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Africa

Plans for a hydro-electric power plant between Zambia and Zimbabwe have been expanded to 2,400 from 1,600 megawatts (MW), an industry official said on Sunday. A recent study showed that the Batoka Gorge power plant would produce more electricity than previously envisaged, according to Munyaradzi Munodawafa, chief executive of the company in charge of the project, the Zambezi River Authority. "We are looking, at most, that it is going to produce 2400 MW. This is an improvement from previous studies which were talking about 1600 MW," Munodawafa told Reuters. The completion of the project, which will involve the construction of a dam and a hydro power plant on the Zambezi River, is expected to ease an electricity shortage in the two countries and southern Africa. Munodawafa said a feasibility study was almost complete and a report would be ready by May after which an environmental impact assessment study would be done by June. "After we have done that we will start looking for developers," Munodawafa said. It is expected that the plant will be built and operated by a private company for a period of years before ownership is transferred to the two states, he said. The cost, previously estimated at $2.5 billion, would be known in May after the feasibility study, Munodawafa said. *(Reuters)*

Egypt

Egypt will hold an international auction for eight oil and natural gas exploration blocks in the Mediterranean Sea, the oil ministry said on Sunday, as the government seeks to boost production to curb persistent energy shortages. Khaled Abdel Badie, head of state-run Egyptian Natural Gas Holding Company (EGAS), told Reuters the auction would be launched before the end of February. The eight blocks up for auction are West Arish Marine, East Port Said Marine, North Rumana Marine, North Ras al-Ash Marine, West al-Timsah Marine, South Taneen Marine, North Hammad Marine, and East Alexandria Marine, the ministry said in a statement. They cover an area of 11,849 square kilometres (4574.92 square miles), the statement said. Egypt has accelerated the pace of auctions for exploration and production blocks and improved deal terms to help attract major energy companies. In January, the country signed 15 new exploration deals and amended two more, as well as clinching major tenders to import liquefied natural gas (LNG). The oil ministry told Reuters this month that Egypt had three exploration and production agreements under way worth $9.2 billion. Rising consumption and falling production have turned Egypt from an energy exporter into a net importer, contributing to an energy shortage that causes regular power cuts. *(Reuters)*

Egypt is considering listing the state-owned Food Industries Holding Company (FIHC) in a rare initial public offering (IPO) of shares in a government holding company, the supplies minister told Reuters on Sunday. The IPO could raise between three and four billion Egyptian pounds ($395 million to $524 million), Khaled Hanafi said. "This listing will be the first of its kind in Egypt... the first listing of a state holding company on the capital market. The expected value is three to four billion pounds, that is a personal assessment," Hanafi said. "We are still studying a group of international investment banks to manage and study the listing," he said. Hanafi did not say how many shares or what percent of FIHC might be floated. He hoped the IPO would be launched this year, but said the ministry was still looking for an adviser. Egypt last listed state-owned firms on the stock exchange in 2005, when Telecom Egypt,, Sid Kerir Petrochemicals and Alexandria Mineral Oils Company offered shares. The last IPO on the Egyptian stock exchange was Arab Cement, which was valued at about 700 million pounds at its May 2014 launch. The capital raised by listing FIHC shares would be invested in underperforming companies operated by the ministry, Hanafi said. "Food Industries Holding has about 43 subsidiaries. Some of these companies need liquidity in order to increase production lines and develop. That is what we will do with the money raised," he said. *(Reuters)*

Qalaa Holdings, one of Egypt's largest investment companies, has approved a share swap with subsidiary companies that equates to a 1.7 billion Egyptian pound ($223 million) capital increase, the company said on Sunday. Two sources had revealed the capital increase to Reuters on Saturday. The move is the company's third capital hike since it listed on the Egyptian bourse in 2010 and comes as it considers a series of money-raising divestments aimed at returning to profit. Qalaa will issue up to an additional 340 million shares, worth 1.7 billion Egyptian pounds, the statement said. "This will hasten our return to profitability during 2015, one year earlier than originally anticipated, and will open the way for dividend distribution in the coming years,â€ Qalaa Chairman Ahmed Heikal said in the statement. Qalaa cofounder and managing director Hisham El-Khazindary said "further increasing Qalaaâ€™s ownership in its core subsidiaries at attractive valuations will allow us to maximise earnings over the medium and long term". On Wednesday Qalaa said it had hired investment bank EFG Hermes to advise it on the possible sale of its food businesses, a deal which the conglomerate said would help it return to profit this year. Qalaa, which is seeking to raise $300 million over the medium term through divestments, is considering the sale of confectioner Rashidi El-Mizan and dairy producer Dina Farms, Chairman Heikal has said. Qalaa has some $9.5 billion in assets under management, with dozens of firms mainly in Egypt, east and north Africa. *(Reuters)*

Ghana

Africa's top bullion producer AngloGold Ashanti said on Monday it fell into a loss in the fourth quarter of last year because of costs associated with layoffs and restructuring at its key Ghana operation and accounting adjustments. AngloGold posted a fourth quarter adjusted headline earnings loss of $117 million compared to a profit of $45 million in the same period in 2013 and profit of $2 million in the previous quarter in 2014. The company has been restructuring its Obuasi gold mine in Ghana, a century-old operation that has not made a profit in a decade. AngloGold said the fourth quarter loss was mainly attributable to "$147 million associated with operational and corporate redundancies relating to the Obuasi restructuring, environmental liability resets of $20 million and closure costs of $13 million". *(Reuters)*

Kenya

Although a number of counties say they need to borrow money to plug budget deficits, many are not collecting enough from local taxes —a key requirement for approval of loans by the national government. The government has proposed to cap borrowing by devolved units at 20 per cent of their last audited accounts. The matter will be taken to the National Assembly for debate. Experts in government financing want borrowing pegged to local taxes the devolved units collect. But according to the office of the Controller of Budget, most of these units did not meet their revenue collection targets for 2013/2014 financial year. An analysis of local revenue collection by counties and former local authorities indicates that only Kericho, Marsabit, Tharaka Nithi and West Pokot counties met their targets. But this does not necessarily mean the four are eligible to borrow as their level of current debt is also to be considered. "Counties should be slow to borrow. They should demonstrate ability to pay, otherwise it is possible to mortgage the units to a point that any money disbursed goes to paying loans. Regimes will keep changing. We want to avoid a situation where heavy borrowing leaves subsequent regimes struggling to pay," said Mr James Katule, director of fiscal affairs at the Commission of Revenue Allocation. Nairobi County, which collected Sh10 billion against a target of Sh15.4 billion, will be eligible to borrow only Sh2 billion, going by the recommendations. Most counties cannot borrow the huge amounts required to implement proposed mega-projects as their revenue collection is between Sh35 million and Sh250 million.

Mombasa County, which collected Sh1.72 billion against a target of Sh5 billion, can borrow only Sh344 million, going by the requirement. Kisumu had projected to collect Sh1.74 billion in 2013/2014 but collected Sh621 million so it can borrow only Sh124 million. Others that can borrow substantial amounts because of collections between Sh1 billion and Sh1.8 billion are Machakos, Kiambu, Nakuru and Narok. The majority can borrow only tens of millions. Even then, most of the counties cannot qualify for additional loans as they are servicing old loans. The proposed law also caps debt servicing at 15 per cent of the last county audit. "The debt stock of a county government should not exceed 20 per cent of the last audited revenue, while the debt service cost is to be capped at 15 per cent of the county's last audited revenue," said a Budget Policy Statement released last month. "Given that counties are still learning financial management skills, with reports of low absorption of development funds, it's appropriate to deter borrowing to prevent abuse and ensure they are able to repay," said Mr John Mutua of the Institute of Economic Affairs where he is in charge of budget matters.

The national government has already indicated that counties will face close scrutiny when seeking Treasury approval to borrow from the private sector under the new regulations. Last year, the government increased its debt ceiling to Sh2.5 trillion from Sh1.2 trillion to create room for borrowing to fund infrastructure projects. A law meant to fix the debt ceiling at 50 per cent of gross domestic product is also in the pipeline. The new limit means counties might not find funding for all their big projects. Some counties have expressed interest in external borrowing, but the government has insisted that a framework is required to prevent accumulation of debt. "The public finance management regulations that have been submitted to Parliament for approval have further clarified the framework for county borrowing in terms of sources, purposes, procedures and borrowing limits," the statement noted. *(Daily Nation)*

Kenya's Uchumi Supermarkets Ltd posted a mid-year pretax loss after investing in new branches but said it was confident its expansion strategy in east Africa would soon pay off. A rise in staff costs and higher rental prices, including on stores which are yet to open, led into a pretax loss of 262 million shillings (2.9 million) for the half year to December 31. Uchumi had posted a profit of 106.9 million shillings for the period a year earlier. Net sales slipped to 6.8 billion shillings from 7.3 billion shillings, partly due to an economic slowdown in Uganda and greater insecurity. Uchumi, which currently operates 37 stores in Kenya, Uganda and Tanzania, raised 895 million shillings ($9.77 million) through a cash call last month to boost its working capital and to support expansion. "The outlook into the second half is positive as we plan to grow our retail network by 10 more branches across the region as the earlier-opened branches reach their maturity," Chief Executive Jonathan Ciano said in a statement on Saturday. "The economic environment is also expected to record recovery," he said. Uchumi hopes its expansion will help it capture the growing number of middle class spenders in the region. Al Qaeda-linked militants attacked an upscale shopping mall in the Kenyan capital in 2013, killing at least 67 people. Uchumi did not have an outlet in the Westgate mall but some customers remain wary of shopping in malls or supermarkets. *(Reuters)*

Morocco

Morocco's grain agency said it had bought 363,500 tonnes of soft wheat from the European Union under a preferential tariff agreement, while it had received no offers in to buy 45,000 tonnes of durum wheat. No bids were received also in the same tender to buy 8,100 tonnes of maize, 200 tonnes of rice, 350 tonnes of peas, 150 tonnes of beans and 3,600 tonnes of others dried vegetables from the European Union. No offers were received in a second Moroccan tender to buy 360,000 tonnes of U.S. Soft wheat and 306,000 tonnes of U.S. Durum under a referential tariff import quota, ONICL said in a second statement. *(Reuters)*

Maroc Telecom, Morocco's largest telecom operator, said its net profit rose 5.6 percent in 2014 to 5.85 billion dirhams ($613.51 million). Total revenue fell 0.8 percent to 21.13 billion dirhams however. *(Reuters)*

Nigeria

Nigeria's economy grew by 5.94 percent in the fourth quarter of 2014, year-on-year, down from 6.77 percent in the same period a year before, due largely to slower growth in the services sector, the statistics office said on Sunday. The services sector, which accounted for 53.48 percent of fourth quarter gross domestic product, expanded by 6.15 percent in the period, compared with a growth rate of 8.38 percent in the final quarter of 2013. Crude production in the quarter rose to 2.18 million barrels per day, up from 2.16 million barrels per day a year earlier, the National Bureau of Statistics (NBS) said. A sharp drop in the price of oil, Nigeria's main export, has hammered its currency which hit a series of record lows against the dollar in the last three months despite the central bank burning through 20 percent of its reserves to prop it up. The central bank devalued the naira again last week, the second time in three months, by scrapping its bi-weekly currency auction, while the government has trimmed its spending plans for 2015. In January, the NBS lowered its forecast for economic growth this year to 5.54 percent, down from 6.22 percent achieved last year. *(Reuters)*

Nigeria's central bank has issued guidelines for an advisory body that will oversee Islamic banking in the country, becoming the latest regulator to opt for a centralised approach to the industry. Nigeria is home to the largest Muslim population in sub-Saharan Africa with over 80 million Muslims, and authorities are trying to establish the country as the African hub for Islamic finance. Traditionally, Islamic banks have practiced self-regulation when ensuring that their products follow religious principles. But a centralised model of supervision is increasingly being favoured across much of the world. Countries including Bahrain and Morocco have opted for such a format, which can help to limit differences between products, speed the design of new products and boost investor confidence. Nigeria's advisory body, known as the Financial Regulation Advisory Council of Experts, will be tasked with ensuring all banking products that are designated as Islamic conform to sharia principles. The guidelines, published on Friday, set out minimum requirements for the advisory body, which will comprise a minimum of five members including a central bank official. Members will serve renewable two-year terms, must be qualified in Islamic jurisprudence, and are restricted from working for any other financial institution supervised by the central bank. Financial institutions that offer Islamic banking products in Nigeria are already required to have their own boards of sharia finance experts, who are limited to serving in one institution at a time. The central bank's advisory body will be guided by the principles of sharia governance issued by the Malaysia-based Islamic Financial Services Board. *(Reuters)*

As part of efforts to improve the standard of education in the country, Sterling Bank Plc said it recently went into partnership with the National Association of Proprietors of Private Schools (NAPPS). The partnership, according to the bank, provides it an opportunity to develop and train members of NAPPS. Besides, Sterling Bank said it had also collaborated with NAPPS on a unified examination, which it explained would aid students in their preparation for external examinations. This collaboration was announced at a media briefing at the bank's head office in Lagos. Speaking to journalists, the President of NAPPS, Mr. Yomi Otubela announced that his association would be organising a three-day annual retreat tagged: "Effective empowerment of schools through collaborative building capacity and leadership," between February 25th to 27th. This retreat is being facilitated by international bodies such as enviroFly UK and Developing effective private education Nigeria (Deepen UK aid). He added: "This retreat has been packaged to add to the individual and collective knowledge of the leadership of NAPPS and other members in areas such as a free training from an international body for the development of teachers/ staff of participants."

He also expressed concern over recent failures recorded in external examinations such as JAMB,WAEC and NECO, adding that the NAPPS unified examination would be a pre-exam which would prepare, help and asses students and teachers. Also speaking at the event, Head Strategy and Communications, Sterling Bank, Mr. Shina Atilola said: "Our key role in education was part of the fact that we wanted to be part of the solution of unemployment in Nigeria and we discovered it can be achieved by solving the problem of education. "We have also realised that we need more investment in the educational sector and our average estimate is about $1 billion for 55 years for us to play a leading role in terms of education globally. And for leading countries in education, technology and partnership has played a major role and as a bank we want to help in terms of unemployment." *(This Day)*

The Securities and Exchange Commission has restricted corporate raiders from hijacking the Nigerian Stock Exchange (NSE) during its planned demutualisation exercise. This is sequel to a rule that stipulates that no single entity/person or related entities are permitted to own more than five per cent in a demutualised securities exchange. Demutualisation is the process through which any member-owned stock exchange becomes a shareholder-owned exchange and, sometimes, becomes listed. The Council and members of the NSE had agreed to demutualise the exchange. But the absence of rules and regulations from SEC on the demutualisation process in Nigeria has been one of the factors delaying the NSE demutualisation. However, three years after, the committee on demutualisation submitted its report to SEC without any action, the acting Director General of the commission, Mounir Gwarzo, last week facilitated the exposure of the regulations to market operators and other stakeholders for their contributions. Under the proposed draft regulations for demutualisation of securities exchanges in Nigeria, SEC said, "no single entity/person or related entities/persons should be permitted to own, directly or indirectly more than five per cent of the equity and/or voting rights in the demutualised securities exchange." The commission added that the aggregate equity interests of members of any specific stakeholder group (for example, brokers and broker/dealers) in the demutualised securities exchange should not exceed 40 per cent. SEC added that the trading participants who are shareholders of the securities exchange shall with effect from the date of demutualisation reduce their cumulative shareholdings in the demutualised securities exchange to not more than 10 per cent within five years.

The regulations make room for a strategic investor, on the conditions including: that it should provide evidence of technical expertise through previous experience in managing other exchanges, the aggregate number of shares to be offered to the strategic investors shall not be more than 30 per cent of issued and fully paid up capital of the securities exchange. "However, if the Exchange is in dire need of funds, it could issue a higher number of shares subject to approval of the commission," SEC added. The regulations require that the process of demutualisation of the securities exchange should include an exchange of membership rights in the securities exchange for ownership of shares in the demutualised securities exchange. According to SEC, prior to the commencement of demutualisation, the securities exchange should initiate a process for determining the accurate list of members of the exchange. On governance, the commission said the Board of Directors should be made up of a maximum of 13 members of which at least one third of the directors should be independent, non-executive directors. "All the directors and executive management appointments should require the prior written approval of the SEC. The demutualised securities exchange will be required to comply, in all other respects with the SEC Code of Corporate Governance for public companies," the commission said. *(This Day)*

The Securities and Exchange Commission (SEC) and the Central Bank of Nigeria (CBN) have agreed to collaborate more for stronger regulation of the capital market in particular and the Nigerian financial system in general. The acting Director General of SEC, Mounir Gwarzo and the Deputy Governor, Financial System Stability, CBN, Dr. Okwu Joseph Nnanna reached an accord for closer ties when Nnanna visited the management of the SEC in Abuja last week. Market operators said the collaboration is coming at the right time in view of the decline in the price of crude oil in the international market and its impact on the Naira's exchange rate as well as the nation's capital market. Gwarzo described the collaboration as timely given the difficulties being experienced in the economy at the moment. He expressed the hope that both regulators would work in tandem in finding solutions to the issues. "You have come at the right time. We crave one-on-one collaboration with various institutions as we believe it is very important in finding solution to our economic problems as a nation. We need to collaborate on major areas beyond the platform provided by the Financial Services Regulation Coordinating Committee (FSRCC)" Gwarzo said. He added that one of the policy thrusts of the present management of the commission was empowerment of trade groups in the capital market, which he said would enhance collaboration in resolving complaints and developing the market.

He explained that this was why the SEC reviewed its complaints management framework to enable trade groups handle complaints and resolve them, adding that this would be better for the market. He also stated that the Commission was leveraging on making it mandatory for every registered operator to belong to a trade group. Speaking, Nnanna said he was on the visit to the commission to familiarise with the acting DG and also find ways to strengthen the financial market. "We are here to familiarise with the new DG. There is much happening in the financial system and that is why I am here for bilateral meeting so that we can agree on a few things to revive the system particularly the capital market," he said. There are many areas SEC and CBN need to collaborate in order to make the capital market in particular more attractive. For instance, the area of allowing shareholders to pay dividend warrants into savings accounts is expected to help reduce the amount of unclaimed dividends. *(This Day)*

Rwanda

Rwanda's Bank of Kigali has reported a 21.3 percent rise in full-year pretax profit to 22.8 billion Rwandan francs ($33.3 million). Net interest income at the bank, the largest by assets in the east African country, climbed to 39.3 billion francs in the year through December from 35.2 billion a year before, it said on Friday. Net fees and commissions nudged higher to 10.9 billion francs from 10.8 billion. The bank's total assets grew 14.3 percent to 482.6 billion francs. *(Reuters)*

Zambia

DEMAND for the United States (US) dollar on the local market coupled with low copper prices on the international market has continued to put pressure on the kwacha, which has breached the K7 mark, Access Bank says. Access Bank says in its daily digest that the kwacha is expected to remain under pressure. "…the kwacha has continued to depreciate against the dollar opening at K7.00 and K7.02 on bid-and-offer, respectively, and closed at K7.03 and K7.05 on inter-bank [on Thursday]. "The kwacha is expected to remain weak against the dollar due to demand for the greenback on the market and lower copper prices," the bank says. On the commodity market, the price of copper on the London Metal Exchange (LME) edged down, after a solid US labour report boosted the dollar, with prices set to close the week little changed amid the Lunar New Year holiday in top consumer China. Access Bank says three-month copper on the LME slipped 0.2 percentage point to US$5,738 a tonne. "A rebound from five-and-half-year lows, touched in mid-January has run out of steam with top user China away from the market," the bank says. *(Daily Mail)*

Over 2,000 unionised workers at the Lumwana copper mine owned by Barrick Gold Corp. downed tools on Monday demanding an explanation of their fate when the company closes the operation, a senior government official said. "They are demanding to know their future when the mine is closed," Amos Malupenga, the top civil servant in North-Western province, told Reuters. *(Daily Mail)*

Zimbabwe

ZIMBABWE has cancelled the licence of its smallest mobile network operator over the company's alleged failure to settle an outstanding $137,5 million (about R1.6 billion) debt Minister of Information Communications Technology, Postal and Courier Services, Supa Mandiwanzira, confirmed the cancellation of Telecel's licence. "The ICT Ministry is canceling the agreement Telecel made with government to pay the $137,5 million license over time," said Mandiwanzira. However, the ZANU (PF)-led government is accused of making concerted efforts to illegally takeover the network's operations. The move is widely believed would highlight the country's reputation of company grabs. The government owns two cell phone mobile licences for both NetOne and Telecel. Econet Wireless, the country's leading mobile network so far remains the only cell phone company to have paid the whopping R1.6 billion licence fee while NetOne and Telecel Zimbabwe have not paid any cent except enjoying free frequency. "This government is full of vultures wanting to reap where they did not sow. This is what is killing our economy," said an ICT executive. "If you go into the farms, the same vultures have grabbed houses owned by white people, but at the same time they are failing to till the land and produce high crop yields for profit," he added. Vimpelcom, the Dutch-headquartered firm, owns 60 percent of Telecel Zimbabwe Exiled businessman, Dr James Makamba, and politician Jane Mutasa own the remaining stake. The government's takeover comes at a time shareholders for Telecel Zimbabwe were jostling for bigger share percentage ownership in the sector dominated by Econet. Telecel, which until recently was the second biggest operator, has more than 2,2 million subscribers against the country's total population of 11,4 million subscribers. *(New Zimbabwe)*

CIGARETTE maker British American Tobacco has reported a $13,4 million after-tax profit for the full-year to December from $3,7 million registered in prior year. This was after the company made a once-off payment in compliance with the country's indigenisation and empowerment regulations. Revenues were flat on $44,5 million despite a 4% growth in volumes. A non-recurring payment of $10,9 million in 2013 towards the company's employee share ownership trust saw earnings improving during the period under review despite a slight increase in cost of sales. Finance director Peter Doona said gross profit reduction was offset by a reduction in marketing and sales costs. He said following this payment, the company had fully complied with the regulations compelling foreign owned firms to dispose of at 51%

stakes to locals. Going forward, managing director Lovemore Manatsa said the company would adopt pricing models that improve demand following last year's increase in excise duty, which he said had resulted in sluggish volumes in January. "Trading conditions are expected to remain challenging going into 2015 as the country continues to look for economic growth and stability," company chairman Kennedy Mandevhani said in a statement accompanying the financials. *(News Day)*

Zimbabwe coal producer Hwange Colliery said on Monday it was negotiating to supply coal and coke to global miner Glencore and a deal could be reached at the end of this month, its managing director said. Thomas Makore said Hwange, which mines in the northwest of the country and is the biggest coal supplier to state-owned electricity producer Zimbabwe Power Company, was currently exporting coal to ArcelorMittal South Africa. "Discussions are happening right now with Glencore to supply coal and coke and we want to reach a conclusion by the end of this month," Makore told Reuters. "Exports would then start thereafter. What motivated us to talk to Glencore is that they are a very big coal supplier and producer and it made sense to engage them," he said. Makore said monthly coal production had doubled between September and December to 300,000 tonnes after the company upgraded some of its ageing equipment. Hwange, which sits on some of the country's richest coal deposits in the country, was targeting to produce over 300,000 tonnes a month this year, said Makore. He said the company expected to commission new mining equipment in May after getting $33 million in loans from the central bank and India Export and Import Bank. Hwange, in which Zimbabwe's government is the biggest shareholder with 37 percent shareholding, is also raising funds to repair a coke oven battery. Once repaired, it would increase coke production to 216,000 tonnes annually from 120,000 tonnes, said Makore. "Our exports are not as big as we would like to be but once we fix the coke oven battery this should change," Makore said. *(Reuters)*

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