abdulrahman Al Fadley, speaking at a joint news conference with Egyptian Trade and Industry Minister Mounir Fakhry Abdel Nour in Cairo, said he hoped to raise the investment amount to about $560 million over five years. The additional money would be spent on another dairy farm, which Badran said would be the biggest in Egypt, accommodating 20,000 cows. He added that this would depend on obtaining government approval for the purchase of land.

Egypt's newly appointed investment minister Ashraf Salman said on Saturday that he was aiming for $10 billion of foreign direct investment for the coming fiscal year that starts in July, and $14 billion in three years. FDI for the first nine months of the current fiscal year was $4.4 billion. As part of a $500 million investment plan announced for Egypt in March, Coca-Cola will build a new juice plant near Cairo in a joint $100 million project with Saudi Arabia's Aujan Coca-Cola Beverages Co. In addition to Egypt's young and growing population, foreign companies see the country as a potential export base for markets in Africa and elsewhere. This year's election of former army chief Abdel Fattah al-Sisi as president has raised hopes for greater political stability and better economic management. *(Reuters)*

Egypt's new president pledged on Tuesday to give up half his salary and property and called on the Egyptian people to make similar sacrifices, trying to prepare the public for a period of painful economic austerity. In an impromptu speech at a military graduation ceremony, Abdel Fattah al-Sisi said he had refused to sign off on a 2014/15 budget proposal following lengthy discussions this week because it was too dependent on ballooning borrowing. "We said we would revise this budget because I cannot bear to accept it when it contains this level of deficit," he said. "I want to think of the children that are coming and to leave them something good, but this way we will leave them nothing. If the debt keeps accumulating like this, we won't leave them anything good." The comments appeared designed to prepare public opinion for further austerity measures, such as subsidy reductions, to allow for deeper reforms of the ailing economy. Egypt's budget deficit reached 14 percent of economic output in the last fiscal year, which ended in June 2013 and the economy is forecast to grow just 3.2 percent in the fiscal year that begins on July 1. That is well below the level needed to create jobs for its rapidly growing population of 86 million and alleviate poverty. The turmoil of the past three years, in which two presidents have been overthrown and hundreds of people have been killed in the streets, have battered tourism and investment, worsening a huge unemployment problem and pushing up the deficit. Egypt's finance minister, Hani Kadry, said in a television interview late on Tuesday he expected the new budget deficit to stand at 10 percent in the coming fiscal year, down from the initial proposal to keep it at this year's 12 percent.

His ministry issued a statement later saying it would revise the budget on Wednesday and re-send it to Sisi. The government will also have to tackle the legacy of decades of corruption and red tape and a costly subsidy system - food and fuel subsidies alone consume about a quarter of total government spending. Over the past two years, Egypt has depended on aid from wealthy Gulf Arab allies who sent more than $20 billion (Â£11.7 billion) worth of grants, loans and petroleum products, according to numbers given by Sisi during his election campaign. The aid has kept the Egyptian economy from sinking but Sisi said the country could not keep turning to its lenders and donors for ever and would have to take difficult cost-cutting measures in order to balance its books. Speaking in the local dialect of Arabic used by ordinary Egyptians, Sisi proposed to lead by example, giving up some of his own pay and vowing to apply a salary cap for higher earners in the public sector.

"There must be real sacrifices from every Egyptian man and woman. I take the maximum salary of 42,000 pounds (Â£3,457) and no one will take more than the maximum," he said. "I am going to do two things: I am not going to take half of this sum and my property, even what I inherited from my father, I will give up half for the sake of our country." It was not clear what would happen to Sisi's properties.

The president called on Egyptians inside and outside the country to make personal sacrifices for the greater good and said the demands of vested interests or individual factions would no longer be pandered to. A news flash on state television hours after the speech said an account had been opened at the central bank to collect donations in support of Egypt's economy. Sisi's comments, and his frank and informal manner, appeared designed to set him apart from Hosni Mubarak, another former military man who was overthrown in 2011 after 30 years in power. Mubarak's rule was characterised by crony capitalism, stoking public discontent that helped to fuel the uprising. But Sisi's call for Egyptians to tighten their belts may ring hollow to the millions who already struggle with multiple low-paid jobs to make ends meet.
Sisi's message that it was up to ordinary citizens to step up and work hard alienated poorer Egyptians during the election campaign and deterred some on the poverty line from voting. Successive governments have tried to steer a course between boosting revenue without discouraging investors. Sisi ousted elected Islamist President Mohamed Mursi last July, following protests against his elected year in office. Though Mursi had failed to win the trust of the Egyptian business community or attract foreign backing, bringing the economy to the edge of bankruptcy, his downfall prompted a wave of violence and demonstrations that only deepened the crisis. Sisi's speech is likely to be welcomed by the business community, that has long called for Egypt's economic challenges to take centre stage in policy making. "The elephant in the room is that historically no one discussed economics in public. At last someone is bringing the economic debate to the public," said Angus Blair, chairman of business and economic forecasting think-tank Signet. *(Reuters)*

Ghana

Corporate News

Mtn Ghana has introduced a new roaming tariff that allows subscribers to enjoy local rates on voice, data and SMS while travelling in any of the remaining 21 countries in which MTN operates. The countries include: Nigeria, Benin, Cameroon, Cote d'Ivoire, Guinea Bissau, Guinea Republic, Liberia, Republic of Congo (Congo-Brazzaville), Afghanistan, Iran, Cyprus Rwanda, Botswana, South Africa, Sudan, South Sudan, Swaziland, Syria, Uganda, Yemen and Zambia. "Roam Like Home" is the latest in the portfolio of tariff offered by MTN Ghana to deliver more value to subscribers, a release from the company said. The service, it said, required MTN Ghana subscribers to select the MTN network while roaming. The new tariff is expected to bring relief to customers of the Talco who travel frequently to the countries mentioned to conduct business. It is also expected to impact the cost of doing business as business people who travel will have a reduced bill no matter how marginal.

Commenting on the new roaming offer according to the release, the acting Chief Marketing Officer of MTN Ghana, Mr Noel Ganson, said, "the 'Roam Like Home' offer is a bonus tariff introduced to enable our valued subscribers stay connected longer with their friends, family and business associate while travelling outside Ghana". He further explained that, "an MTN Ghana subscriber, who is charged locally per minute for on-net calls in Ghana will pay the same rate when roaming in South Africa, Nigeria or any of the 21 countries. "The good news is that customers no longer have to go through the struggle of purchasing new SIM cards from the countries they visit in order to enjoy reduced tariffs, just maintain your MTN Ghana number and enjoy local rates in a foreign land," he said. He further noted that "MTN continues to deliver value to subscribers, through digitised innovation and creativity. This is in line with the company's mission,"to make the lives of our customers a whole lot brighter." MTN also recently introduced a Global Multi-Protocol Label Switching (MPLS) service to facilitate business between Ghana's rapidly expanding market and the rest of the world. Meanwhile, MTN has been rated among the top 500 global companies on corporate sustainability and environmental impact in the 2014 Newsweek Green Rankings. The rankings are one of the world's most recognised assessments of corporate environmental performance.

Newsweek partnered with Corporate Knights Capital and leading sustainability minds from non-governmental organisations and the academic and accounting communities, to complete the rankings," MTN Group Chief HR & Corporate Affairs Officer, Mr Paul Norman said. "The ranking is particularly significant for MTN because we are in a small select group of global companies whose revenue is generated off a relatively low environmental impact basis", he added. He described the recognition ahead of some of the major global brands as humbling, particularly as "we operate in markets where it's not regulation driving responsible environmental behaviour". Mr Norman was of the view that "MTN is on this journey not only because it makes commercial sense; we operate in some of the most environmentally-vulnerable parts of the world, where our customers often have the fewest economic resources to cope with the effects of climate change. As a result, we are conscious of the positive role we can play," The 2014 Newsweek Green Rankings measure the environmental performance of large public companies using eight clearly defined performance indicators, including Combined Energy and Waste Productivity. MTN is ranked in position 276, with a Green Score of 35.4 percent. (*Ghana Web)*

Vice-President Kwesi Bekoe Amissah-Arthur has said that the government's immediate concern is to overcome the current challenges and set the country on the path to economic recovery. The government was determined to restore macroeconomic stability this year; the Vice-President said when a four-member delegation from the Barclays Africa Group conferred with him at the Flagstaff House in Accra yesterday. Mr Amissah-Arthur stated that the government's priority was to get over the immediate difficulties this year and called on international organisations such as the Barclays Group to partner the government in its effort at surmounting the country's economic difficulties. The delegation, which was led by the Chief Executive Officer of Barclays Bank Ghana Limited, Ms Patience E. Akyianu, called to brief Mr Amissah-Arthur on the operations of the Barclays Africa Group Limited. It included the Chief Executive Officer of the Barclays Africa Group, Madam Maria Ramos, and the Chairperson of the group, Ms Wendy Lucas-Bull. Mr Amissah-Arthur lauded Barclays for its impressive record and expressed appreciation to the bank for its support for the country in the face of current economic difficulties. He observed that

the world had become much more integrated than it was many years ago and that small economies such as Ghana's were at the mercy of global development. He said Ghana's economy had witnessed substantial growth, adding that the government had adopted more efficient ways of spending public resources. In response, Ms Lucas-Bull said the bank had operated in Africa for almost 100 years and it was committed to consolidating its presence on the continent. She said Ghana was critical to the forward march of the Barclays Africa Group, hence its decision to remain relevant in working with both the private and the public sectors. She explained that the establishment of the Barclays Africa Group was to add value to Africa's resources. *(Ghana Web)*

Economic News

Ghana Reinsurance Company Limited had shown an impressive performance by the close of the 2013 financial year. As financial indicators pointed positive, the company paid to its major shareholder -- government -- a total of GH¢10.9million. A breakdown indicated that GH¢ 3million was paid as dividend and GH¢709million as corporate taxes. Lionel Molbila, Chairman, Ghana Re disclosed that the company chalked up a 50% increase in profit after tax of GH¢30million from GH¢20million in 2012. Composite gross premium grew by 10.27 percent from GH¢62.8million to GH¢74.8million in the year under review. Significantly, 67 percent of the company's premium was generated locally and 33 percent from markets outside Ghana. The chairman announced that Ghana Re is focused on the vision of ensuring a 60/40 mix by 2015. Indeed, commission expense ratio showed an improvement -- reducing to 27.59 percent in the year under review from 31.04 percent in 2012. Claims on the other hand increased by 210.44 percent, with 64 percent of the claims from fire related risks. The movement in outstanding claims, which increased by GH¢10.2million in 2013 compared to a reduction of GH¢6.33million in 2012, impacted on the variance recorded.

Life business income grew by 36.90 percent to GH¢6.27million in 2013 from GH¢4.58million in 2012. Group life policies formed 70 percent of the life premium and accounted for the growth. However, a retrocession programme signed with Munich Re during the year will help reduce adverse claims for the year, and this accounted for the increase in retro premium to GH¢1.33million in 2013 from GH¢0.20million. Investment income grew to GH¢2.09million in 2013from GH¢0.94million, mainly as a result of improved yield and enhanced net cash inflows. An amount of GH¢4.25million was added to the life fund provision in the year. *(Ghana Web)*

Ghana's government quietly reintroduced fuel subsidies in April and has spent around $85 million since then in extra payments, the head of the Chamber of Bulk Oil Distributors (CBOD) told Reuters on Friday. The subsidies were scrapped early last year in a bid to reduce the budget deficit and restore macro-economic stability in Ghana. The reintroduction has not been publicly announced and senior government officials were unavailable for comment. The chamber's chief executive, Senyo Hosi, also told Reuters that Ghana's reserves of oil for domestic consumption normally stand at around four weeks but have fallen to just one week because banks are refusing to extend credit to importers due to outstanding government payments. *(Reuters)*

After three years of commercial production of oil on the Jubilee fields, Ghana has now exceeded the long awaited two billion revenue mark. Since 2010 when Ghana started producing oil in commercial quantities, stakeholders in the sector, namely, Tullow oil, Kosmos Energy, Anadarko, Government of Ghana and Sabre, have produced 86.93 million barrels of oil and Ghana's share of production has been 16.5 million barrels. In 2011 the country realized a sum of US$470 million from Production. The figure increased to US$567million in 20012 and US$730 million from oil production. In the first half of 2014 Ghana has already generated US400 million from the projected US$ 820 million for the year, bringing the total revenue from oil to US$2.167 billion. Ghana is likely to exceed this year's projection as a result of the introduction of the flaring system enabled by the government of Ghana over a period the re-injection of associate carbon into the oil wells to speed oil flow. As a result of a redetermination of the Jubilee Field's Original Hydrocarbon in Place (OHIP) across the Deep Water Tano and West Cape Three Point Blocks, Ghana's share of petroleum declined slightly under the Unit Operating Agreement from 13.75% to 13.64%.

Redetermination is a process by which owners in a unit agreement commit that at one or more dates in the future, they will revisit the unit interest due to information received from new wells or production data, and where appropriate, adjust the Tract Participations to reflect the proportion of the reservoir and associated hydrocarbons that underlie their participation arising from the new data. Pursuant to the terms of the Jubilee Field Unitization and Unit Operating Agreement (UUOA), the percentage share of petroleum of the Jubilee partners is subject to a process of redetermination. Any party to the Jubilee UUOA with more than a 10% Jubilee Unit Interest may call for a second redetermination after December 1, 2013. The redetermination of the blocks led to the distribution (tract participation) of the OHIP of 50% each from the two Blocks to be realigned to tract participation within the unit area in a ratio of 45.6334% for the Deep Water Tano Block (DWT) to 54.3666% for the West Cape Three Point (WCTP) Block instead of the original 50% each of the two blocks.

This exercise has affected Ghana's Participating Interest by a small margin reducing the country's entitlement to oil under Carried and Participating Interest to 13.640% instead of the original 13.75% 1 This took effect from 1st December, 2011. The Ghana Revenue Authority assessed Tullow Oil Ghana for petroleum income tax in the 4th Quarter of 2012 on a taxable income of US$114,885,998. The tax liability of US$40,210,099.56 was discharged in January 2013 and it is therefore being accounted for by the GRA as part of 2013 taxes collected. The GRA was unable to assess and collect any Capital Gains Tax (CGT) on the assignment of interest transactions that took place during the year between EO Group and Tullow Oil as well as Sabre Oil and Gas and PetroSA. This was because current tax laws affecting operations in the upstream petroleum sector contain no provisions for CGT. The Jubilee and Saltpond Fields were the only producing fields in 2013. The total number of barrels produced from the Jubilee Field for the period, January to September 2013, was 27,060,737 barrels, compared with 18,423,621 barrels for the corresponding period in 2012. As indicated in the 2013 national budget ,production forecast for the Jubilee Field, , was 30,419,465 barrels, based on an average production of 83,341 bopd.

The average daily Jubilee production from January to September 2013 was 102,503 bopd and it is expected that the projected production volume for 2013 will be achieved, in spite of the shutdown for planned maintenance of the FPSO that took place from 20th to 28th September, 2013. The main factor that accounted for the increased production in 2013 was the increased number of producing wells on stream in the Jubilee Field, since the number of producing wells commissioned has a direct impact on the production volumes. The producing wells were increased from three (3) in 2010 to twelve (12) in 2013. The total barrels of oil produced from the Saltpond Field for the period January to September 2013, was 78,376 barrels, compared with 77,374 for the full year of 2012.

The average achieved Jubilee price for January to September 2013 was US$107.246 (where achieved price means the price at which the Ghana Group liftings were sold) For the period January to September 2013, GNPC lifted crude oil five (5) times on behalf of the State. This involved 4,977,922 barrels of oil which yielded US$533.86 million (GH?1,025.05 million) of petroleum revenue to the State, as shown in Table 3. Total petroleum receipts (i.e. proceeds from Jubilee lifting's and other petroleum receipts) as at the end of the third quarter of 2013 was US$707.28 million (GH 1,358.18 million). This compares with a total 2013 Budget estimate of US$581.72 million (GH?1,122.72 million) In spite of all the growth in revenue from the exploration, Ghana's share of the Jubilee revenue lack the pace for growth and government is being asked to ensure that revenues are well accounted for. *(Ghana Web)*

Renowned Economist and Investment Consultant, Mr Kwame Pianim has urged investors not to view the country's economic crisis in a pessimistic manner, maintaining that the country's economic prospects are still good. Describing the current economic challenges as a blessing in disguise, Mr Pianim said the present conditions would spur people on to be more sensitive to the economy, adding "maybe it will force Ghanaians to open their eyes and then we can get on." Speaking at a business forum in Accra, Mr Pianim said the current crisis could be resolved very quickly, explaining that "it is just government expenditure which is too high; we need to put together a national alliance for resolving these problems." Banking the economic hopes on cocoa, gold; and other exports, he explained that once the fiscal deficit situation was addressed, these commodities could bring in revenue for the government. "Cocoa will bring in something, gold, other exports including horticulture, tourism, services can also bring in something so we do not have to worry about the exchange rate volatility because it can be resolved very quickly once the fiscal deficit issue is addressed," he said. The Ghanaian economy had since the beginning of the year gone through a lot of downturns which has made the country less attractive to foreign investors.

The local currency has been fast depreciating against the major foreign trading currencies, particularly the US dollar which has shed more than 20 per cent of its value to the dollar since January this year alone. The situation has forced the Bank of Ghana to introduce some stringent directives on the use of foreign currency in the country. Inflation has also been on the rise since the beginning of the year, with the current rate (April 2014), pegged at 14.8 per cent. The country's fiscal debt has also been rising. Last year, the overall budget deficit of the government stood at GH¢9.5 billion or 10.8 per cent of Gross Domestic Product (GDP) as against a target of GH¢8 billion (nine per cent of GDP). In 2012, the budget recorded a deficit of 11.8 per cent of GDP with total revenue and grants in 2013 amounting to GH¢19.2 billion, against a budget target of GH¢22.5 billion. Mr Pianim said, "four years ago, Ghanaian economists thought of how not to let the cedi appreciate, how to make sure that the non oil sectors where also growing, and the cedi was not going to appreciate to make us non competitive.

The oil is there, cocoa is there, gold is there, so we don't have to be too pessimistic about the problems." The renowned economist reiterated the need for investors to consider areas that will help address the infrastructure gap with emphasis on the ports. According to him, currently Ghana's ports were being used as money collecting facilities instead for trade facilitation, something he said needed serious attention. "We can look at ports expansion for development to support Ghana as a hub; currently we use our ports largely as money collecting facilities instead of trade facilitation and I think that if we take it serious, we can use it as a gateway to landlocked countries such as Burkina Faso, Mali and Niger," he said. *(Ghana Web)*

The Deputy Ashanti Regional Minister, Mr Samuel Yaw Adusei, has called on China to make Ghana one of its manufacturing bases in Africa to help process the country's raw materials before they are exported. "We need to add value to our commodities before they are exported in order to get the maximum benefits from such products," he stated. Mr Adusei, who spoke to the Daily Graphic in Beijing, said Ghana needed partnership and not assistance in its relationship with China. "There is the need for a mutual kind of relationship where we will both benefit," he said. Mr Adusei was in China to take part in a seminar organised by the Chinese Academy of Social Sciences for presidential advisers in African countries. It was aimed at deepening the relationship between China and Africa and enabling the participants to learn from China's economic success. Mr Adusei described China's transformation since 1978 as mind-boggling, and stated that African countries could succeed if they took full advantage of their relationship with China. "Our relationship with China should be on a win-win basis.

It should be pervasive, and we need to work hard to know each other well and share ideas to fast track our economic development." Touching on the $3 billion China Bank for Development (CBD) loan, Mr Adusei called for measures to ensure the release of the loan for its intended purposes. He explained that the loan had been allocated for the development of the critical sectors of the country, and expressed the hope that all outstanding issues would be resolved in good time to ensure the smooth implementation of such projects. Mr Adusei observed that it would be in the interest of not only Ghana but China as well if the loan was released timeously.

That, according to him, would help disabuse the minds of people of the notion that China's collaboration with Africa was that of neo-colonialism. On his impression after the seminar which also took him to the Ningxia Hui Autonomous Region in China, Mr Adusei said he was "so challenged to contribute his quota to Ghana's development". "There is hope for Ghana. China came from nowhere. With effective planning and efficient implementation, we can succeed. Everything should be done step by step." Mr Adusei noted that Ghana must be committed to its chosen political path, while Ghanaians must work with commitment and dedication to enable the country to achieve its development targets. He called for more scholarships for Ghanaian students to study the Chinese system in order to be challenged and dedicated to the cause of Ghana. *(Ghana Web)*

The Ghana Reinsurance Company Limited (Ghana Re) is awaiting the approval of its shareholder; government, to recapitalise the company with an additional GH¢300 million. The need for recapitalisation, according to the board chairman of the company, Mr Lionel Molbila, was to give the company the leverage to strengthen its business activities in Ghana and beyond the African continent. Speaking at the company's annual general meeting in Accra on June 17, the Board Chairman explained that increasing the capital base of the company

was to help it to also improve its business and sustain growth. "We are committed to sustainable growth and are certain that with increased capacity from recapitalisation, we will boost business operations in our offices in Kenya and Cameroon and expand into other selected markets," he said. The company is a leading international reinsurer in Ghana principally involved in all classes of general reinsurance business and provides insurers the confidence and capability of underwriting all risks and making prompt payments of claims. But in a swift response to the request for approval at the meeting, the Director of Public Investment at the Ministry of Finance, Mrs Magdalene Apenteng, asked the board to hold on the recapitalisation request as she had not been given the nod from higher authority to approve.

Mrs Apenteng, who represented the major shareholder, said there would be broader consultations on the recapitalisation going forward before subsequent approval, although the request, according to Mr Mobila, had been lingering on since 2011. According to her, the Minister of Finance, Mr Seth Terkpeh, was currently not in the country and, therefore, urged the board to exercise a bit of patience as deliberations would still continue after the meeting before any approval could be given. The company increased its profit by 50 per cent from GH¢20 million in 2012 to GH¢30 million in 2013. Composite gross premium also grew by 10.27 per cent from GH¢67.8 million in 2012 to GH¢74.8 million in 2013. Mr Molbila explained that 67 per cent of the company's premiums was generated locally with 33 per cent coming from markets outside Ghana. The company's balance sheet expanded by 29.09 per cent as a result of net profit transferred and revaluation surpluses. The increase is represented by GH¢37.8 million in cash and money market investments, as well as increases in equities and investment properties of GH¢19.5 million. *(Ghana Web)*

Government is losing millions of cedis of import duty revenue in what appears to be undervaluation of specific brands of imported fruit juice. This alleged illegal act has made imported fruit juices cheaper than locally produced ones, threatening the survival of local fruit processing firms. For example, a company distributing one popular brand of fruit juice declares import Free On Board (FOB) at $4.06 per carton, instead of the actual FOB of $11.52. So far, four major fruit juice importing companies (names withheld) are said to be involved in this alleged undervaluation, and the Presidential Revenue Mobilisation Taskforce would have to look into the matter. For example, one company is said to be importing over 20,000 cartons of fruit juice per month on the average, with each carton containing 12 packs, and each pack weighs one litre.

This translates into not less than 100,000 cartons of fruit juice imported between January and May this year, which works out to give a profit of about $752,000 for the importer. Even though the agreement on customs valuation recommends the use of actual price payable subject to specific adjustments, information available to The Finder points to serious issues on the declared values of imported fruit juice purported to be the actual price. An analysis of the difference in the declared invoiced prices of some particular fruit juices compared to other fruit juices of equal quality raises serious valuation issues. Consequently, the distributor and wholesale prices of the said fruit juice brands give credence to alleged manipulation and possible collusion between importers, suppliers and customs officials. What is baffling is that even though Customs took some measures mid-2013 to correct the disparity, for unexplained reasons, the values being paid now are even lower than before. *(Ghana Web)*

The Managing Director of Solidaridad West Africa, Mr Isaac Gyamfi, has called for concerted efforts to tackle the threat posed to the nation's cocoa production by illegal gold mining. He said the danger was real and must never be under-estimated, adding that, decisive action must be taken to deal with it. Solidaridad is an international non-governmental organization (NGO), engaged in the training of farmer groups in six countries in the sub-region, to increase agriculture production. Mr Gyamfi said the situation where cocoa trees were being cut down to make way for the digging of the precious mineral, undoubtedly would hurt production levels. He was speaking at a farmers' forum held at Tepa in the Ahafo-Ano North District, by "Kookoopa", a farmers' association. He said the nation would pay the cost for the disturbing degradation of the vegetation. Mr Gyamfi advised the farmers to adopt improved farming practices to raise crop yields and returns. He announced a project dubbed "Youth in cocoa business", his organization has launched, to encourage young people into farming, and to aid them to see this as a rewarding business. Under it, he said, they would be trained in best farming practices, and assisted to acquire farm lands, and therefore, appealed to chiefs and other land owners for support.

The Tema and Takoradi Ports recorded 21.5 million tonnes of maritime trade from January to December 2013. The Port of Tema handled more than 77 per cent of the total trade, which amounted to about 16.7 million tonnes while the Port of Takoradi dealt with the remaining 23 per cent amounting to 4.4 million tonnes. This was made known in the January-March 2014 Shipping Review of the Ghana Shippers Authority. The total figure showed an increase of 10.7 per cent over the 19,489,731 tonnes handled by the two ports in 2012. Total imports for 2013 was 16,568,206 which showed a 10.4 per cent increment over the 15,007,713 obtained in 2012. There was an increase of 11.7 per cent of total export from 4,482,018 tonnes in 2012 to 5,008,600 tonnes in 2013. According to the review, the total import trade recorded in 2013 comprised 6.6 million tonnes of Liner items, 3.3 million tonnes of Break Bulk, 3.6 million tonnes of Dry Bulk items and 2.9 million tonnes of Liquid Bulk items.

The liner import trade was made up of items such as processed foods, chemicals, tiles, frozen meat and food, machinery and equipment, polythene raw materials and bagged rice. Under the Dry Bulk import category, clinker recorded the highest of about 1.77 million tonnes followed by 775,514 cement import, and 600,449 of bulk wheat. Most items under the Liquid Bulk import trade saw decreases in the quantities imported during the period under review compared to that of 2012. The review indicated that petroleum products decreased by 15 per cent and bitumen by 95 per cent. However, liquefied petroleum gas saw an increase of 25 per cent. It stated that majority of the maritime import for 2013 came from the Far East, Africa, North Continent, the Mediterranean, and other *ranges.* On the performance of the shipping agents in the maritime trade for the 2013 period, a total of 54 shipping agents took part in the liner trade with Maersk Ghana Limited handling 1.78 million tonnes representing 8.3 per cent of the liner throughput. Nineteen shipping agents also handled the dry bulk cargo, while 45 and 17 agents accounted for break bulk trade, and liquid bulk trade for the 2013 year maritime trade. *(Ghana Web)*

Ghana's unadjusted gross domestic product growth stood at 6.7 percent year-on-year in the first quarter of 2014, down from 9.0 percent in the same period last year as industry struggles, the statistics office said on Wednesday. The agriculture sector recorded the highest growth rate at 12.7 percent year-on-year, while the industry sector recorded a growth figure of negative 1.1 percent, Baah Wadieh, deputy government statistician, told a news conference. "We are experiencing a lot of power and water problems and competition from outside," Wadieh said of the manufacturing sector, which forms part of the industry sector and recorded a growth of negative 19.3 percent. Ghana exports gold, oil and cocoa and its economy has seen five years of rapid growth, making it the envy of much of Africa. But it is wrestling with fiscal problems including a stubborn budget deficit, escalating inflation and falling currency. Annual producer price inflation rose to a 33.1 percent year-on-year in May from 31.5 percent in April, its highest level since Jan 2010, with mining and quarrying rising 10.0 percentage points in May compared with last month. Producer price inflation is an advance indicator of consumer price inflation, which rose to 14.8 percent in May driven mainly by a persistent depreciation of the local cedi currency. *(Reuters)*

Kenya

Corporate News

Cement manufacturer Bamburi is set to appoint chief executives for its Kenya and Uganda businesses in a shake-up that will see the firm separate management of the two operations. Bamburi, which is majority-owned by French cement giant Lafarge, currently runs its Kenya and Uganda businesses as a single cluster. The Kenyan business has three subsidiaries; Bamburi Cement Ltd, Bamburi Special Products Ltd and Lafarge Eco Systems while the Ugandan unit is managed as Hima Cement Ltd. "With a view to improving focus on our markets it has been decided that, starting July 21, 2014, the Kenya-Uganda cluster will be managed as two separate country organisations each with a country CEO and executive team," said outgoing Bamburi chief executive Hussein Mansi in a staff memo seen by the Business Daily.

Bamburi Kenya will be headed by new chief executive Bruno Pescheux, who is currently the country CEO for Syria while the current Hima Cement general manager Daniel Pettersson will be promoted as the Uganda business' boss. "Bruno and Daniel will both report directly to Tom Farrell, group EVP (executive vice president) operations," said Mr Mansi's memo, which also announced his impending re-location to Lafarge Egypt by the end of next month. The executive changes underline the Nairobi Securities Exchange (NSE)-listed firm's quest to win back the highly competitive Ugandan cement market, whose underperformance was blamed for pulling down Bamburi's net profit by a quarter last year. "This new organisation will allow the business to successfully continue its transformation journey and achieve its ambitions by enabling greater flexibility in setting strategy and in responding to local customer needs," said Mr Mansi.

Bamburi is now controlled 58.6 per cent by Suisse conglomerate LafargeHolcim, following the merger of Holcim and French firm Lafarge in April. Mr Pescheux faces the daunting task of growing Bamburi Cement's earnings in a market where increased competition from new players such as Savannah, Mombasa Cement and National Cement has kept cement prices flat over the past decade. Bamburi reported that operating profit from the Kenyan unit remained flat last year due to lower demand in the first half of 2013, lower infrastructure spend as well as declining inland Africa exports. Mr Pettersson, 39, will oversee operations at Hima Cement which reported a 58 per cent drop in operating profit last year due to margin pressure in the Uganda domestic market, reduced exports, frequent power outages and rising energy costs. Bamburi's net earnings dipped 25 per cent to Sh3.6 billion last year compared to Sh4.8 billion in 2012, attributed to profit margin pressures in Uganda and lower export sales from Hima Cement. Its turnover decreased by 10 per cent to Sh33.9 billion last year also blamed on lower performance in Uganda attributable to competitive pressure and lower exports to inland Africa markets out of Uganda due to continued political tensions in those markets. Mr Mansi's tenure at Bamburi has seen sales from the Uganda factory drop two years consecutively to Sh14.5 billion or 43 per cent of total group revenue last year from 45 per cent (Sh17 billion) in 2012 and a peak of 49 per cent (Sh17.6 billion) a year earlier. *(Business Daily)*

Kenya Airways is to focus on carrying transit passengers through its Nairobi hub as tourists have been put off visiting the east African nation by the series of attacks blamed on Islamists, its new chief executive said on Wednesday. The airline, which picked chief operations officer Mbuvi Ngunze to replace Titus Naikuni as chief executive when he leaves in December, has suffered following a fire at the Nairobi airport last August and attacks by Somalia's al Shabaab rebels. The carrier, which is 26.73 percent owned by Air France-KLM and 29.8 percent by the government, reported a 55 percent drop in pretax losses to 4.86 billion shillings ($56 million) in the year ended March 31. But investors were disappointed that the number of passengers was not keeping up with the expansion of its fleet, sending its shares down 6 percent to 10.85 shillings. "They are getting more planes which means getting more capacity but they are not able to fill them up," said Eric Musau, a research analyst at Kestrel Capital.

The so-called load factor, which measures seat sales as a percentage of capacity, slipped to 65.6 percent from 68.7 percent the previous year, weighed on by a drop of as much as 20 percent in traffic on some routes, especially in Europe. Ngunze said he expected the airline, which flies to 65 destinations around the world, to weather the challenge. "We of course are concerned by the reduction in numbers but we have got to buckle in," he told Reuters after a briefing for investors. Capacity at Kenya Airways will rise by 40 percent this financial year on

the back of the delivery of new Boeing 787 and 777 widebody jets, its finance director Alex Mbugua said, indicating the scale of the challenge faced to sell seats. Ngunze said they would overcome the problem by targeting travellers from the rest of Africa who can use Nairobi as a hub to and from other destinations in the world. "Insecurity (in Kenya) is a concern," he said. "The capacity we are putting in is not short-term capacity ... We are putting in assets that have a 15-, 20-year outlook." Kenya Airways started flying to Abuja in Nigeria this year as part of plans to improve connections. During the year in review, total revenue increased by 7 percent to 106 billion shillings, mainly due to higher average fare yields from the passenger business. Direct operating costs fell by 2 percent, driven mainly by savings of 1.5 billion shillings from favourable oil prices and more efficient fuel consumption, Mbugua added. The airline, which was privatised in 1996, also benefited from a realised gain of 972 million shillings from its fuel-hedging positions. Naikuni, who has run the company since 2003, said they were planning to open new routes this year using the new 787 Dreamliners. "We are also looking into going to Beijing this year," Naikuni told the investor briefing, adding the route will be launched in September. *(Reuters)*

Economic News

The Finance Bill has proposed a new taxation regime for the country's oil and gas sector. It proposes total overhaul of the ninth schedule of the Income Tax Act to match recent developments following discoveries of commercial quantities of oil, increased investor appetite and multibillion deals in sale of part interests in licensed blocks. The National Treasury wants to tax the net gains of such sales if the value of a transaction is 20 per cent or more of the total transaction value. It proposes that the amount of net gain be included as income chargeable to tax if the interest derived is more than half (50 per cent) of its value from sale of oil blocks, or the full amount of the net gain.
While the deals are subject to taxation on income from sale of the resources, a fresh challenge arises from the fact that most of these transactions are happening offshore, as admitted Mr Pancrasius Nyaga, KRA's commissioner for domestic taxes, in a recent interview. "Income from exploration and premium will be based on the quantity of value of minerals. This is calculated from the gains or profit of the licensee. The net gain income is that which was derived from Kenya," National Treasury Cabinet Secretary Henry Rotich says in the Bill to be tabled in Parliament for enactment. Under the Withholding Tax introduced two years ago, sale of shares or assignments of rights by an oil company will attract 10 per cent charge for resident firms, and 20 per cent for non resident firms.

However, this was amended in July last year after lobbying by exploration firms, who said it amounted to double taxation. Deloitte Touche's Nikhil Hira, for instance, says such acquisition should not attract taxation. While the existing law needs to be overhauled, he says, tax on oil assets should apply at the production stage when revenues accrue to oil firms. "There is no gain from farm out or farm-ins because of future commitments between parties on future sales. Tax income should be charged only after a discovery is made," he said on telephone. "The current law on oil and gas is outdated. This is a review of the whole Act, but the Withholding Tax was challenged based on global best practices," he added. Industry players also opposed the new taxation. "There are no gains made during farm outs, but reimbursement of costs on past expenditure. So what are you taxing? "asked an official of Zahara Oil, one of the 24 licensed prospectors in Kenya. At the moment, Capital Gains Tax remains suspended since 1985. Such transactions effectively change the control of shares of Kenyan assets to a third party. Cove Energy recently sold 100 per cent of its interests in Mozambique and Kenya, bucking the trend of partial sales known as farm-in and farm-outs. This prompted the government to demand the equivalent of 30 per cent of the total cost of the oil blocks. According to the Kenya Revenue Authority (KRA), there have been several such transactions, which earned the government nothing in tax due to the way the deals were structured. Two years ago, the government dropped a tax demand of about Sh3 billion from sale of five oil blocks in Kenya from Cove Energy, following its acquisition by a Thai company. One of the five was Block L10A — where an oil find was announced this week. *(Daily Nation)*

The World Bank will lend Kenya $4 billion over the next four years, most at below commercial rates, to help finance new infrastructure and other areas of the economy to boost growth and cut poverty. Thomas O'Brien, the Bank's country co-ordinator for Kenya, Rwanda and Eritrea, said on Monday the bulk of the funds, about $600-$800 million annually, would be in concessionary loans to the government for transport, energy and other projects. The rest will be direct lending to firms through its private sector arm, the International Finance

Corporation (IFC), and in form of guarantees to foreign investors. "We are going to be investing ... $4 billion over the next several years to help spur economic growth (and) to bring down poverty," O'Brien told Reuters after the launch of the bank's Kenya strategy to mid-2018. The east African nation relies on funding by international development financiers like the World Bank for a portion of its budget. Western nations are also major donors. Finance Minister Henry Rotich said the deficit in Kenya's budget for the year starting July 1 would be 342.4 billion shillings ($3.92 billion), equivalent to about 7.4 percent of gross domestic product.

O'Brien said there was an urgent need to improve the business climate to raise private investment from the present equivalent of 15 percent of GDP. "That means putting money into transport, into energy, into water," he said. Kenyan officials are racing to build new roads, airports, seaports and energy plants to keep up with growing demand and to cut costs of doing business, but O'Brien said more was needed. "Like most economies, Kenya has been improving its infrastructure but it is still not where it needs be," he said. The World Bank's financial support will also be spent on funding projects social sectors like education and health in order to help the poor, he said. Some 39 percent of the country's 40 million population are classed as poor, which the World Bank defines in global terms as those living on $1.25 or less a day. *(Reuters)*

The highest price for top-grade Kenyan tea dipped to $3.20 per kg at this week's auction from $3.22 per kg last week, Tea Brokers East Africa said on Wednesday. Kenya is the world's leading exporter of black tea. The crop is a main source of foreign exchange for the east African economy, together with horticultural products and tourism. Best Broken Pekoe Ones (BP1s) sold at $2.22-$3.20 per kg compared with $2.12-$3.22 per kg last week. Best Brighter Pekoe Fanning Ones (PF1s) fetched $2.30-$2.74 per kg from $2.30-$2.78 per kg at the last sale. Tea Brokers said 9.88 percent of the 165,116 packages, or 10.5 million kg, remained unsold. That compares with 16.31 percent of the 170,461 packages, or 10.88 million kg, that were unsold last week. Most of the tea offered at the Mombasa auction is from Kenya, but tea from Uganda, Tanzania, Rwanda, Burundi and other regional producers is also sold. *(Reuters)*

Kenya will grow slower than expected in 2014, the World Bank said on Thursday, citing poor rains and growing insecurity in east Africa's biggest economy. The World Bank said Kenya's economy would expand 4.7 percent this year, shaving 0.5 percentage points off its previous estimate six months ago. The bank projects growth to remain the same in 2015. The cuts suggest growth in Kenya will lag its east African neighbours. The government earlier this month put Kenya's growth at 5.8 percent this year and 6.4 percent in 2015. "The new projections reflect the effects of the drought, the deteriorating security situation, low level of budget execution, and tight global credit as the U.S. Federal Reserve winds down its expansive monetary policy," the bank said in its June Economic Update for Kenya. The bank also said inflationary pressures were building and warned that inadequate rainfall seen this year could create macroeconomic instability in 2014. "Higher food and electricity prices are expected to raise inflation above its target level, putting macroeconomic stability, private investment, and projected growth at risk," the bank added. *(Reuters)*

Malawi

Corporate News

No Corporate News this week

Economic News

No Economic News this week

Mauritius

Corporate News

No Corporate News This Week

Economic News

The weighted average yield on Mauritius 364-day Treasury bills edged lower to 2.61 percent at auction on Friday from 2.78 percent at the previous sale, the central bank said. The bank accepted bids for all the 500 million rupees ($16.50 million) worth of bills on offer. Bids totalled 1.910 billion rupees, at rates ranging from 3.30 percent to 2.56 percent. *(Reuters)*

Mauritius' trade deficit narrowed by 8.7 percent in April to 5.86 billion rupees ($193.24 million) from a year earlier, Statistics Mauritius said in a statement on Monday. Export revenues rose 17.1 percent to 7.76 billion rupees, driven by higher sales of manufactured articles. Imports edged higher by 4.4 percent to 13.62 billion rupees, led by the rising cost of machinery and transport equipment that increased to 3.05 billion rupees from 2.44 billion a year ago, the statement said. France and Britain were the main buyers of goods from Mauritius in April, accounting respectively for 13.9 percent, while India supplied 20.6 percent of the island nation's imports. *(Reuters)*

The unemployment rate in Mauritius rose to 8.0 percent in the first quarter of 2014 from 7.5 percent in the previous three months, but the figure was lower than the same period a year earlier, official data showed on Thursday. Mauritius relies heavily on business with Europe, its main export market and the source of many of its tourists. Statistics Mauritius Office said in a statement there were 523,200 employed Mauritians in the first quarter of the year, against 535,300 employed in the fourth quarter of 2013 but more than the 513,900 who were in work in the first quarter of last year. The statistics office said the unemployment rate was 8.6 percent in the first quarter of 2013. Government statistics showed a total of 45,300 unemployed. Official forecasts project an unemployment rate of 8.0 percent in 2014, the same as last year. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Nigeria

Corporate News

The share price of Oando Plc went up by about 52 per cent last week as investors reacted positively to the ministerial consent the company received for the acquisition of ConocoPhillips (COP) Nigerian assets. Oando's share price rose from N20 to close at N30.37 per share. Oando, through its subsidiary, Oando Energy Resources(OER), had begun the process of acquiring the ConocoPhillips' assets for $1.65 billion but the minister's consent has been delaying the conclusion of the deal. However, the minister finally gave her consent last Wednesday. The ministerial consent is the mandatory final approval for all oil and gas acquisitions in the country as stipulated under the Petroleum Act of 1969. This development attracted more demand for Oando's shares, which led to a gain of 52 per cent in one week. Commenting, on the development, Group Chief Executive Officer of Oando Plc, Mr. Wale Tinubu, said: "We are delighted to receive the approval of the Honourable Minister of Petroleum Resources for the completion of the acquisition. "It has been a long journey, wherein we kept faith with our strategy and executed every milestone diligently. This acquisition satisfies our criteria for assets in production, as well as excellent appraisal and exploration prospects. The coast now stands clear for us to immediately complete the acquisition." Oando said with the due completion of the game-changing acquisition, it will be positioned as the largest indigenous oil producer in Nigeria.

The company said in a statement that it would now produce 50,000 barrels of oil equivalent per day from six producing fields and would also significantly impact its near immediate upstream strategy and operations, and optimise its value across the energy chain. The company had, before now, said it would increase its pre-tax profit to over N100 billion due to increased production via acquisition of COP Nigerian business. According to the company said post-acquisition, Oando's Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) will rise from the current annual average of N45 billion to N100 billion. *(This Day)*

Dangote Cement Plc, at the weekend, dismissed as unfounded the claim that the recent review and grading of cement quality would lead to loos of job, saying on the contrary, it would open opportunities for more jobs. The clarification came just as the Ibese plant of the company strengthened its relationship with the host communities in Yewaland, Ogun State, when its disbursed scholarship awards worth millions of naira to deserving students from the communities in higher institutions and secondary schools. The leading cement manufacturers explained that the quality review and the standardisation of cement by the Standards Organisation of Nigeria (SON) would lead to further creation of job as the classification gives room for engagement of more hands. The Group Managing Director of Dangote Cement, Devakumar Edwin, made this clarification in Ibese during a scholarship award to students of higher institutions and secondary schools from the host communities of the cement company. Edwin's position came in the wake of protests and complaints by some other cement manufacturers and their employees who feared that switching over to the high quality cement grade would affect their profit and therefore inciting the members of the public to reject the new quality review on the pretext that it would lead to loss job.

The Dangote Cement boss, who spoke in Lagos when a group of businessmen paid him a visit in his office at the weekend, said: "Gentlemen, let me tell you, the new cement quality review and trading would only create more jobs, guarantees confidence as the exercise properly positions the different types of cement we have and their uses. When you produce a quality product, you would need more hands than when you are churning out low quality and substandard that requires little or no effort. "Let no one deceive you, all over the world, only quality cement is acceptable, Nigeria is no longer a dumping ground. SON has graded cement, all your building works should be done with 42.5 grade, 32.5 according to SON is meant for plastering only while 52.5 is for specialised construction like bridges, high rise building among others." The award ceremony, saw the jubilant students and their parents singing praises of Dangote Cement for the unprecedented gesture. The award, which is a big boost to the corporate social service profile of the cement manufacturers, came with a promise by the group managing director of the company, that the company would continue to partner the communities on areas of development by adding values to the indigenes lives especially in the area of intellectual content development. Addressing the gathering, the Director of Operation, Jagat Rathee, who represented Edwin, said the scholarship award was just one of the many ways the company has been improving on the lives of the people of its host communities, pointing out that Dangote Cement was noted for adding values to the lives of the indigenes of

the communities where it operates both within and outside the country. He stated that one of the core values of Dangote Group as a whole was to improve the standard of living of the people through production of quality household products, provision of gainful employment and development of areas from where it operates.

Rathee noted that it was therefore not by accident that Dangote Cement decided to lift the host communities and people by providing amenities needed to make life easy for them and that the educational scholarship was to compliment the CSR activities by focusing on education of the children in the host communities as leaders of tomorrow. The Deputy General Manager, External Relations, Joseph Alabi, while giving an overview of the scholarship explained that the award was the second and that the number of the beneficiaries had increased from that of last year school session. He also announced that the company was planning massive job recruitment for could the host communities residents for its packaging company, Agro Sack, which is billed for completion very soon as the company would be responsible for the production of sacks for cement bagging. "Tell your qualified sons and daughters to be ready, we are going employing them. This is where we are doing our business and this is where we will recruit the qualified hands," he stated amid applause from the gathering. One of the recipients of the award, Kola Adeleke of Federal University of Technology, Akure, commended Dangote Cement for the financial assistance, saying it would go a long way to encourage them to face their education as many had dropped out of school because of financial constraints. He thanked Dangote Cement for the gesture and promised that the host communities would continue to work towards peace and tranquility that would give the conducive environment for production. Also speaking, the Olu of Imasayi, leading monarch in the area, explained that the people are pleased with what Dangote Cement was doing and urged the management to continue in that direction. He promised that he and other royal fathers would ensure peace reigns in their domain so that business could go on unfettered. *(This Day)*

Oando shares surged 10 percent on Monday, extending a 20 percent rise over two days after the oil firm last week said it had won government approval to complete a long delayed $1.65 billion buyout of ConocoPhillips' Nigerian assets. Oando - listed in Lagos, Toronto and Johannesburg - agreed to buy ConocoPhillips' Nigeria assets last year, but the deal was delayed several times due to problems raising funds, oil industry and banking sources said. Its Lagos-listed shares rose to 33.47 naira each, helping lift the index of Nigeria's top five oil and gas stocks up 4.04 percent. *(Reuters)*

As part of the efforts of government to ensure that consumers get value for money, the Weights and Measures Department, Federal Ministry of Industry, Trade and Investment, sealed Automated Teller Machines(ATMs)belonging to UBA Plc and Union Bank. The UBA bank located in AP Plaza, Wuse 2 and the Union bank branch in the Central Business Districts were found to be using ATMs and counting machines that are not properly certificated by the appropriate authority. Apart from the sealing of the ATMs, the Weight and Measure Department of the Ministry of Trade, Industry and Investment which conducted the exercise, also carted away counting machines of the affected banks. There have a been various complaints from customers across the country over the malfunctioning of some ATMs which have often times led to debiting without payment and other sundry complaints. Speaking during the exercise, Mr. Salim Mohamed, a legal metrology in the Weight and Measure Department of the Ministry of Trade, Industry and Investment, stated that both banks contravened the provision of weight and measure Act by deploying machines that were not certificated by the appropriate authority.

He stated,"The essence of the exercise is to enforce compliance to the provision of the Weight and Measure Act which states that any equipment that is deployed to use in the country must be properly certificated. "Before any equipment is put into use in Nigeria, it has to be verified to find out whether it is accurate. This is the normal practice all over the world, and Nigeria cannot be an exception. In the exercise we have just concluded, we found out that the banks contravened the provision of the laws and we have taken an initial step to stop the usage of their ATMs and counting machines. Mohamed said the compliance exercise began in 2012, noting that it would continue until all organisations using weight and measure equipment in the country comply with the provision of the law. Asked if there was a basic stipulation regarding the standard of measurement, he stated that the country was following the regulations set by the International Organisation of Legal Metrology(IOLM), the intentional body that provides regulation for the testing of equipment. On whether the department could not go beyond sealing the defaulting ATMs, he said there were other sanctions, stressing that the punishment meant out to defaulters depended on the enormity of offence committed. a the matter.

In the interim, what we have done is to seal the ATMs because the banks are not permitted by the law to use equipment that has not been certificated by the appropriate authority," stated. The Director, Weights and Measures Department, Eng. Joseph Sikuade today in his office at the Headquarters of the Ministry said that the Ministry has been interacting with stakeholders to enlighten them on the need to comply with weights and measures act, adding that the recent intervention by the department was geared towards satisfying customers and most of the operators have been complying with the weights and measures act. “Customers are our priority and for them to get value for their money, the Ministry's responsibility is to ensure accuracy in all transactions, fairness and legal use of weighing and measuring instrument in the country.” Eng. Sikuade said. Other banks that have started to comply with weights and measures act were GTB, Heritage Bank and Wema Bank plc.and others. The verification certificate is mandatory for every marketer to possess for its equipment which is valid for a year and it is usually issued after dispensing pumps had been tested and found to be accurate but due to their nature and a bid to maximise profit some marketers do readjust their meter to short-changed motorists. *(This Day)*

The Managing Director of Shell Petroleum Development Company (SPDC) and Country Chairman of Shell companies in Nigeria, Mr. Mutiu Sunmonu, has disclosed that the group contributed $70billion to the Nigerian coffer from 2009 to 2013. Briefing journalists in Lagos last night, Sunmonu stated that while SPDC contributed $44billion, the sister company, Shell Nigeria Exploration and Production Company (SNEPCo) paid $26billion. Sunmonu further stated that Shell companies awarded contracts worth $1.5billion to Nigerian companies in 2013 and paid $180million to the Niger Delta Development Commission (NDDC). According to him, Shell also contributed over $700million to Education Fund and over 100million on corporate social responsibility. On crude oil production, Sunmonu disclosed that SPDC produced average of 535,000 barrels of oil equivalent per day in 2013, while SNEPCo produced 158,000 barrels of oil equivalent per day. He said the companies' overall production of 693,000 boe/d in 2013 was less than the 949,000boe/d produced in 2012 because of crude oil theft and sabotage. Sunmonu said about 1.2billion cubic feet of gas was being flared in Nigeria, with Shell accounting for only 18per cent. On the alleged pressure from some quarters for oil companies to contribute to electioneering, Sunmonu said he was not aware of such pressure. He, however, disclosed that he had earlier yesterday sent a circular to all Shell staff, warning them that the company does not engage in politics. He also informed the workers via the circular that any of them who chooses to contribute to electioneering must declare such intention officially to the company. *(This Day)*

First City Monument Bank Group Plc (FCMB) said it plans to raise about $300 million of funding this year to boost consumer lending. FCMB, based in the commercial capital, Lagos, may consider issuing Eurobonds if market conditions are favorable, the bank's Chief Executive Officer, Mr. Ladi Balogun informed Bloomberg. “Our preferred source of funding has been the loan markets as opposed to bond markets due to more stable pricing,” he said. “We will probably get to about 40 per cent of our loan book being personal lending.” The CEO said FCMB plans to increase its loan book by about 20 per cent to N540 billion ($3.3 billion) this year, as it joins other Nigerian lenders in raising debt to boost credit to consumers and fund infrastructure in Africa's largest economy. The lender acquired FinBank in 2011, one of eight banks bailed out by the Central Bank of Nigeria during a debt crisis in 2009. The bank is targeting a return on equity of 15 per cent this year and 20 per cent in 2016 compared with 13 per cent in 2013, Balogun said. FCMB plans to increase its customer base to four million by 2016 from 2.5 million, he added. FCMB's profit rose 21 per cent to N5.05 billion in the three months through March from a year earlier, the company said in April.

Shareholders of the group had approved a total dividend of N5.94 billion earlier recommended by the directors for the 2013 financial year. This translated to a cash dividend of 30 kobo per ordinary share, for the year ended December 31, 2013. The Coordinator of Independent Shareholders Association of Nigeria (ISAN), Mr. Sunny Nwosu had commended the board and management of the FCMB Group for the feat achieved despite the challenging environment in 2013. The Chairman of FCMB Group, Dr. Jonathan Long had also explained that the Group, which comprises First City Monument Bank Limited, FCMB Capital Markets Limited and CSL Stockbrokers Limited, has recovered strongly over the past two years and in 2013 made sufficiently strong progress. He attributed this to the implementation of initiatives that have improved efficiency and the successful integration of FinBank, which he said enhanced FCMB retail banking strategy. Long added: “The intention to pay dividend signifies the desire of the Board to reward the Group's shareholders for their continued commitment and support.” On his part, the Managing Director of FCMB Group Plc, Mr. Peter Obaseki, noted that the Group is on track to deliver on its

promise to shareholders. *(This Day)*

Goddy Egene writes that last week's announcement by Lafarge Group to consolidate its African businesses is a good move that will improve its market share, deliver better returns to investors and most importantly make its presence felt as the second largest cement manufacturer in the world. Dangote Cement Plc and Lafarge Cement WAPCO Nigeria Plc are the leading players in the cement industry in Nigeria. At the Nigerian stock market, Dangote Cement leads in terms of share price and market capitalisation. For instance, the market capitalisation of Dangote Cement as at last Friday stood at N3.919 trillion, while that of Lafarge WAPCO stood at N345 billion. Lafarge WAPCO is the eight most capitalised on the stock market while Dangote Cement is most capitalised stock. Dangote Cement has 17 billion outstanding shares, compared to 3.0 billion shares of Lafarge WAPCO. Also, in terms of product capacity, Dangote Cement is the leader having operations across many countries in Africa. However, in order to narrow the gap, deepen its operations and expand its market share, Lafarge Cement last week announced plans to consolidate its businesses in Africa. Lafarge said it will consolidate its holdings in Nigeria and South Africa into a new entity to be known as Lafarge Africa. The consolidation is expected to be completed in second half of this year and is subject to shareholders' and regulatory approval. Upon consolidation, the new entity, Lafarge Africa, will be 73 per cent owned by Lafarge Group and will remain listed on the Nigerian Stock Exchange (NSE). The transaction is expected to be concluded through a cash consideration of $200 million and the issuance of 1,402,575,984.

The company explained that under the proposed transaction terms, Lafarge Group will transfer its direct and indirect shareholdings in Lafarge South Africa Holdings (Pty) Limited (100 per cent - representing 72.4 per cent of underlying companies in South Africa), United Cement Company of Nigeria (UNICEM) Limited (35 per cent), Ashaka Cement (58.61 per cent) and Atlas Cement Company Limited (100) to Lafarge WAPCO. The new company will have a combined upon consolidation. The capacity, is in addition to operations in aggregates, ready-mix and fly ash. It is expected to have a leading presence leveraging on the two largest economies in sub-Saharan Africa with a combined cement capacity of around 12 metric tonnes per annum (mtpa) as well as operations in aggregates, ready mix concrete and fly ash. It will have increased product range and services in order to answer the growing building materials demand in sub-Saharan Africa. Lafarge Africa will be the sixth largest on the NSE by market capitalisation, from the eight position that Large WAPCO is currently occupying. Executive Vice -President Operations/Country CEO Nigeria, Lafarge Group, Mr. Guillaume Roux said the announcement marked a key milestone. "It adds momentum to our push for differentiation in order to deliver innovation that increases and improves our product portfolio. Our objective is to bring more housing and ever better solutions to contribute to building better cities that are more beautiful, more compact, more connected and more durable," he said. Also commenting on the development, Chairman of Lafarge WAPCO, Chief Olusegun Osunkeye said: "I am proud to be part of the creation of this leading African building materials platform. It will provide access to growth in two of the largest economies on the continent. It will mean that our shareholders are invested in a larger and more geographically diverse business; and it will contribute significantly to the economic growth of both our nations."

Analysts at IBTC Stockbrokers Limited said they see the move by the Lafarge Group to consolidate its interests in Nigeria and South Africa as positive. "We believe this represents a show of commitment to key markets on the African continent. We think the consolidation of Lafarge Group's interest in Nigeria is long overdue. However, we expect this proposed consolidation to provide the investment community with a more centralised communication channel, which has been elusive especially in the case of Ashaka Cement. In addition, Lafarge Africa will offer investors exposure to the infrastructure growth story of the two largest economies in Africa. On consolidation, we estimate an installed market share of 30 per cent for the Nigerian operations of Lafarge Africa by 2018," they said. They explained that a minimum of 7.5mtpa is expected from Nigerian operations, adding that they estimate that the combined entity will have a combined installed capacity of 20mtpa by 2018E. "We had previously highlighted additional capacity of 2.5mtpa each for Lafarge WAPCO and Ashaka Cement. We also understand that UNICEM is planning to double its capacity to five mtpa by 2016," they said. Rating the equities, the analysts said they have upgraded their recommendation on Lafarge WAPCO to a buy (previously sell) on the back of anticipated capacity expansion. "We also have a Buy rating on Ashaka Cement with a target price of N23.0 hinged on internal efficiencies. We believe both names are well positioned to benefit from the technical expertise and heritage of the Lafarge Group in Africa," they said.

The planned consolidation of the Lafarge Group's businesses in Africa, which is expected to boost its operations is generating excitement among stakeholders because the development will eventually lead to higher returns for investors. The company has already given indication for higher returns going by its 2013 financial results. The company recommended a dividend of N3.30 per share for the year ended December 31, 2013, showing a jump of 175 per cent above the N1.20 paid the previous year. The high dividend followed an impressive profit growth of 92 per cent for the year. The company grew its revenue by 12 per cent from N87.9 billion in 2012 to N98.79 billion in 2013. Profit before tax rose by 30.3 per cent from N21.2 billion to N27.7 billion. Profit after tax jumped from N14.7 billion to N28.26 billion. The company ended the year with earnings per share of N9.42 and the board recommended a dividend of N3.30, indicating a pay-out ratio of 35 per cent. Generally, Lafarge WAPCO has witnessed increased returns, a development analysts at Dunn Loren Merrifield have hailed. Driven by strong profitability, operational efficiency and less leverage, Lafarge's returns on asset (ROA) and shareholders' equity(ROE), have beaten 2008 peak levels of 15.56 per cent and 27.97 per cent to reach new multiyear highs of 17.55 per cent and 30.40 per cent in 2013. According to DLM, the company's ROA which was last in double-digits in 2008 has -reverted to double-digits in 2013 after four years of being in single digits. "Quite remarkable about Lafarge's ROE and ROA is the fact that they have, over the years, relied less on financial leverage, due to shrinking equity multiplier, and have thus become less risky.

"In recent times, they are driven increasingly by improving profitability – as measured by net profit margins – and growing operating efficiency – as measured by total asset turnover. In 2013, they reached high levels when operating efficiency was highest, profitability was highest and financial leverage was least," they said. They said in the years ahead, Lafarge WAPCO's ROE and ROA to remain less risky, as the firm continually deleverages, and improve on the back of strong operating efficiency and healthy net margins. Another positive item on the company's financials in 2013 was its cash flow, which grew by 77.9 per cent. Lafarge WAPCO generated a positive net operating cash flow of N36.94billion, up from N24.97billion posted in 2012. "Lafarge has been generating positive net operating cash flows since 2011, at the minimum, on the back of improving profitability, favourable tax position, strong activity ratios and optimal credit policy. "It is our opinion that Lafarge's strong and stable operating cash flow puts it in good stead and will provide support for its free cash flows in the event that the company embarks on massive capital expenditure," the analysts said. *(This Day)*

Economic News

Nigeria maintained its position as one of the top three destinations for Foreign Direct Investment in Africa, despite current challenges, the United Nations Conference on Trade and Development (UNCTAD) has said. UNCTAD said this just as the United Nations Industrial Development Organisation (UNIDO) gave its nod, in Vienna, yesterday, for the establishment of an Investment and Technology Promotion Office (ITPO) in Nigeria. According to the latest UNCTAD report, FDI inflows into Africa rose by four per cent to $57 billion with Nigeria's inflow standing at N5.6 billion in 2013. The report said only seven countries in Africa went above the $3 billion FDI inflow point. They are Nigeria, South Africa, Mozambique, Egypt, Morocco, Ghana and Sudan. The Commissioner for Industry and Private Sector Promotion, ECOWAS, Mr. Kalilou Traore, who spoke during the UNIDO forum on strategies and instruments for inclusive and sustainable industrial development, said the recently launched Nigeria Industrial Revolution Plan was a model for Africa, noting that foreign investments would always thrive in the right environment.

The Minister of Industry, Trade and Investment, Mr. Olusegun Aganga, who also acknowledged the massive investment by Nigerian companies in the country despite the current challenges, noted that the ITPO would help to promote Nigeria's local and foreign direct investment and technology, in addition to boosting job creation, technology transfer and industrial development. The minister said, "There are only a few countries in the world where UNIDO has set up ITPO to promote investment into the area of technology. The establishment of the ITPO in Nigeria will not only have a big positive impact on the Nigerian economy, it will also help in the innovation of the industrial sector. "UNIDO has bought into the NIRP and adopted Nigeria as one of the two countries in Africa that they want to work with for the realisation of Nigeria and indeed Africa's industrialisation goals. This is the first time that UNIDO will be doing this under the leadership of the new director general." The Director-General, UNIDO, Mr. Li Yong, said the NIRP would play a critical role towards the realisation of

Nigeria's inclusive and sustainable economic transformation through industrialisation. He said: "UNIDO sees the Nigeria Industrial Revolution Plan as a very important strategy for the country to achieve inclusive and sustainable industrialisation and economic transformation.

"I always remember the very strong statement made by President Goodluck Jonathan of Nigeria that industrialisation is the anchor of the transformation of the Nigerian economy." In his remarks, the Nigerian Ambassador and Permanent Representative to Austria, Mr. Abel Ayoko, said the launch of the Nigeria Industrial Revolution Plan by President Jonathan, had helped to significantly enhance the positive image of the country within the comity of nations. He noted that it was not surprising that Nigeria, in spite of "what people call our challenges", has maintained its top position in terms of FDI inflow. Ayoko added: "Since the visit of the director general of UNIDO to Nigeria a few months ago, where he was briefed in details about the NIRP, the DG has been telling my colleagues at the United Nations House in Vienna, that Nigeria is on top of an Industrial Revolution which is an integral part of President Goodluck Jonathan's Transformation Agenda. Here at the UN House, they are all excited about the NIRP and what Nigeria is doing." "In fact, for us as a country, this is the best time as far industrialisation is concerned. This is why UNIDO has keyed in to support Nigeria and we are all excited about this positive development," he said. *(This Day)*

The Chairman of UAC of Nigeria Plc (UAC), Udoma Udo Udoma, yesterday attributed the growth recorded by the company for 2013 financial year to innovative and proactive measures the company's management adopted to tackle market dynamics and competitive pressures in the operating environment. UAC grew its turnover by 13 per cent from N69.6 billion in 2012 to N78.7 billion in 2013, while operating profit rose from N11.5 billion to N15.3 billion. ased on the improved performance recorded in 2013 and in line with the company's dividend policy, the board recommended a dividend of N3.4 billion representing 36 per cent over the N2.5 billion paid in 2012.
Addressing shareholders at the company's annual general meeting(AGM) in Lagos, Udoma said the performance was made possible because the management took some proactive decisions. During the year we acquired two new companies, Livestock Feeds Plc and Portland Paints and Products Nigeria Plc and continued to build on our strategy of working with partners who bring value to our businesses. e currently have strategic partners in Tiger Brands Limited for UAC Foods Limited, Imperial Logistics for MDS Logistics Limited and Famous Brands for our UAC Restaurants Limited businesses. These bold initiatives have repositioned our group for sustainable growth and improved performance in the years ahead," he said.

He expressed optimism that UAC will record modest growth in 2014 the challenges notwithstanding. "We are very optimistic as to the growth prospect of UAC in the medium term as we integrate the two newly acquired businesses, Livestock Feeds Plc and Portland Paints and Products Nigeria Plc, into the UAC family and continue to build on the synergies created by our various strategic alliances with other industry leaders. "The future of UAC is indeed bright as we are poised to reap the benefits of the investments we are currently making as well as the capacity upgrades we are undertaking in our various businesses," Udoma said. He commented on Nigeria's centennial celebrations, saying: "As the country celebrates 100 years of the establishment of Nigeria by amalgamation of the Northern and Southern protectorates, we are proud of the contributions our company has made to the growth of the Nigerian economy over the period. We intend to make even greater contributions as we enter into our second century of existence." *(This Day)*

Some Bureau De Change (BDC) operators in the country have called for more clarification on the new capital requirements in the sub-sector that was announced by the Central Bank of Nigeria (CBN) on Monday. Specifically, the forex dealers urged the central bank to shed more light on the mandatory cautionary deposit which was reviewed upward to N35 million. The fee is expected to be deposited in a non-interest yielding account in the CBN upon the grant of approval-in-principle. The central bank also raised the minimum capital requirement in the sub-sector to N35 million, up from the N10 million it was previously. But speaking in an interview with THISDAY, the Chief Executive Officer, Blue-Wall Bureau De Change Nigeria Limited, Mr. Lucky Aiyedatiwa who pointed out that there is nothing wrong with reforms, stressed the need for clarification on the mandatory cautionary deposit. "There is nothing wrong with increasing the capital requirement. Since it is N35 million, people will run around to look for the money. But the only thing that I don't seem to understand is the warehousing of N35 million into a non-interest yielding portfolio. That is the only thing that we don't seem to understand," Aiyedatiwa argued.

Aiyedatiwa, who is a former executive member of the Association of Bureau De Change Operators (ABCON), explained that in the era of Class A BDCs, $200,000 was the mandatory cautionary fee which is almost N35 million. But he pointed out that the window Class A was assessing then, at $1 million per week was very profitable. "Then it was $1 million per week. So people could invest that much as mandatory deposit. But if in the present era, you are given only $50,000 per week and they want to increase share capital to about N35 million? "$50,000 is about $8 million.

"So why increase to $35 million? With the N35 million capital base and mandatory fee of N35 million, you will be investing almost $70 million in the business," he added. He argued that the policy may force a lot of forex dealers out of business. He therefore urged the central bank to introduce products to support operators. "As a government policy, all you need to do is to obey before complain. But I want to believe that the CBN means well and that there are other products they want to expose the BDC sub-sector to that they have not told us," he added. On its part, analysts at Afrinvest Securities Limited stated in a report that the ability of the CBN to follow through with the policy would be tested with the policy. It noted that the weekly sales limit of $250,000 earlier imposed on BDC operators in January this year by the CBN was later suspended amidst significant demand-supply mismatch within the BDC segment. This, according to a report by the research and investment firm then broadened the spread between Interbank and BDC rates to N13 levels in January. "Following the repeal of the dollar supply limit to the BDCs nonetheless, the gap between the interbank and BDC market eased to N3.90 in June and remains at benign levels currently. "In view of the deadline for the compliance of the policy slated for 15th July, 2014, we anticipate further widening between the 'street rate' and interbank rate," it stated. In order to support exchange rate, it suggested that the central bank's cashless policy should be extended to the naira/dollar forex market to check leakages of foreign exchange to unauthorised dealers and reduce the level of artificial demand in the sector. *(This Day)*

Nigeria sold 134.5 billion naira ($825.9 mln) in treasury bills with mixed yields on Wednesday, the central bank said on Thursday, amid lower subscription levels compared with its auction last week. The bank sold bills with maturities ranging from 3 months to one year and received subscriptions of 314.3 billion naira for the notes. Demand at a similar auction last week stood at 404.32 billion naira. With Wednesday's issue, Africa's biggest economy has raised 440.68 billion naira ($2.7 bln) in treasury bills this month as it seeks to manage money supply in the system, curb inflation and help government plug funding gaps in its budget. It has said it will raise 936.92 billion naira ($5.76 billion) in treasury bills in the coming three months. The bank issued 21.53 billion naira for 3 months on Wednesday at a yield of 9.95 percent, down from the 9.9 percent it fetched at a previous auction on June 18. It raised 31.83 billion naira for 6 months at a yield of 10.25 percent, as against 10.38 percent last week, and issued the one-year bill at 10.34 percent yield to raise 81.2 billion naira. It sold the one-year note at 10.39 percent on June 18. *(Reuters)*

Payments traffic on the SWIFT platform in Nigeria recorded an amazing 353 per cent rise in the last four years, according to figures released yesterday and made available to THISDAY. The development specifically underscores the explosive growth in the value and volume of trading in the country. The figures released at the SWIFT's 21st African Regional Conference holding in Marrakech, Morocco thus provide more evidence of Africa's growth and long term trends and especially the rising profile of countries like Nigeria in financial messaging platforms and payment markets. Africa's growth was particularly marked in the payments markets as volumes rose by almost 21 per cent versus just eight per cent worldwide. In payments, nearly 80 clearing and settlement systems, including banks rely on SWIFT for the secure messaging connectivity and common message standards essential to their smooth operation. SWIFT's traffic at a country levels indicate that many have experienced startling and differing pace of growth. In Nigeria, payments traffic grew by almost 42 per cent in the past 12 months and by a staggering 353 per cent in the past four years. The SWIFT data thus underscores the strong organic growth across Africa and in Nigeria particularly. The data revealed that its business in Africa had outperformed the total growth of the business globally. In the year to date, African volumes grew by more than 16 per cent versus 10 per cent growth for SWIFT worldwide, highlighting the vitality of the region. SWIFT, headquartered in Brussels, is a global provider of secure financial messaging services. It is a member-owned cooperative that provides communications platform, products and services to connect more than 10,000 financial institutions and corporations in 212 countries and territories. Specifically it enables its users to exchange automated, standardised financial information securely and reliably, thereby lowering costs, reducing operational risk and eliminating operational inefficiencies.

It also brings the financial community together to work collaboratively to shape market practice, define standards and debate issues of mutual interest. Speaking at the African Regional Conference (ARC), being held this year in Marrakesh, Head of Africa South at SWIFT, Hugo Smit, says: "Africa is an increasingly important market for SWIFT. Again this year it has outperformed most of our other regions and has proven itself a vital component of our business globally. "Most importantly, we know that the continent has huge growth potential, so we are committed to dedicating more resources, services and opportunities to the local financial community." Smit also stressed the value of his company's data in the story it tells, saying that SWIFT data has been independently validated to be closely correlated to economic activity through the development of the SWIFT Index. The SWIFT Index provides a range of proprietary fact-based indexes which can be used to derive an early indication of the short-term evolution of the Gross Domestic Product (GDP) for a country or group of countries. "Rising SWIFT traffic volumes are therefore an indicator of economic growth. The figures revealed today show strong organic growth across Africa and in Nigeria particularly, and serve as validation of the positive growth trends we are witnessing in the region," according to the statement from the company. The growth figures are the latest data showing a long-term growth trajectory with Africa's total Swift traffic rising by 63 per cent over the last four years, compared to the total growth of traffic globally of 36 per cent.

Payments had been the locomotive of this long-term growth, with a 75 per cent rise over four years (versus 37 per cent globally) but securities also significantly outperformed, with a rise of 52 per cent across Africa versus 41 per cent globally in the same time period. North African growth has been indicated as not been as strong as the rest of the continent, struggling to recover to the same levels following the Arab Spring; for example, SWIFT traffic growth for Morocco for the full year 2013 was just 2.7 per cent compared to 39.5 per cent in 2011. The statement however noted that volumes are beginning to recover with 5.8 per cent in the year to date and the long term trends is very positive, with 49 per cent growth in four years. Head of Middle East & North Africa, SIDO Bestani, said: "It's clear that North Africa has not yet recovered to its earlier growth levels, but the positive story is that volumes are coming back. It's also important to note that in Morocco, for example, payments growth is very similar to that in Europe, and that securities traffic growth is aligned with Africa. So taking a broader view, the trend in Morocco is very positive." *(This Day)*

Tanzania

Corporate News

No Corporate News this week

Economic News

No Economic News This Week

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Zambia

Corporate News

One of Zambia's most successful companies, Madison Financial Services PLC has announced the listing of 40% of its shares amounting to 20 million on the Lusaka Stock Exchange through an initial public. The IPO which is an offer for sale by existing shareholders will close on 1st August 2014. Madison Financial Services PLC is a subsidiary of the LSA Group and is the holding company of the financial services Group of Companies in Zambia and groups together Madison GeneralInsurance, Mgen Tanzania Insurance Company based in Tanzania, Madison Life Insurance, Madison Finance Company and Madison Asset Management Company. Lawrenece Sikutwa and Associates Limited (LSA) holds 80.5 percent in MFS Plc and the International Finance Corporation Limited (IFC), the private sector arm of the World Bank holds the remaining 19.5 percent. Madison Financial Services was established in 2007 to facilitate the entry of the IFC through equity and debt and IFC's investment horizon was five years which lapsed in December 2012 hence one of the reasons for the IPO which was an agreed exit mechanism for the IFC.

The history of Madison Financial Services dates back to 1992 when Madison Insurance Company Zambia Limited was formed as the first private insurance company following the liberalization of the insurance market in Zambia. The main purpose of the IPO is to seek and obtain equity participation of Zambian citizens and institutional investors and thus bring the company to operate as fully fledged and truly Zambian owned public company. LSA Executive Chairman Lawrence Sikutwa told a media briefing in Lusaka Wednesday morning that listing Madison Financial Services on the LuSE would help increase the customer base and strengthen the firm's market share. "The IPO will help broaden the shareholding of the Group to meet the requitements of the Bank of Zambia to enable the Group's microfinance company Madison Finance Company Limited to activate its deposit taking licence and this will also help promote and strengthen the capital market," Mr Sikutwa said. *(Lusaka Times)*

Economic News

Zambia is withholding $600 million in VAT refunds owed to copper mining companies and will repay the cash only when they produce import certificates from destination countries, mining minister Christopher Yaluma said on Tuesday. "That money is owed and we will have to pay as long as they fulfil the requirement. It was slightly above $600 million as at the end of May," Yaluma told reporters on the sidelines of a mining conference in the southern African nation's capital. The government in Africa's second biggest copper producer last year started enforcing a 2008 requirement that exporters provide it with foreign country import certificates for copper shipments in order to curb tax avoidance. However, the companies complained that they were often unable to do so because they sold via middle-men. The companies affected include the local units of First Quantum Minerals, Vedanta Resources, Barrick Gold and Glencore Xstrata. Yaluma said they had started producing the correct documentation after meeting Ministry of Finance officials three weeks ago. Officials from the affected companies were not immediately available for comment. *(Reuters)*

Canada's First Quantum has delayed investment projects worth more than $1 billion in Zambia due to uncertainty over the fiscal regime in Africa's second biggest copper producer, a director said on Tuesday. Zambia plans to review mining taxes to boost government revenue after "inadequate" receipts from the sector last year, Finance Minister Alexander Chikwanda said last week. The southern African nation also introduced a 10 percent export duty on unprocessed minerals. "There has been a lot of uncertainty in the fiscal regime. First Quantum has either slowed down or postponed over $1 billion in capital expenditure because of this uncertainty," company director Matt Pascal told a mining conference. "If this chorus against the mining industry continues, it will end up killing the golden goose," he added. Pascal said First Quantum had stockpiled 200,000 tonnes of copper concentrates worth $350 million at its Kansanshi mine after Zambia, which has limited smelter capacity, introduced the 10 percent export duty on concentrate exports. He added he believed Zambia had the highest tax rate in

the world despite public sentiment that the mines were contributing little to revenue. Mining taxes contributed 18.8 percent to government revenue in 2013. *(Reuters)*

Zimbabwe

Corporate News

DAIRIBORD Zimbabwe targets to capture 25 percent of the traditional beverages market share by December spurred on by its new traditional Pfuko/Udiwo maheuproduct, a senior official has said. DZPL managing director Mr Thompson Mabika said the new product has exceeded expectations, with good margins, only three weeks after introduction to the market. "The way it has been accepted is beyond our expectation to the extent that we had not planned for the sort of demand that we are witnessing," said Mr Mabika. "We want to be producing between 400 000 – 500 000 litres per month by December this year," he said. He said the company is planning to double capacity as demand for Pfuko/Udiwo maheu continues to increase. "We are not meeting demand therefore we need to double capacity; only then can we satisfy demand," he said. The company will, in the next two months, launch three other Pfuko/Udiwo maheu flavours, banana, strawberry and vanilla. DZPL launched Pfuko/Udiwo maheu as part of the company's strategy to increase the contribution of its non -milk value adding product lines in line with its "More Than Just Milk" strategic thrust. Pfuko/Udiwo maheu is a nutritious and filling traditional beverage and comes in two pack sizes, 350ml and 500ml.

The 500 ml variant is available on the shelf at a price point of 50 cents a unit while the 350 ml will be available for only 40 cents a unit. Mr Mabika was speaking after a tour of Dairibord's plant in Chitungwiza where the company wants to create a hub for beverages, a departure from the old school where plants were scattered around the country. The Pfuko plant was set up at a cost of about $500 000. He said American, Chinese and South African suppliers worked together on the plant. *(Herald)*

Corporation will engage power utility, Zesa Holdings, for a tariff review to avoid a sharp increase in the cost of energy when it restarts its smelter. London listed Mwana Africa's nickel producer and processing unit plans to restart the smelter, at a cost of $26 million, an amount endorsed by an independent consultant as viable. Chief executive Mr Batirai Manhando yesterday said the smelter would certainly consume more energy and the cost of power would definitely be an issue. "The smelter needs more power. We will engage authorities and see if we can get a favourable tariff to operate the business profitably," Mr Manhando said. BNC early this month said it will report a higher profit in its full year results on June 30 following resumption of nickel production at its Trojan Mine. The BNC CEO expressed confidence that the power utility would be able to meet its requirements despite the fact that it currently has limited capacity to meet national demand for electricity.

"We will need a lot more power with a smelter and the tariff becomes an issue. We will definitely engage authorities to see if we can get something." According to a report by independent consultant Hatch Globa, BNC smelter has installed consumption capacity of 14 megawatts, which would demand ring fenced supply arrangements with Zesa. This is because Zesa can only generate about 1 200MW against national demand for electricity of 2 200MW during peak periods of power consumption. According to Hatch, the current electrical pricing assumption by BNC is 10,3USc/kWh. BNC's average tariff for the past six months has been 6,9USc/kWhr based on the commodity price linked tariff agreement between BNC and the power utility. The smelter, to be completed during the first half of 2015, would offer "significant" financial and strategic benefits to BNC contributing to cash flows in 2016. Mwana Africa said the Trojan concentrate production will be 106 677 tonnes per annum with spare capacity on the smelter to treat third-party material. The smelter is scheduled to restart operations in the first half of 2015, if everything goes according to plan. The objective for the restart of the Smelter Complex is to improve the percentage payment for the contained metals and reduce transport costs. *(The Herald)*

Telecommunications giant Econet Wireless Zimbabwe is considering introducing 5G long-term evolution technology as part of the company's long-term plans to improve convenience among its clients. The company is also focusing on expanding its current 4G long-term evolution to areas across the country. The 4G network type is a standard for wireless communication of high-speed data for mobile phones and data terminals. Econet has coverage for 4G network in Beatrice, Harare, Bulawayo and Victoria Falls and the company has also targeted the largest entry to South Africa, which is the Beitbridge Border Post. Econet Wireless group chief executive Mr Douglas Mboweni

said the company is considering rolling out 5G network in the near future. "We launched 4G network at the United Nations World Tourism Organisation in Victoria Falls last year and as we speak we are looking at expanding it to other areas. So it is part of our investment programme. "The reason I talked about 5G is because countries like South Korea are already experimenting with some of these technologies and in Africa we do not have to reinvent the wheel but to look at what is being applied elsewhere," said Mr Mboweni.

"There is still a lot of work to be done in 3G and as soon as we find out that 5G is ready and rolling out we will be quick to embrace it and our concern is to make sure that our customers enjoy fast network on their devices." Mr Mboweni said the company's investments are going to be dictated by need. "There is enough infrastructure to drive speed and we are looking at new technology that we can deploy to keep improving our speed. "The company, through Liquid Telecoms is putting fibre infrastructure according to priority," Mr Mboweni said. Econet Wireless yesterday officially opened its Platinum suite at Sam levy, a facility that is set to add convenience to top level customers of the company. *(Herald)*

PIONEER Corporation Africa revenues for the five months to May 2014 were stagnant with the group's performance weighed down by poor performance at Pioneer Transport. Chief executive officer Mr Gary Smith told shareholders at the group's annual general meeting yesterday that Pioneer Corporation recorded a loss, however $600 000 less than last year. He said the group's 2014 annual results were likely to show positive margins as the Unifreight businesses, namely Swift, Bulwark, Engineering and Driver Training School, have joined the Pioneer Corporation umbrella. "Despite the fact that we are in an overall loss position at May 2014, I am very happy to announce that a number of the divisions are in a cumulative profit position now and that this will only improve and ensure that we post a very positive position by year-end," said Mr Smith. He said Pioneer Transport's challenges were a result of bad management in the past. "We continue our re-building exercise at Pioneer Transport, righting previous mismanagement of that subsidiary and restoring it to the level of performance we expect for the whole group, he said, adding that a successful cross border operation provides the cornerstone to better results. The coaches division's year on year revenue increase by 32 percent to date while Swift, Bulwark, Engineering and Driver Training School also improved their revenue generation by 5,4 percent to may 2014. "Another very encouraging sign across the group has been the reduction in running costs of 7,7 percent and hence boosted gross profit compared with the same period last year," said Mr Smith.

He said the cross border business was challenging this year and the company is focusing on driving revenues from the traders to and from South Africa. Twenty three new buses have been added to the coaches fleet, whilst 10 buses were disposed, and the company is in the final stages of adding a further six Scania buses to the fleet in South Africa. The new South African fleet will service the cross border route. "We are also in the process of replacing our crucial Collection and Delivery fleet under the swift business and have added 16 new taut liner trucks and trailers which have been serving the tobacco and sugar industries in the past four months," said Mr Smith. "Further we have added to our options with the introduction of a couple of low bed's under Engineering for the transportation of heavy haulage cargo. We see great potential in this market in the coming year," he said. The group is putting in place the Employee Share Ownership Trust in line with its Indigenous and Empowerment Plan. *(Herald)*

Listed tyre retailer National Tyre Services recorded a 60 percent decline in profit before tax to $ 477 017 for the period ending March 31, 2014 as aggregate demand slowed due to the liquidity constraints in the economy. This was after revenues came down 11 percent to $15,7 million during the period under review. "Despite a strong start in the first quarter which was in line with budget, revenue ended the year at 11 percent the prior year due to the effects of the overall trading environment and stronger emphasis on working capital reduction in order to mitigate financial risk. Margins were squeezed as price influenced purchasing decisions across all market segments within a crowded market. "The strategic cost management and productivity enhancement initiatives implemented resulted in overheads being maintained at same levels as the prior year," the company said. In terms of divisions, the group said unit sales of new tyres in the retail and service division were down 9 percent compared to the prior year and focus was now on promotional activities in response to changing market trends to mitigate further decline. Unit sales for retreads were however 3 percent up although growth is being hampered by a shortage of good quality casings resulting from the market's preference for cheap and low quality new truck tyres.

"Lobby efforts for bona fide retreaders to be allowed to import good quality casings are ongoing through industry association. Penetration into the mining sector benefited the re-lugging factory," the company said. Looking ahead the company said it had put in place strategies to grow revenue and market share by coming up with a new distribution model that is being aggressively rolled out . It is meant to provide a suitable route to market which will allow for access to new markets and empowering small operators to graduate into the mainstream tyre industry. "Marketing efforts will also focus on customer retention, rehabilitation and product range expansion," the company said. *(Herald)*

CFI Holdings is confident that it would be able to complete its land-debt swap within the next three months in an effort to whittle down the cost of borrowings. A Memorandum of Understanding has already been signed with banks for the swap of debt for land. CFI owes financial institutions a total of $16,3 million. Chairman Mr Simplisius Chihambakwe said the land-debt swap would positively impact on the recapitalization of the group. "The group hopes to conclude the swap arrangements in the third quarter, thus rationalizing its gearing to levels commensurate with streamlined operations of the group." Mr Chihambakwe also added that the group owned 834 hectares held by its subsidiary Crest Breeders, which was scoped into the Greater Harare municipal boundaries in July 2012. This was followed by an independent valuation of the land bank in pursuance of debt securitisation and debt swap. The land was valued at $40 million CFI's short-term debt stood at $15 million in March this year and long term borrowings were $1,1 million while a total of $1,6 million interest was paid out. Mr Chihambakwe said that the agro-focused group was in the process of adding value to the residual land bank through undertaking residential development projects.

In terms of financial performance, CFI registered a 13 percent decrease in turnover to $41,8 million with poultry division contribution to turnover at 32 percent, specialized division 6 percent and the retail division 62 percent. The group posted a $1,76 million loss for the interim period weighed down by rationalization costs, working capital constraints, low capacity utilization and cost of finance. Volumes declined by 39 percent at Agrifoods compared to the prior period, weighed down by intermittent availability of maize and soya and funding constraints. At Agrimix volumes slumped by 43 percent while performance at Hubbard Zimbabwe was subdued due to falling demand for day old chicks and the effect of power outages. Crest Breeders International operations were rationalized and would be affected by the land-debt swap and arrangements will be made to relocate the business. CFI said the Suncrest abattoir remains on care and maintenance and had to rely on toll slaughters to maintain market presence. Efforts are underway to resolve production bottle-necks for sustainability and viability. The collapse of the equity transaction affected the production planning process at Victoria Foods, but due diligences by other investors are advanced. There was little progress at Maitlands Zimbabwe due to continued unavailability of long-term funds for projects. Turnover grew 16 percent at Farm and City spurred by increased demand for agro-inputs. The division continued to invest in upgrading its point of sale system to improve availability of accurate, real time and information and to enhance the unit's internal controls. *(Herald)*

Masimba Holdings' turnover in the five months to May is 25 percent below last year following a weak performance from construction and flat Proplastics. Chief executive Mr Canada Malunga told the AGM yesterday that the trading environment has continued to deteriorate with construction turnover going down 33 percent while Proplastics is flat on 2013. "Correspondingly the GP margins are holding on 2013 but the impact of the turnover decline has an adverse impact on the EBITDA line," he said. EBITDA is at a negative $127 000 an improvement of the negative $263 000 last year. Operating overheads, an area Mr Malunga said the group was paying close attention to, were down 18 percent and are estimated to close the year down between 20-25 percent. He said the operating environment was difficult to forecast due to lack of competitively priced capital to fund infrastructure projects. Mr Malunga also made a moan about Chinese contractors now dominating the construction space as this goes against Zim Asset. "We encourage Government to urge Chinese contractors now dominating the construction space to work with local contractors." The order book to December was at $52 million; $23 million of which was active. Malunga, however, said progress on the active order book was slow due to the liquidity challenges facing infrastructure clients. He added that discussions on resuscitating work on the inactive order book are ongoing. "We anticipate that works on the main education infrastructure projects will resume before year the end of the year."

In terms of property development, Mr Malunga said the group will now start developing Monavale in October but for now financial

arrangements were being finalised. The group will also develop an office block at the former Masimba offices along Sam Nujoma St. "Designs are complete and discussions with financial partners are progressing well." The $700 000 Proplastics plant will now be commissioned in August following delays in Germany but it was now sailing from Europe. The plant is expected to contribute to cash-flows in December. Proplastics performance to December will be steady and buoyed by local water and sanitation projects together with the improved presence in the region. He said the major areas of attention remained cost containment, cash collection and cash preservation. Directors fees were set $113 557 and auditors fees at $117 400.. *(Herald)*

Speaking at the company's 10th annual general meeting, FBC Holdings chief executive officer John Mushayavanhu said the company had drawn down $40 million from the $60 million facility. "As we speak we have a $60 million three-year facility from Afreximbank that has been approved and we are awaiting final sign off by the 30th of June which will bring in an additional $20 million as the $40 million has already been drawn down," Mushayavanhu said. "The balance will be disbursed on Monday next week." He said the group's lending was 10% down in the five months to May this year compared to the December 31 2013 figures. "In terms of our loan book, it has gone down by 10% compared to the audited position as at 31 December 2013," Mushayavanhu said. "We decided to slow down on lending at the beginning of the year and focus on collections to curb Non-Performing Loans. This has yielded results as our Non-Performing Loans (NPLs) are below 10% which is a commendable turnout in a market which has an average of 16% in NPLs." He said the remaining NPLs were secured with the value still maintained. "We will be resuming lending cautiously in the near future on the back of accessed credit lines," the banker said.

Mushayavanhu said NPLs for the group were at 10% against a market average of 16%. He said the bulk of the group's NPLs were secured and the group has somewhere to fall back on in case of defaults. He said the bank continued to be the flagship business with an increased contribution to the group's profit before tax of 54% compared to 44% as at December 31 2013 in a market that is continuously facing liquidity challenges. He said Turnall performance since last year was below budget because the first quarter and second quarter orders were down. Mushayavanhu said a half-year loss was expected from Turnall, but would pick up by year end. Mushayavanhu said in the five-month period 59 housing units were developed and the bulk of the houses have been sold. The units include 18 from Masotsha Ndlovu and 41 from Glaudina. He said 30 garden flats were being constructed in Newlands and 10 cluster homes in Greendale. He said deposits and lines of credit have increased by 6%. Mushayavanhu said the performance of the building society was ahead of last year and the loan book grew because of mortgages as they were secured. NPLs for the building society stood at 6%. *(News Day)*

Economic News

Zimbabwe's economy remains fragile and the government should undertake comprehensive reforms, including reducing the public sector wage bill and mobilising revenues from diamond mining, the Internatonal Monetary Fund said on Monday. The southern African country has since last year been on an IMF monitoring programme aimed at helping it clear $10 billion in external debts, which would give it access to much-needed international credit. "Executive Directors noted Zimbabwe's fragile economic situation characterized by a growth slowdown, a large external deficit, and low international reserves," the IMF said in a statement following a visit to Zimbabwe early this month. The IMF projected economic growth this year of 3.1 percent, lower than the government's forecast of 6.1 percent, on the back of large mining companies reaching full production capacity. But Zimbabwe only had external reserves covering less than two weeks of imports and required strong macroeconomic and financial policies, an enabling business environment, and normalized relations with creditors, the IMF said.

President Robert Mugabe, Zimbabwe's sole ruler since the former Rhodesia gained independence from Britain in 1980, is under Western sanctions. Re-elected in a disputed vote last year and now 90, he denies human rights abuses and election fraud and blames former colonial power Britain for smearing his name. But the IMF's return last year to monitoring Zimbabwe's economy was a sign of reduced international

isolation, and there has also been a thaw in relations with the European Union. The IMF welcomed Zimbabwe's commitment to the monitoring programme and stressed that "achieving sustainable and inclusive growth requires determined and comprehensive reforms." Finance Minister Patrick Chinamasa said in March Zimbabwe was not prepared to slash its public sector wage bill because it would involve too many job cuts. More than 70 percent of the country's revenue goes to paying government employees, leaving little money to rebuild crumbling public infrastructure such as roads, schools and hospitals. Zimbabwe's economy is flatlining after averaging double digit growth between 2009-2012. Dozens of companies have shut down since January due to low demand, lack of capital and high interest rates as well as electricity shortages. The IMF also said Zimbabwe should be vigilant in monitoring weak banks. Some local banks are struggling to stay above water as loan defaults mount in the wake of indiscriminate lending and a currency crunch that has forced some institutions to close and others to scramble for foreign funding. (Reporting by MacDonald Dzirutwe; Editing by Pascal Fletcher) *(Reuters)*

LOANS to the private sector marginally rose 0,7 percent in April, signalling constrained lending by local banks on the back of the prevailing liquidity challenges. About $3,59 billion was advanced to the private sector, up from $3,56 billion during the same period last year, according to the latest figures from the Reserve Bank of Zimbabwe. On a month-on-month basis, credit to the private sector, however, declined by 0,43 percent in April 2014, from $3,61 billion recorded in March, the central bank said. "The slowdown reflects constrained lending by banks on the back of liquidity challenges, as well as risk aversion in the wake of increasing non-performing loans," said the RBZ. Loans and advances were largely in respect of agriculture (19,3 percent), distribution (18,5 percent), households (18,2 percent), services (16 percent), manufacturing (14,7 percent), mining (6,6 percent) and construction (1,6 percent). The RBZ said credit to the private sector continues to be short-term in nature and mainly utilised for recurrent expenditures. About 45 percent of the loans were spend on inventory while only 7,5 percent was spend on capital expenditure, said the central bank. Annual broad money growth slowed down by 1,13 percentage points from 7,78 percent in March 2014 to 6,65 percent in April.

The growth represents a marginal recovery from an average of 1,44 percent recorded in the last quarter of last year. On a month-on–month basis, broad money increased by $136,5 million (3,33 percent) in April, compared to $72,2 million (1,8 percent) in March. Largely contributing to the growth in money supply, were expansions of $171 million in over 30-day deposits, $107,2 million in under 30-day deposits, $100,9 million in demand deposits and $92,7 million in saving deposits. Partially offsetting these increases was a decline of $115,4 million in under 30-day deposits. "The growth in money supply continued to be partly driven by tobacco sales. As at end of April 2014, cumulative tobacco sales amounted to over $330 million, which represents significant inflows into the economy. Inflation is expected to remain subdued in the short term, on anticipated decline in food prices during the harvesting period The value of transactions processed through the RTGS system in April 2014 increased by 3 percent to $3,4 billion from $3,3 billion in March 2014 while the volume of transactions registered a decrease of 4 percent from 192 020 to 183 626 over the same period. The total value of card-based transactions increased by 12,75 percent to $379,42 million in April 2014, from $336,52 million in March 2014 while the value of mobile and internet-based transactions also increased by 5,07 percent, from $343,26 million in March 2014 to $360,67 million in April 2014. The value of cheque transactions decreased to $9,65 million in April 2014, from $10,4 million in March 2014. *(The Herald)*

THE Zimbabwe Investment Authority seeks to attract $2 billion Foreign Direct Investment per annum, with the authority expecting $1 billion flows this year if the long-standing Essar deal becomes operational, its chairman said. This was after the United Nations Conference on Trade and Development showed that Zimbabwe's foreign direct investment in 2013 was near flat at $400 million and 19,3 percent of the gross fixed capital formation. The FDI is the lowest in the SADC region. ZIA chairperson Mr Nigel Chanakira said the authority has already approved foreign projects valued at more than $400 million this year. Speaking at the launch of the World Investment Report 2014, Mr Chanakira said the authority has seen an increase in investment inquiries even from British and American investors. "We will be able to relatively, modestly attract at least $2 billion per annum and that's the target we set for ourselves," said Mr Chanakira. "This year alone we have 162 investment approvals and we are already at the $400 million mark in terms of approvals this year. Already our expectation of saying we will hit $1 billion mark this year is realistic based on projections. Mr Chanakira said Government should clarify economic policies in order to create certainty which investors consider as one of the most important indicators. "But it is next year, once they have clarified the Special Economic Zones and the policy on indigenisation, from our projects we should move in the range of the $2 billion mark," said Mr

Chanakira. ZIA head of operations Mr Sichoni Takoleza said there was a difference in the ZIA and UNCTAD calculations. "ZIA measures the approvals that would have been done while UNCTAD records when an investment has already started groundwork. "Sometimes you can give approvals which take three to five years to be operational. This is why there is a flat line in the investment inflows in the country; not that investment has not been coming in."

Deputy Minister of Finance Dr Samuel Undenge in a speech read on his behalf said Government is working on improving the investment climate in order to attract FDIs. The Government is crafting an Investment Policy which should give a policy direction on investing in Zimbabwe and developing a Joint Venture Legislative Framework. The JV legislation framework is expected before the end of the year. "The JV legislation framework is almost complete now and is at the Attorney General's Office. The process is being hastened," he said. The Government is also establishing Special Economic Zones which offer preferential treatment to investors who qualify into the SEZs. This should in the process address some barriers to investment while attracting the much needed FDI. He said prioritising investment for rehabilitation and development of infrastructure, necessary for supporting and attracting investment, driving the economy and enhancing efficiency of the productive sectors becomes critical. "Therefore, addressing the doing business environment is a key factor in attracting and promoting investment," he said. The World Investment Report has made suggestions to stimulate private sector investment in sustainable development which include; developing a new generation of investment promotion and facilitation, SDG oriented investment incentives, regional SDG Investment Compacts, new forms of partnership for SDG investments, among others. The report also suggests enabling innovative financing mechanisms and a re-orientation of financial markets and changing the business mind-set and developing SDG investment expertise. *(Herald)*

THE African Development Bank is undertaking a major study which aims to propose options to debt relief and arrears clearance, in case Zimbabwe is not eligible for Heavily Indebted Poor Countries debt relief, a senior official has said. In an interview with The Herald Business, AFDB resident representative, Mr Mateus Magala said the study is part of the bank's contribution to Zimbabwe's re-engagement drive. The AFDB in 2012 hosted the first Zimbabwe High-Level Debt Forum in Tunis that was aimed at deepening the process for Zimbabwe's re-engagement. The bank also co-hosted a series of re-engagement forums, both in Washington DC and Tokyo. "Consequently, there has been strong support from the development partners for moving forward Zimbabwe's arrears clearance and debt relief process as well as giving impetus to the overall re-engagement," said Mr Magala. "More recently, both the Government and Development Partners are again asking the Bank to host a second round of Zimbabwe High-Level Debt Forum this year. "The forum is expected to act as a catalyst in resolving the country's debt overhang and thereby laying the foundation for the socio-economic transformation of Zimbabwe, focusing on inclusive growth and creation of sustained jobs," he said. According to the Ministry of Finance and Economic Development, Zimbabwe's external debt stood at $6,4 billion last year with over $5 billion of that amount in arrears.

AFDB has taken leadership in the process of Zimbabwe's re-engagement and normalisation of relations with the international financial community by promoting dialogue and mobilising external creditors, to garner support for the country on financing in general and debt relief, in particular. The bank, which commenced operations in Zimbabwe in 1982, as at June 2014, has funded 40 operations of which 12 are active. Total bank cumulative commitment is estimated at $810 million, composed of loans (73 percent), grants (21,7 percent) and lines of credit (5,3 percent). The total commitments cover the following sectors: Multi-Sector (28,9 percent), Infrastructure (27,6 percent), Industry/Mining/Quarrying (18,3 percent), Water Supply & Sanitation (13,6 percent), Financial Sector (5,3 percent), Agriculture Sector (4,8 percent), and Social Sector (1,5 percent). *(Herald)*

Zimbabwe has awarded a $1.3 billion contract to add 600 megawatts (MW) at the coal-fired Hwange power station to China's Sino Hydro, after another Chinese company failed to start the project, a cabinet minister said on Wednesday. Harare has licensed several independent producers to increase power output, but most of the projects are yet to take off because of concerns over investment laws which may force foreigners to transfer majority stakes to local blacks. Zimbabwe initially awarded Hwange tender to China Machinery and Engineering Company in May last year but it failed to meet a design and construction timeline, energy and power development minister Dzikamai

Mavhaire said. "The government ... therefore directed that the tender be awarded to Sino Hydro. Sino Hydro were the second highest bidders for the project," Mavhaire said in a statement. The companies did not respond to request for comment. Hwange, which is in the northwest of the country, currently operates at 63 percent of its installed capacity of 900 MW. Sino Hydro in January signed a $355 million contract to expand the 750 MW Kariba hydro-electric plant by adding 300 MW. Zimbabwe produces 1,200 MW of electricity against a peak demand of 2,200 MW because lack of investment has left the former British colony relying on ageing plants and a worn out grid, which results in frequent blackouts. The country also imports power from Zambia, Mozambique and the Democratic Republic of the Congo to meet demand. *(Reuters)*

The International Monetary Fund is recommending that Government delays the introduction of the Sovereign Wealth Fund saying it will add more fiscal stress to already strained accounts as the institution warned that fiscal under-performance remains the highest risk facing the economy. In the full Article IV Concluding Statement seen by this paper, the IMF directors recommended delaying the introduction of the Sovereign Wealth Fund. "Although such a mechanism might be helpful over the medium term, the present situation of fiscal stress requires that the Government avoid imposing on itself new administrative and managerial challenges. The mission encourages the authorities to re-examine the fiscal regime for extractive industries before launching any SWF." The IMF also said Government risks compromising its ability to achieve the main objectives set out under its economic blueprint — Zimbabwe Agenda for Sustainable Socio-Economic Transformation (Zim Asset) — if employment costs continue to chew up treasury revenue.

The IMF says if the Government continues on the path of the last few years, in which for every extra $1 collected in taxes it spends an additional $1,27 in employment costs, it will compromise its ability to achieve its main objectives, including under Zim Asset. According to the IMF, fiscal under-performance remains high risk if nominal wages are to exceed the budgeted 9 percent in 2014. "This would increase the fiscal pressure, further undermine service delivery, further crowd-out critical social and capital spending, and jeopardise restoring fiscal sustainability," said the report. It might also lead to new accumulation of domestic arrears. In the four months to April, total expenditure including retained grants was at $1,12 billion with employment costs chewing up $671,07 million. Month on month April employment costs were at $225,32 million, a growth of 39 percent against the March cost of $162,03 million. This follows an increase in civil servants' salaries in April, which were backdated to January. The increase though welcomed by employees, led to an increase in Government debt as loans of $40 million were taken during April.

The IMF said that going forward, nominal wage increases should be in line with inflation, and the hiring freeze should be maintained, except in critical areas and only if these vacancies cannot be filled through internal mobility. The IMF directors recommended the improvement of fiscal management by following through on PFM reforms, including payroll management reforms, and welcomed the intention to strengthen financial monitoring and oversight of state-owned enterprises (SOEs) and local authorities. The other high risk was the instability in the financial sector. This also includes liquidity constraints and further deterioration of asset quality. The financial sector remains saddled with under-capitalised banks and high non-performing loans (NPLs) (15,9 percent at end-December), exacerbating the tight liquidity conditions. "Further deterioration in asset quality, and bank capitalisation would lead to further loss of confidence in the banking system, aggravation of already tight liquidity conditions, and possible bank runs," said the IMF. In view of the dangers, the IMF stressed the need strong, proactive banking supervision, and intensified monitoring of troubled banks, with a particular focus on provisioning practices and risk management. *(The Herald)*

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