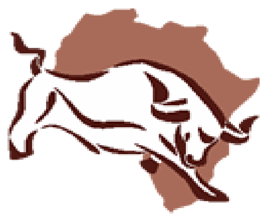


SECURITIES AFRICA

For week ending 30 March 2012

Weekly African Footprint

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
- Morocco
- Namibia
- Nigeria
- Tanzania
- Zambia
- Zimbabwe

African Stock Exchange Performance:

Country	Index	30 March 2012	WTD % Change	WTD % Change USD	YTD % Change	YTD % Change USD
Botswana	DCI	7,037.51	-0.01%	0.22%	0.95%	4.12%
Egypt	CASE 30	5,018.55	-2.46%	-2.60%	38.54%	38.34%
Ghana	GSE All Share	1,046.88	0.75%	-0.17%	8.03%	-1.20%
Ivory Coast	BRVM Composite	152.56	0.09%	0.88%	9.85%	12.57%
Kenya	NSE 20	3,366.89	1.63%	1.70%	5.05%	7.62%
Malawi	Malawi All Share	5,667.12	2.81%	2.76%	5.54%	3.73%
Mauritius	SEMDEX	1,806.05	2.41%	2.87%	-4.36%	-3.21%
	SEM 7	339.38	3.32%	3.78%	-3.13%	-1.96%
Morocco	MASI	10,948.45	-0.48%	0.12%	-0.56%	1.90%
Namibia	Overall Index	888.00	-0.34%	-0.32%	5.97%	12.72%
Nigeria	Nigeria All Share	20,756.18	-2.05%	-2.22%	0.12%	1.50%
South Africa	All Share	33,554.21	-0.05%	-0.32%	4.87%	11.32%
Swaziland	All Share	276.45	-0.46%	-0.59%	2.98%	9.55%
Tanzania	DSEI	1,325.69	0.13%	0.07%	1.72%	1.00%
Tunisia	TunIndex	4,819.77	0.50%	1.13%	2.07%	3.48%
Zambia	LUSE All Share	3,925.56	0.31%	0.73%	-5.86%	-9.07%
Zimbabwe	Industrial Index	136.76	-1.80%	-1.80%	-6.24%	-6.24%
	Mining Index	85.01	-0.51%	-0.51%	-15.58%	-15.58%

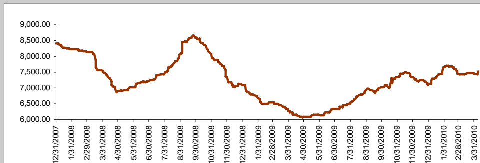
Currencies:

	30-Mar-12	WTD %	YTD %
Currency	Close	Change	Change
AOA	95.08	0.00	-0.16
DZD	73.63	0.37	2.14
BWP	7.15	0.22	3.04
CFA	482.79	0.78	2.42
EGP	6.02	-0.14	-0.15
GHS	1.77	-0.92	-9.34
KES	81.57	0.07	2.38
MWK	165.25	-0.05	-1.75
MUR	27.80	0.44	1.19
MAD	8.37	0.60	2.41
MZM	27,950.00	-1.19	-4.68
NAD	7.65	0.02	5.99
NGN	157.61	-0.17	1.36
ZAR	7.70	-0.27	5.79
SDD	266.33	0.04	-0.09
SDP	2,261.00	0.00	0.00
SZL	7.66	-0.13	5.99
TND	1.50	0.63	-0.48
TZS	1,571.56	-0.06	-0.72
UGX	2,472.51	-0.68	-1.03
ZMK	5,209.53	0.41	-3.83

Source:oanda.com

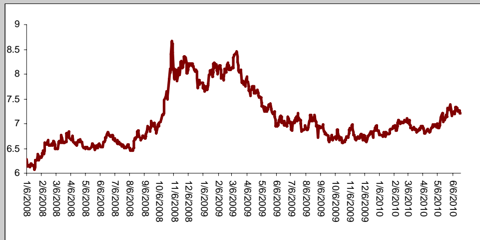
Botswana

Botswana Stock Exchange



Source: Reuters

BWP/USD



Source: Reuters

Economic indicators

Economy	2009	2010	2011
Current account balance(% of GDP)	-7.631	-16.259	-10.748
Current account balance (USD bn)	-0.825	-1.873	-1.304
GDP based on PPP per capita GDP	13,416.66	14,020.58	15,258.17
GDP based on PPP share of world total (%)	0.039	0.04	0.04
GDP based on PPP valuation of country GDP(USD bn)	24.186	25.568	28.149
GDP (current prices)	79.44	86.58	97.92
GDP (Annual % Change)	-10.347	4.124	8.542
GDP (US Dollars bn)	10.808	11.519	12.129
Inflation- Ave onsumer Prices(Annual % Change)	8.35	6.39	5.95
Inflation-End of Period Consumer Prices (Annual %)	6.65	6.21	5.73
Population(m)	1.80	1.82	1.85

Source: World Development Indicators

CPI Inflation

Stock Exchange News

The DCI lost a marginal -0.01% to close at 7,037.51 points. Letlole and Lucara were led the gainers after adding +10% and +7% to close at BWP 1.10 and BWP 7.49 respectively. Other counters to gain included FSG (+3.85%), Furnmart (+3.45%) and Primetime (+2.78%). Notable losses were recorded in AF Copper (-11.76%), Aviva (-11.24%) and Blue (-4.17%). Market turnover for the week amounted to BWP 43.6, after 3.4m shares exchanged hands.

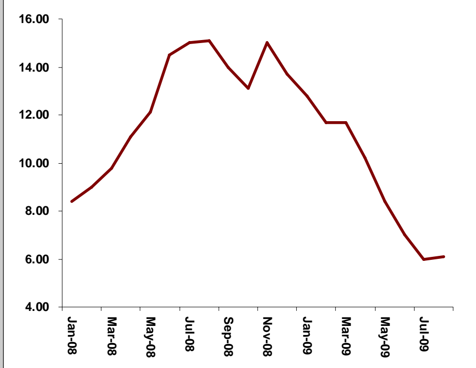
Corporate News

Interim results from Botswana Diamonds recorded no revenue for the six months that ended on December 31 and a loss of USD 365,000 (GPB 230,000) or 21 pence per share. During the company's first reporting period, which spanned three quarters from September 2010 to June 2011, Botswana Diamonds recorded a loss of USD 1.1m (GBP 711,000). Since closing this most recent period though, the company completed a USD 2.4m (GBP 1.5m) share placement, which will cover exploration expenses for at least one year, according to the statement.

The company's chairman, John Teeling, provided an update of projects underway today, calling Botswana the "best place to find a mine." The newest mine, Karowe, was discovered by the principals of Botswana Diamonds and was sold to Lucara Diamond, but Teeling's center of activity resides in the Orapa cluster of kimberlites. Botswana Diamonds expects to be awarded a new license near the Letlhakane mine, with the principal focus on an agreement with an international resources company to apply new thinking and new technology in the expectation of identifying previously undiscovered kimberlites, Teeling explained.

"Sand and salt up to 80 meters thick cover much of northeastern Botswana. This has made diamond exploration difficult. Our partner believes that using conventional exploration data, which they reprocess and reinterpret, they can identify anomalies which are likely to be kimberlites. Furthermore, they believe that they can pinpoint areas likely to be diamondiferous. Botswana Diamonds is actively providing data to our partner. This will take some months," he said.

If and when targets are identified, the partners will form a 50/50 joint venture to lodge license applications and to undertake fieldwork. Botswana Diamonds holds a concession in Zimbabwe, about 50 kilometers northeast of the Marange, in an area called Chimanimani. Teeling said, "It has proven difficult to get a license so we have agreed with local interests to allow them to own the concession while Botswana Diamonds would build and operate. This is similar to arrangements made on oil concessions in the Middle East. Progress is being made in this area and we are hopeful of an agreement."



Source: SAR

In a joint venture with Zimbabwe interests on a series of claims in the Masvingo/Beitbridge area, Botswana Diamonds has extracted a small bulk sample to demonstrate whether or not they contain diamondiferous kimberlites. Teeling believes that the Marange palaeoplacer diamond fields will become the world's biggest diamond producer in terms of carats in the very near future. ''The area covers over 250,000 hectares containing ore about 2 meters thick with grades of up to 8,000 carats per hundred tonnes. Botswana Diamonds would seek to participate in the development of Marange,'' he said.

The company was awarded a concession in Cameroon covering 8,000 square kilometers adjacent to Mobilong. A prospecting program in 2011 discovered palaeoplacer rock on the concession and a sampling program is underway to recover up to 300 tonnes of rock from three areas identified in the earlier work. Teeling said that even though "eyebrows are raised" when diamonds in Cameroon are mentioned, the objective is to demonstrate that the rocks are diamondiferous.

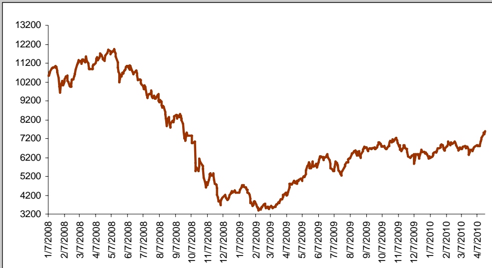
''Assuming they are, and we are confident of the outcome, we will undertake a larger bulk sample to identify grade and diamond value. Results from the current work are due mid-2012 with the next phase beginning at the end of this year,'' he added. *(Diamonds.net)*

Economic News

No Economic News this week

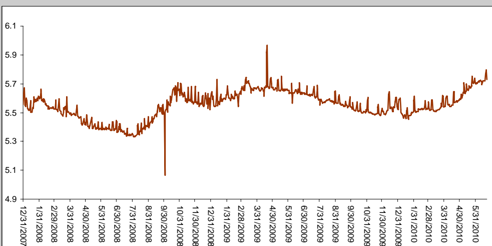
EGYPT

Cairo Alexandra Stock Exchange



Source: Reuters

EGP/USD



Source:SAR

Economic indicators

Economy	2009	2010	2011
Current account balance(% of GDP)	-2.354	-2.836	-2.72
Current account balance (USD bn)	-4.424	-5.912	-6.227
GDP based on PPP per capita GDP	6,147.12	6,393.94	6,676.47
GDP based on PPP share of world total (%)	0.658	0.666	0.681
GDP based on PPP valuation of country GDP(USD bn)	471.509	500.25	532.801
GDP (current prices)	2,450.41	2,664.41	2,868.74
GDP (Annual % Change)	4.7	4.498	5.008
GDP (US Dollars bn)	187.956	208.458	228.934
Inflation- Ave onsumer Prices(Annual % Change)	16.24	8.45	8.00
Inflation-End of Period Consumer Prices (Annual %)	9.96	8.00	8.00
Population(m)	76.70	78.24	79.80

Source: World Development Indicators

Stock Exchange News

The EGX CASE 30 Index lost -2.46% to 5,018.55. The Arab Dairy Products led the movers after gaining +5.64% to EGP 48.85 followed by El Kahera El Watania Investment (+4.75%) and Medical Union Pharmaceuticals (+3.81%). Total Urbanisation was the biggest loser after shedding -7.48% to close the week at EGP 7.55. Other notable losses were recorded in: National Housing for Professionals (-6.17%) and Grand Capital (-5.26%).

Corporate News

Egyptian group Orascom Construction reported a 34% drop in quarterly net income, missing expectations after being hit by debt restructuring and other charges. OCI said on Tuesday fourth-quarter net profit fell to USD 123m, compared with a forecast for USD 176m in a poll supplied by the company. The biggest company in Egypt by market value has managed to keep operating profit growing despite economic turmoil at home as it boosts exports of fertilisers and benefits from infrastructure growth across the Middle East.

Its consolidated construction backlog was USD 6.4bn by the end of last year, up 7.7% from three months earlier. OCI said its fertiliser plants operated at full capacity in the fourth quarter, urea and ammonia prices had recovered and its planned expansion in the United States, Egypt, Algeria and the Netherlands was on track.

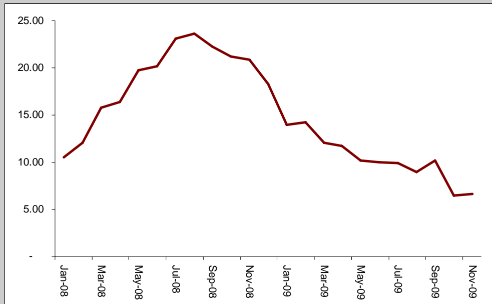
The company plans to split its construction and fertiliser businesses and aims to hold a shareholder meeting next month to approve the demerger. Earnings before interest, tax, depreciation and amortisation grew 6.8% to USD 341m, compared with a forecast for USD 347m, while revenue grew 7% to USD 1.41bn.

One-off items pulled net income down by USD 51.5m, including charges related to early repayment of debt, expenses for an employee stock option plan and a reduction in investment income, OCI said. *(Reuters)*

Despite seeing overall losses, leading Egyptian dairy producer Juhayna Food Industries, will distribute a dividend of LE0.15 per share for the 2011 financial year, the company announced on Sunday. The sum implies a payout ratio of 57% and a yield of 3.4%. No date for the payment was announced.

Juhayna's 2011 net profits slid 18.4% below that of 2010, falling to LE186m as troubles for Egypt's economy took their toll on the country's leading producer

CPI Inflation



Source: SAR

of milk and juices. Cairo-based investment bank Beltone Financial said the news came as a surprise as they had expected Juhayna to start paying dividends from their 2012 profits.

The company's decision, Beltone explained in a note on Monday, might signal that "management does not see acquisition targets at present". Earlier in March, Juhayna unveiled plans for LE750m worth of additional investments in 2012 as it attempts to boost its production capabilities.

The new investments include the construction of a new yogurt plant, due to cost LE328m and which will be partially-financed with borrowing from Egypt's Commercial International Bank (CIB). Juhayna closed Sunday trading down 2.22% at LE4.4 per share. *(Ahram)*

Economic News

Egypt's balance of payments slid into a deficit of USD 5.65bn in the politically-fraught final quarter of 2011, turning around a year-earlier surplus of USD 557.0m, central bank figures indicated on Sunday. Egypt's economy had been hammered by a year of turmoil since its popular uprising, which scared away tourists and investors, two of the country's main sources of foreign exchange, and triggered a series of worker strikes.

In October, November and December, uncertainty ahead of the country's first parliamentary election since Hosni Mubarak was driven from power and an outbreak of street violence spurred a monthly outflow of foreign reserves of around USD 2bn. The country's current account deficit for the quarter widened to USD 1.88bn from a year-earlier deficit of USD 1.26bn. Reuters calculated quarterly numbers by subtracting the Jul-Sep from the Jul-Dec figures supplied by the central bank.

Foreign direct investment dropped to a negative USD 858.2m from a positive USD 656.0m a year earlier, the central bank said. This included USD 1.7bn in net disinvestment in the petroleum sector compared to a net disinvestment of only USD 31.5m in the same quarter of 2010.

Tourism receipts dropped to USD 2.36bn in the fourth quarter from USD 3.29bn in the same quarter of 2010. Remittances, mainly sent by Egyptians working abroad, rose to USD 3.89bn in the fourth quarter from USD 3.11bn a year earlier. *(Reuters)*

Turkish companies are ready to pump over USD 1bn into Egyptian investment projects in the next few years, according to Mahmoud Eissa, Egypt's Minister of Industry and Foreign Trade. Eissa's statement was reported by the state-run Al-Ahram newspaper following a Sunday meeting he held in Cairo with Turkey's Deputy Economy Minister, Ugul Ecevit, and the Turkish Ambassador to Egypt, Huseyin Avni.

Egypt is striving to attract foreign investment after more than a year of upheaval in the wake of January 2011's revolution. Eissa also stressed the importance of a quick launch for the planned shipping trade route between the port of Alexandria and Mersin, on Turkey's Mediterranean coast. *(Ahram)*

Egypt's foreign-currency reserves may drop to USD 10.4bn at the end of June, compared with USD 15.7bn in February, Al Mal reported, citing the assistant defense minister for financial affairs. Mahmoud Nasr said he forecast economic growth to be about 2% during the current fiscal year, which ends June 30, and the next, the newspaper said.

He defended the armed forces' economic projects and said the military has supported the North African country's economy with about 12.2bn Egyptian pounds (USD 2bn) since last year's protests began. Egypt's international reserves have plunged by more than half since the uprising against Hosni Mubarak and the economy is struggling to recover from a drop in investment and tourism. *(Bloomberg)*

Egypt plans to sell EGP 27.5bn (USD 4.6bn) of treasury bonds in the next quarter, the most in a three-month period since the start of uprisings last year, as yields declined. Dollar bonds dropped. The government will offer three-, five-, seven- and 10-year securities in the fiscal fourth-quarter starting April, according to a sale plan on the finance ministry's website yesterday.

Egypt seeks to raise a combined EGP 150bn from the sale of bonds and bills in the period. It last sold 10- year notes in January 2011 at an average yield of 13.04% and sever-year notes to yield 16.88% almost two weeks ago. The finance ministry halted the sale of treasury bonds after the start of the revolt that ousted President Hosni Mubarak more than a year ago to avoid paying higher yields. Rising borrowing costs forced the government to fall 14% short of the 170bn pounds it planned to raise this quarter.

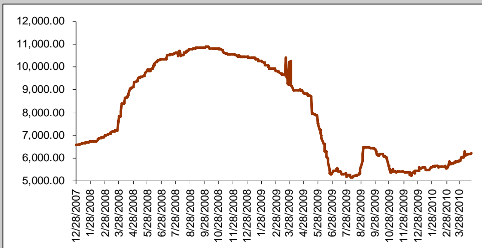
Yields on bills have leveled off in the past month, with rates on one-year securities dropping 21 basis points from 15.975% on Feb. 9, the highest since Bloomberg started tracking the data in 2006. The yields on the one-year notes had surged 518 basis points, or 5.18%age points, since the start of the demonstrations last year to 15.768% at an auction on March 22. The central bank on March 20 reduced by two percentage points the local-currency reserve requirement for banks to help "ease credit conditions in the market." The ratio now stands at 12%.

The yield on the 5.75% dollar bonds due in 2020 advanced 3 basis points to 6.41% at 12:40 p.m. in Cairo, the highest level since March 19, according to prices compiled by Bloomberg. The Egyptian pound was little-changed at 6.0375 a dollar. *(Bloomberg)*

Ezz Aldekhela Steel, an Egyptian manufacturer of the metal, said 2011 profit rose 4.2%. Net income increased to EGP 696.9m compared with EGP 668.7m a year earlier, the Alexandria, Egypt-based company said in a filing to the Egyptian bourse today. *(Bloomberg)*

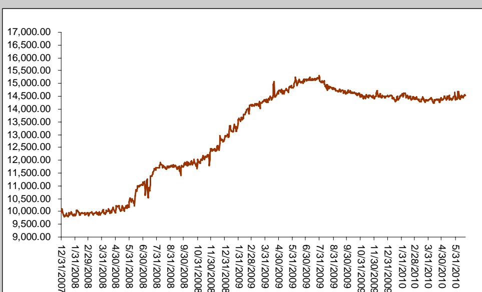
Ghana

Ghana Stock Exchange



Source: Reuters

GHC/USD



Source:SAR

Economic indicators

Economy	2009	2010	2011
Current account balance(% of GDP)	-12.662	-15.439	-9.157
Current account balance (USD bn)	-1.869	-2.362	-1.732
GDP based on PPP per capita GDP	1,571.83	1,633.76	1,979.53
GDP based on PPP share of world total (%)	0.051	0.052	0.052
GDP based on PPP valuation of country GDP(USD bn)	36.322	38.718	48.111
GDP (current prices)	638.80	645.71	778.16
GDP (Annual % Change)	14.761	15.302	18.913
GDP (US Dollars bn)	10.808	11.519	12.129
Inflation- Ave Consumer Prices(Annual % Change)	18.46	10.15	8.43
Inflation-End of Period Consumer Prices (Annual %)	14.56	9.21	8.00
Population(m)	23.11	23.70	24.30

Source: World Development Indicators

Stock Exchange News

The GSE All Share Index was up +0.75% to close at 1,046.88 points. Gains were recorded in MCL (+10%), CMLT (+9.09%) and ETI (+9.09%) while ALW (-28.57%), PBC (-4.00%) and SG-SSB (-2.22%) were on the losing front.

Corporate News

Millicom International Cellular SA, operators of the Tigo brand, have published its full year report for 2011, stating categorically that it is still the second largest operator in Ghana by subscribers. This is in sharp contrast to the full year subscriber base report published by the National Communication Authority (NCA), showing that Vodafone has taken over the second place from Tigo since October 2011.

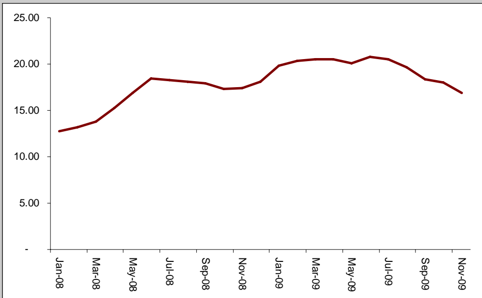
The NCA's report showed Vodafone finished the year second with 4.2m subscribers, representing 20.2% market share, and Tigo came in third with 3.9m subscribers, representing 18.53% market share. But Tigo's full year report, published on February 8, 2012 indicated that it closed the year with 3,508,372 subscribers, and not 3.9m; adding that the figure represented 21.3% market share making Tigo still the second largest of five operators in Ghana.

The report also said mobile penetration in Ghana is 66.1%, which is 16.53m, and not the 84.7% (21.2m) captured in the NCA's full year subscriber base report. Meanwhile it was Tigo, which submitted the 3.9m to the NCA, and yet reported 3.5m in its own annual report. Adom News therefore asked officials of Tigo to explain why the disparity and they sent in a response via email saying "Millicom reports to NCA subscribers up to 90 days of activity, according to NCA policy [but] internally, we report to head quarters up to 60 days of no activity."

A highly placed official at Tigo later explained that to mean the figures in Tigo's annual report was based on how many Tigo subscribers were active within the last 60 days to December 31, 2011, and that was different from how many subscribers were active within the last 90 days. The official said "every Tigo number that makes a call or sends SMS to any other number even once in 60 days is captured as an active subscription – so if within the 60 day and subscriber does not make a call or send an SMS that subscriber is not captured as an active Tigo subscriber."

Tigo also reported the mobile penetration in Ghana is 66.1% and not 84.7%, and the company explained via email "we reached penetration based on our calculation of addressable market and number of active subscribers in our database." Again the Tigo top official explained that by monitoring interconnectivity activity across networks, Tigo is able to know how many subscribers from other networks make a call or send SMS to Tigo lines within

CPI Inflation



Source: SAR

its 60 days reporting period.

"Within 60 days every subscriber from any other network that makes a call or sends an SMS to a Tigo number even for once is captured as an active subscriber for that network – and when we put those figures plus our own subscribers together we determine the mobile penetration," the official said. He said from that method Tigo maintained that the total number of subscriptions as the end of December 2011 is 16.53m and not 21.2m as the NCA figures reflected.

Meanwhile, Vodafone itself has refused to comment about its newly acquired second position, in spite of several requests from journalists. Adom News has for months now requested Vodafone to explain how it generates its subscriber base but till date the company has not provided answers, in spite of several reminders.

Meanwhile, market leader MTN also reported in its annual results it has 52% market share even though the NCA's report said it has 48.8%, and MTN Ghana CEO Michael Ikpoki said it only reported RAS-90. *(Ghana Web)*

Mobile phone and computer assembling firm, rlg Communications, is targeting GHS 400m in revenue this year. If achieved, the projection will represent a 350% rise in revenue for the previous year 2011. Trade and Marketing Manager of the company, Eugene Ayitey announced this at a media soiree in Accra.

A subsidiary of the AGAMS Group of Companies, rlg Communications is wholly a Ghanaian-owned limited liability company engaged in the assembling of communications equipment such as mobile phone handsets, electronic notebooks, and desktops. The company is the first in Sub-Saharan Africa to assemble mobile handsets. It has 42 training centres nationwide and Care-for-you centres in Accra and Kumasi.

rlg has operations in the Gambia and Nigeria and plans to expand to Sierra Leone, Cote d'Ivoire and Liberia. The ICT firm trains people under the National Youth Employment Programme in mobile phone repairs and maintenance as well as in the sale and servicing of mobile phones nationwide.

Under the same scheme, NYEP graduates can apply for support worth GHS2,500 in materials and tools to set up their own repair shops payable in two years. Mr. Ayitey announced plans to introduce LCD TV monitors and Fusion tablets, a revolutionary dual SIM device with android operating system with a sensitive capacitive touch screen.

According to Eugene Ayitey, rlg is focusing on students and rural areas with less sophisticated, moderately priced handsets produced and made affordable for all customers including low-income earners. He also touched on the company's revenue performance over the years and projections for this year.

Officials reaffirmed their commitment to enlist on the Stock Exchange without raising capital. This will see the company list the whole value of the business without issuing any new shares for capital. The firm had originally indicated it would offload 45% of its business on the stock market to raise about 70m dollars for expansion of projects by June this year.

If successful, rlg will be the first indigenous firm in the country to enlist on the exchange without raising capital. rlg has already settled on investment firm IC Securities as the sponsor of its IPO. *(Ghana Web)*

Produce Buying Co. purchased 274,000 metric tons of cocoa in the 23-week period to March 22, said the Accra, Ghana-based company, the country's biggest buyer of beans from farmers. The purchases represented about 36% of the national figure, Kojo Atta-Krah, the company's managing director, said today in an interview in the capital, Accra.

Weekly purchases "are still low, we've consistently been buying around a thousand tons in the last three weeks," he said. "Things are changing on the field so we know volumes will improve from April." Ghana is the second-biggest cocoa producer after neighboring Ivory Coast. The country's 33-week main crop marketing season began Oct. 14. *(Bloomberg)*

Ghana will ship two 950,000-barrel cargoes of Jubilee crude in May, one less than April, a revised loading program obtained by Bloomberg News showed. Exports for May were originally planned at three shipments, according to a preliminary plan.The Jubilee field is operated by London-based Tullow Oil Plc (TLW) and started production in December 2010. Loading programs are monthly schedules of crude shipments compiled by field operators to allow buyers and sellers to plan their supply and trading activities. *(Bloomberg)*

UT Bank Limited Ghana, on Thursday signed a USD 15-m joint equity investment with the International Finance Corporation (IFC), a member of the World Bank Group, and Africa Capitalisation Fund, which is managed by IFC Asset Management Company. The investment will help expand UT Bank's lending to small and medium scale businesses in Ghana, and the investment was subject to approval of the Securities and Exchange Commission, the Bank of Ghana and the Ghana Stock Exchange.

IFC will also extend an Advisory Services programme to strengthen UT Bank's risk management and corporate governance practices. The combination of additional capital from IFC and world-class expertise through the advisory services programme will support UT Bank as it continues to implement its strategy of expanding its SME and consumer lending business, a statement from the institutions said in Accra.

IFC's partnership with UT Bank is expected to provide banking services to under-served entrepreneurs, helping build businesses and create jobs in Ghana. UT Bank is Ghana's leading SME and consumer lending Bank and was last year voted the best Bank in Short term finance. *(GBN)*

Economic News

The Board of Directors of the World Bank today approved a USD 100m credit to support the Government of Ghana's efforts to scale up the development of commercial agriculture nation-wide. The Commercial Agriculture Project seeks to facilitate access to land, strengthen Ghana's

investment promotion infrastructure for attracting agri-business investors, and promote public private partnerships and small-holder linkages in the Accra Plains, the SADA Zone.

The Government of Ghana is currently implementing a nation-wide Food and Agriculture Sector Development Policy (FASDEP II – 2010 2015) focusing on six priority themes: Food Security and Emergency Preparedness; Increased Growth in Incomes; Increased Competitiveness and Enhanced Integration into Domestic and International Markets; Sustainable Management of Land and Environment; Science and Technology Applied in Food and Agriculture Development; Improved Institutional Coordination.

The Commercial Agricultural Project, which is designed to support the implementation of above priorities, is made up of four main components:

Component 1: Strengthening investment promotion infrastructure and facilitating secure access to land (USD 11.8m; to be complemented by USAID co-financing of USD 5.9m) – This component will promote a secure investment climate that clarifies and strengthens the rights and obligations of investors, government and affected communities, and support an improved mechanism for facilitating access to land by reducing the search costs to potential investors through an expansion of a database of land suitable and available for investors and by building on nascent mechanisms for actively matching potential investors with suitable land owners.

Component 2: Securing Public Private Partnerships (PPPS) and small-holder linkages in the Accra Plains (USD 45.4m) – This component will conclude transactions for PPPs in an irrigation investment in the Accra Plains. The project area includes the existing Kpong Irrigation Project as well as an expansion of an additional 7,000ha under a PPP arrangement, inclusive of commercial anchor farms and associated out-growers.

Component 3: Securing PPPs and small-holder linkages in the SADA Zone (USD 29.3m; to be complemented by USAID co-financing of USD 35.0m) – This component will involve support to the identification and realization of private investments in inclusive commercial agricultural arrangements in the agricultural value chain through PPPs, complementary public investments, and technical assistance concentrated in the SADA zone.

Component 4: Project management including M&E (USD 14.3m; to be complemented by USAID co-financing USD 7.2m) – This component finances the operations of the project implementing agencies. It will also finance the various monitoring and evaluation and community engagement and communications functions.

Chris Jackson, Senior Economist and project Task Team Leader, said “this project reflects the Banks continued support for Ghana’s agricultural development and that by focusing on socially inclusive commercial agriculture, it will improve the enabling environment for farmers while also making sure that local communities can participate in new agriculture based opportunities. By strengthening the arrangements by which investors secure land, it will reduce investor risks and promote benefit sharing arrangements. The geographical focus promotes a balanced development between the high-potential Accra Plains and under-exploited areas in northern Ghana."

Even thought the project will support the scaling up of commercial agriculture on a national scale, it will have two main ecological areas of focus: the SADA zone and the Accra Plains. In the SADA zone it will primarily support the development of value chains in areas with a good potential for agricultural growth. In the Accra Plain the area targeted includes 11,000ha mainly for irrigated cultivation. In both intervention zones the project will promote contract farming and support the establishment of out-growers schemes for various agriculture commodities.

Hon Kwesi Ahwoi, Minister of Food and Agriculture, said the project directly supports the Governments Commercial Agriculture agenda, and is a key pillar in our efforts to modernize agriculture. The Accra Plains, the SADA Zone and other ecological belts in the Western and Eastern Corridors have huge potentials which we needbns of dollars to fully harness. While the project will be housed in the Ministry of Food and Agriculture, we shall foster an active partnership between my ministry, the Lands Commission, the Ghana Investment Promotion Center, the Environmental Protection Agency and the Savannah Accelerated Development Authority to ensure smooth implementation."

He said by supporting out-grower schemes and contract farming arrangements, this project will help connect our small farmers to markets and strengthen key value chains. It will also increase the production of rice and maize to help the country to become self sufficient in these crops. He said In addition to the USD 100m being provided by the World Bank, USAID will provide a grant of USD 45m to jointly support the implementation of this project by promoting inclusive market growth and leveraging the resources and expertise of the private sector toward our common pursuit of improving food security in the SADA region of Northern Ghana.

This is a key pillar of the U.S. Governments new Feed the Future strategy for Ghana and will seek to build from the experience of Ghana's U.S. funded Millennium Challenge Corporation program which closed at the end of February, 2012. Feed the Future supports country-led processes for food security and agricultural development, and Paul Weisenfeld, USAIDs Assistant to the Administrator for the Bureau for Food Security, notes: USAID is proud to support the Ghana Commercial Agriculture Program as a key component of Ghana's strategy to increase food security and agricultural development through inclusive private-sector led growth designed to benefit Ghana's smallholders.

Yusupha Crookes, newly appointed World Bank Country Director for Ghana, said I am glad we are scaling up our support for Ghana's agricultural sector. Ghana has great potential to become a leading food producer in the West African sub-region. What we all have to do is to put serious traction behind this project to help create more jobs particularly for rural folks and women, and ultimately bring more agricultural products to the markets. *(Ghana Web)*

Ghana's full-year gold production declined by a few%age points last year but it is expected to rise in 2012, the head of its Chamber of Mines has stated. Ghana is Africa's second biggest producer of gold. Production rose by 12% in 2009, with output at the country's two biggest mines increasing. Ghana's mines produced 2.9m ounces in 2009, compared with 2.6m in 2008.

Output was originally rising in 2011 but in the end shrunk since a number of firms focused on longer-term maintenance and expansion projects rather than maximizing existing production. “Gold output in 2011 came down 2-3% compared to the year before,” Chief Executive of Ghana Chamber of Mines, Tony Aubynn told Reuters, adding that details were yet to be finalized.

He said the decline could have been deeper but for the fact that Australian miner Adamus Resources poured its first gold in January last year. “Two more mines are expected to come on stream this year and we also anticipate that Adamus will be ramping up production during the year – so we are going to see production go up this year,” Aubynn forecasted.

In the first half of 2011, the country produced 1,497,023 ounces, up three%, the same period of 2010, with revenues jumping to 31% to USD 2.2bn on the back of higher gold prices. Ghana’s largest mine is Tarkwa owned by Gold Fields Ltd. The Tarkwa Gold Mine is located in south-western Ghana, about 300 kilometers west of Accra. The project consists of six open pits, two heap leach facilities and a CIL plant.

Tarkwa has a Mineral Resource of 15.3m gold ounces and a Mineral Reserve of 9.9m ounces. During the financial year of 2010 Tarkwa produced 720,700 ounces of gold. For the 12 months to end-June 2011 the outlook for Tarkwa was to produce between 720,000 and 760,000 ounces of gold. Newmont Mining’s Ahafo mine produced 531,470 ounces of gold in 2009, up from 524,000 the previous year.

Gold Fields also owns the Damang mine, located in south-western Ghana, about 300 kilometers west of Accra. The Damang Gold Mine has a Mineral Resource of 4.7m gold ounces and a Mineral Reserve of 2.1m ounces. AngloGold Ashanti’s Obuasi operation produced 383,000 ounces a year. AngloGold Ashanti expects its Obuasi mine to produce around 400,000 ounces of gold per year by 2012. AngloGold also owns the Iduapriem Mine, which produces an average of 190,000 ounces of gold per year. Bibiani Gold mine, owned by Noble Mineral Resources, is located in Western Ghana, 250 kilometres north-west of Accra.

The open-pit mine, which was commissioned in 1998, is in the Sefwi-Bibiani belt and contains more than 17m ounces of gold. The Sefwi-Bibiani belt is the second-most significant gold-bearing belt in Ghana after the Ashanti Belt to the east. Noble Resources plans a USD 9m drilling programme over the next three years.

Golden Star Resources, which has two operating mines in Ghana, poured its two-millionth ounce of gold from its Bogoso/Pretea and Wassa mines in 2009. The Bogoso/Pretea project, in which Golden Star has a 90% interest (Ghana government owns the remaining 10%), consists of approximately 85km mining. Bogoso/Presteas’s forecast for 2010 is production of 200,000 ounces.

The Wassa gold mine (also 90% owned by Golden Star), is located in the Southwestern Region of Ghana approximately 35 km east of Bogoso/Prestea. In 2009, mining operations at Hwini-Butre commenced and provided a higher grade ore to the Wassa mill.

Keegan Resources has two premier gold assets in Ghana. Keegan's flagship property is the Esaase Gold deposit. Updated resource calculations indicate a 2.025m ounce. Development studies are currently underway that will enable the project to be brought quickly to production stage. Keegan is also exploring a second project, the Asumura Gold property, located along one of Ghana's largest and most productive gold structures. *(Ghana Web)*

The Ghana Cocoa board, which markets the commodity for the West African country, signed a USD 200m pre-export financing facility, according to data compiled by Bloomberg. The three-year credit line, which will be secured against fixed price contracts with buyers of the crop, will be used to upgrade warehouses and cocoa farms in Ghana, the lenders said in a Dec. 2 statement when the facility was initially sought.

Cocobod, as the Accra-based board is known, is also in talks with banks to refinance its annual pre-export finance facility, according to three people with knowledge of the matter, who declined to be identified because the terms are private. *(Bloomberg)*

Ghana's annual producer price inflation rose to 16.14% in February from a revised 15.01% in January, driven mainly by rising gold prices and the depreciation of the local currency, the statistics office said on Wednesday. "We have seen some level of depreciation of the cedi in the past months and that definitely, to some extent, impacted production cost, especially in the manufacturing sector," said Ebow Duncan, head of economics statistics.

The depreciation of the cedi drove cost in the manufacturing sector, Duncan said, citing the cost of textile manufacturing which recorded a monthly increase of 4.75%. The cedi has declined 7.4% year-to-date against the dollar, compared with 2.89% depreciation in the same period of 2011. The dollar-cedi rate was at 1.77 by 1115 GMT.

Duncan said producer inflation in the extractive sector, driven by gold prices, was up 39.26% year-on-year with monthly appreciation of 8.9%. Manufacturing accounted for 13.7% of the total inflation for the period, while utilities were almost unchanged at 9.43%. *(Reuters)*

Ghana's financial market is undergoing some dramatic capital increases following the country's entry into the league of oil producers and the attainment of a lower middle income status. This has pushed regulators of the financial sector to compel industry players to up their capital base to conform to Ghana's desired status as the financial hub of the sub region.

But just when the insurance companies had come out of a bout of recapitalisation, some local banks are trotting to the wire while the brokerage firms have just been hit with a recapitalisation drive. The directive by the Ghana Stock Exchange (GSE) for all the 23 licensed investment banks or brokerage firms to raise their capital base from the current GHS 100,000 to am Ghana Cedis by 2013 has attracted mixed and swift reactions.

The National Insurance Commission (NIC) too had based on a 2006 legislation, directed every life insurance company in Ghana and every general insurance to have a minimum of USD 1m in core capital, a stipulation which all the 42 licenced insurance companies in Ghana had complied with. The NIC had

earlier raised the minimum capital for general insurance firms that wish to engage in underwriting policies in the oil and gas industry to recapitalise further to a minimum of USD 5m.

The banking sector too is going through some transformation in phases, which the Bank of Ghana hopes all banks especially the local ones to recaptalise to the tune of GHS 60m by the end of 2012. In all these cases the players in the markets had not taken lightly to these new rates of re-capitalisation. However, officials of the GSE say the re-capitalisation of the brokerage firms is not reversible.

The General Manager of the Ghana Stock Exchange, Mrs Elizabeth Mate-Kole told the Graphic Business in an interview that the re-capitalisation of licensed investment banks was meant to make the brokerage firms stronger and be able to take on big businesses as the economy get set to thread on wheels of oil. “Yes, we are in discussions with the Securities and Exchange Commission for the brokerage firms to increase their capital base from GHS 100,000 to onem by December 2013”, she confirmed.

But the directive is yet to be endorsed by the Securities and Exchange Commission (SEC), which is the regulator of the industry. Director-General of the Securities and Exchange Commission Mr Adu Anane Antwi says the regulator require more information from the GSE before approving the capital raise. “We will for instance want to know from the Ghana Stock Exchange whether they have consulted widely from the market and industry stakeholders before approval”, Mr Anane Antwi said.

Head of the Research Division of Databank, Nii Ampa-Sowa is hopeful that a higher capitalisation will bring greater success on the GSE. “This will enable us do a proprietary trading,” he said. This means that brokerage firms will be able to buy stocks to keep in their books. But a senior broker at FirstBanc Financial Services, brokerage and investment firm in Accra, Mr Edem Akpenyo, however disagrees. He suggests that the increase in the stated capital should be a gradual process.

According to Mr Akpenyo, going slow and soft should have been the best approach. “It should from the current GHS 100, 000 to say, GHS 300,000 or GHS 500,000 and not higher lump sum at a go”, he said. He cautioned that the GSE should not adopt a one size fits all policy towards the brokerage firms adding that the timeline is “too short” but conceded that the increase in the stated capital will bring a lot of activities on the Ghana Stock Exchange.

For the banking sector, the on-going recapitalisation exercise were set out in two phases, which aimed to dramatically improve the core capital of the industry from a previous minimum per bank of just GHS 10m to GHS 60m (USD 40m). The first phase required that all majority locally-owned banks achieve a minimum core capital of GHS 25m (USD 16.6m) by the end of 2010 and that all majority foreign-owned banks raise theirs to GHS 60m (USD 40m) by that time.

However, the other 10 foreign-controlled banks and the 14 majority Ghanaian-owned ones have all met their respective stipulated new capital targets. December, this year, comes the hard part when more than 12 Ghanaian-controlled banks will have to raise their own capital base to GHS 60m, to

complete the second phase of the recapitalisation exercise and bring them at par with their foreign counterparts.

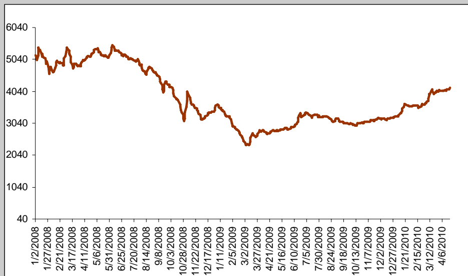
The National Insurance Commission insisted that any general insurance firm that wishes to engage in underwriting policies in the oil and gas industry, had to recapitalise further to a minimum of USD 5m in core capital by 2010. While this means that the new minimum capital is not altogether compulsory – any general insurer could choose not to recapitalise, and not underwrite oil and gas industry risks, but none of them were willing to let the obvious opportunities in that newly emergent industry pass them by.

Indeed, it is instructive that all of Ghana's general insurers have signed up to be part of the newly formed consortium to underwrite oil and gas sector risk, which tend to be so big that Ghana's insurers must necessarily pool their resources together to handle them.

Already, under the consortium, all of Ghana's general insurers have jointly underwritten the insurance of the Floating Production and Storage (FPSO Kwame Nkrumah), which was acquired for commercial production of oil from the Jubilee oilfield off Cape Three Points in the Western Region, which has an insured value of close to USD 900m. *(Ghana Web)*

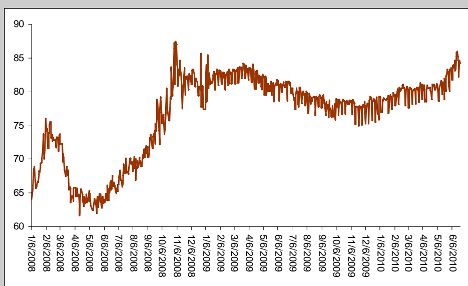
Kenya

Nairobi Stock Exchange



Source: Reuters

KES/USD



Source:SAR

Economic indicators

Economy	2009	2010	2011
Current account balance(% of GDP)	-8.098	-6.348	-5.734
Current account balance (USD bn)	-2.447	-2.188	-2.33
GDP based on PPP per capita GDP	1,750.82	1,817.49	1,902.47
GDP based on PPP share of world total (%)	0.091	0.093	0.094
GDP based on PPP valuation of country GDP(USD bn)	62.826	66.353	70.647
GDP (current prices)	841.95	944.07	1,094.40
GDP (Annual % Change)	2.486	4.024	4.972
GDP (US Dollars bn)	30.212	34.466	40.64
Inflation- Ave Consumer Prices(Annual % Change)	12.00	7.77	5.00
Inflation-End of Period Consumer Prices (Annual %)	11.50	7.19	5.00
Population(m)	35.88	36.51	37.13

Source: World Development Indicator

CPI Inflation

Stock Exchange News

The NSE 20-Share Index gained 1.63% to close the week at 3,366.89 points. Uchumi led the movers after gaining +17.31% to KES 12.20 followed by NBK which rose +10.09% to KES 19.10. Other notable gains were recorded in TCL up +10% to KES 22.00 and CFCI (+6.94%). Olympia was the main loser, shedding -11.84% to KES 3.35 followed by Barclays Kenya (-10.41%) and Williamson Tea which lost -9.80% to KES 230. Market turnover was down -13.17% to KES 1.45bn.

Corporate News

Kenya Airways will spend Sh299bn (USD 3.6bn) over the next five years on new planes and routes, mainly to connect travellers between Africa and Asia, its chief executive said. Titus Naikuni said trade between Africa and China and India had soared in recent years, growing at an annual rate of about 200%, creating huge opportunities in the travel market.

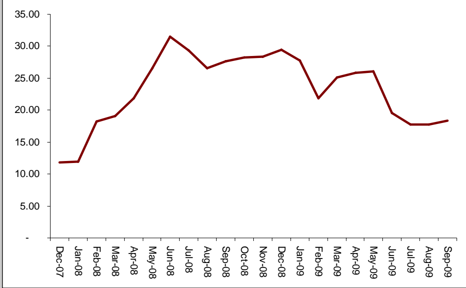
"We are looking at African markets. We are looking at Asia, India and we need to connect these three land masses," Naikuni said an interview. Ranked as one of Africa's largest airlines, the carrier that is 26% held by Air France KLM, is undertaking a Sh20.7bn (USD 250m) rights issue that will go towards funding the plan.

"I'm expecting subscriptions will be 100% if not more. It is going to be a success," Naikuni said, saying that Air France KLM and the Government, which holds a 23% stake, had agreed to take up their rights. "What we are looking for is Sh10.4bn (USD 125m). We have been out in the market place and a number of foreign investors are very keen.

That is what makes me very optimistic." If the cash call is successful, Kenya Airways will get a boost to its debt equity ratio, allowing it to borrow a further USD 2.2bn. The balance of the required funds would be generated from internal resources, he said, giving the airline a chance to double its passenger fleet to 68 planes and add eight freighters. It operates a sole, leased freighter.

Extra aircraft would enable the carrier to start six new routes to China, six new routes to India, a service to Madrid as well as increase frequencies on its numerous African routes. "We are starting Delhi in the next two months. In fact if I had aircraft I would put a double daily to Mumbai," he said. Kenya Airways' strategy hinges on connecting Africa with the outside world through its Nairobi hub.

Naikuni said the airline would start operating daily frequencies across the continent. The airline is expecting 10 E-190 Embraer jets due for delivery next



Source: SAR

year through to 2013. It also signed a deal for the purchase of 787-8 Dreamliner planes with Boeing. The main risk facing the firm's plan is the expansion of Nairobi's main airport, which although built in 1978 to handle 2.5m passengers a year, manages fivem.

"This airport must be expanded quickly ... Let's break the ground quickly because if we continue talking, another year could go by," Naikuni said, adding that the new facility should have a capacity of 20m passengers. *(Standard Media)*

Kenyan agricultural firm Limuru Tea posted a 42.6% drop in 2011 pretax profit, after its output fell by a quarter due to a dry spell in the first three months of the year, it said on Monday. The company produced 2.8m kg of green leaf and made 627,954 kg of black tea, lower than the previous year's 3.84m kg of green leaf and 841,439 kg of black tea.

Limuru said crop volume in the first quarter of 2012 had been much better than in 2011 due to rainfall, but said extreme dry weather and frost conditions coupled with a stronger shilling could yet affect earnings this year. Pretax profit fell to KES 59.8m (USD 718,800), in spite of a net gain of 21.8m in the fair value of its biological assets.

It said the full impact of last year's lower production was cushioned by a slide in the shilling against the dollar. The local currency depreciated by more than a quarter to a record low of KES 107 per dollar in October. It has since recovered after the central bank adopted an aggressive tightening stance in the fourth quarter of last year. Earnings per share dropped to KES 33.7 from KES 62.4 in 2010. The dividend was unchanged at KES 7.5. *(Reuters)*

I&M Bank has recorded a 37.5% rise in profit after tax for the period ended December 2011, buoyed by increased interest income from loans and customer deposits. The bank's net profit rose to KES 3.47bn from KES 2.52bn recorded in 2010. Loan advances increased to KES 66.36bn in the period under review.

Customer deposits grew to KES 85.21bn against a backdrop of reduced non-performing loans that declined by 15%, signalling a reduced bad debts provisions expense. "Our expansion to Mauritius and Tanzania has started yielding dividends and we continue to explore new regional opportunities to further grow our market presence," the bank's CEO, Mr Arun Mathur, said in a statement to the Daily Nation.

The subsidiaries in Mauritius and Tanzania contributed KES 496m to the profit basket and KES 61m to the dividend pie. Mr Mathur appraised the bank's shareholders for their support in the capitalisation plans of the institution. Mr Supriu Gupta, general manager marketing and product development, said the bank intends to consolidate its business and open one more branch in Kisii this year. *(Nation)*

Fuel marketer Total Kenya said 2011 pretax profit tumbled 96% due to a weakener Kenyan shilling, inflation, and price caps introduced in December 2010. The company, majority-owned by French oil company Total , said on Wednesday pretax profit dropped to KES 58m (USD 698,000) and that 2012 would be tough due to the high interest rates in the domestic market and

rising fuel prices globally.

Total Kenya - which reported a net loss of KES 71m after taxes - said the cost of sales rose 49% last year, an increase it was unable to pass to consumers because of price controls. The ministry of energy, through the Energy Regulatory Commission, sought to protect consumers from high fuel prices when it introduced a monthly review of pump prices, which it caps at a certain level.

Total Kenya said it would not pay a dividend for 2011, having paid KES 1.05 for 2010. Its shares were down 3.5% at KES 15.90 at 0750 GMT, having risen 10% on Tuesday when investors moved into the oil sector in reaction to news Kenya had discovered oil in Turkana.

Total Kenya said 2011 finance costs rose 63% to KES 1.6bn shillings due to increased working capital requirements and higher interest rates in the second half after the central bank raised its key rate to stem inflation and exchange rate volatility. "The increase in working capital requirements was due to increase in international oil prices, devaluation of the Kenya shilling and lack of supply credit," the company said.

Inflation in the east African nation soared most of last year to peak at 19.7% in November, mainly due to drought that ravaged the region and high oil prices globally. This also weakened the shilling to a record low of 107 per dollar in October, triggering a tighter monetary stance by the central bank. *(Reuters)*

Kenyan cement firm Athi River Mining increased its 2011 profit by 23% and plans to raise USD 50m through a convertible loan this year to finance expansion, its Chief Executive said on Tuesday. Ranked the second-biggest cement manufacturer in the country, the firm said its pretax profit rose to KES 1.36bn (USD 16.4m) from KES 1.11bn in 2010, helped by expansion of its clinker plant, which boosted production.

"Cement sales increased by 72% on commissioning of increased capacity which came on stream in late 2010," said Chief Executive Pradeep Paunrana in a press briefing. "In order to support the company's continuing expansion initiatives across east and southern Africa, the company is raising a further USD 50m through a convertible instrument." The loan, which will fund expansion of its clinker and cement plants, will be financed by Africa Finance Corp, Athi River said, with a six-year tenure.

The amount would be equivalent to 13.6% of the total equity of the company, if it were to be converted. The firm said its turnover rose 37% to KES 8.2bn during the year under review. Paunrana said the firm had recorded strong growth in turnover in the first two month of this year and expected infrastructure growth in the region to increase demand for cement this year

A presidential election expected by March in Kenya, its main market, could affect sales in the last quarter, he added. Earnings per share rose to KES 11.60 from KES 10.90 in 2010. It recommended a dividend of KES 2.0 per share, up from KES .75 the previous year. *(Reuters)*

Kenya's CFC Insurance's pretax profit more than doubled to just over KES 1bn (USD 12 mln) last year helped by a 33% rise in its gross premium revenue, it said on Wednesday. The company, which was separated from CFC

Stanbic Holdings last year, said the results showed resilience for a sector which has faces high interest rates and inflation as well as sluggish share performance.

Gross premiums rose to KES 6.4bn from KES 4.8bn, while basic and diluted earnings per share increased to KES 1.84 from 0.54 in 2010. CFC Insurance, which was listed on the Nairobi Securities Exchange in April last year, said the 2011 results consisted of eight months of Heritage Insurance and 12 months of CFC Life, its constituent units. South Africa's Liberty Holdings, majority-owned by Africa's biggest bank by assets, Standard Bank, has a controlling stake in the company. *(Reuters)*

Africa-focused oil and gas firm Ophir Energy Plc plans to drill three exploratory wells on blocks in Tanzania and Kenya, and aims to acquire additional blocks in the region, a senior company executive said on Wednesday. East Africa has been a focus for exploration since substantial deposits of crude were found in Uganda in 2006, and this week's announcement by Kenya that it had struck oil.

"We will look at putting our own East Africa campaign together, probably with an East Pande well, potentially a Block 7 well and potentially also a Kenyan (one) as well," Mike Fischer, chief operating officer, Ophir Energy, told Reuters on the sidelines of an Eastern Africa oil, gas and energy conference in Nairobi. "That will happen probably next early next year, and that will be an Ophir-operated campaign."

Ophir Energy has a 70% interest in Tanzania's coastal East Pande Block and an 80% interest in Block 7 and is the operator in both of them. It also has a 60% stake in Kenya's Block L9, where it is at present acquiring 3D seismic data, and 100% of Block L15. On Monday, Ophir Energy and its partner and operator in Tanzania's Blocks 1, 3 and 4, BG Group, said they had discovered more gas than estimated off the coast of Tanzania.

This adds an estimated 3.4tn cubic feet (TCF) in recoverable reserves from the Jordari-1 well in block 1, 55% more than initially expected. Fischer said Ophir and BG were drilling three more wells on the blocks. Tanzania has said recent natural gas discoveries have brought its natural gas estimates to more than 10tn cubic feet. The east African country, the second-biggest economy in the region, said on Tuesday it plans to hold an oil exploration licensing round for 16 offshore blocks starting in September this year.

Fischer said they would consider participating in the round, which he said was expected to be very competitive. "We will look at the blocks that are available, take them on a technical merit, and we will see how we go," he said.

"Yes, I think it's very likely we would at least look at the blocks that are on offer and decide if we want to compete. But it would be very competitive, so we will need to be a little careful - we don't end up overpaying for blocks." Ophir, which is backed by Indian steel magnate Lakshmi Mittal, also has assets in Somaliland and Madagascar, as well as in West Africa, in Gabon and Equatorial Guinea. *(Reuters)*

Toronto-listed oil explorer Simba Energy has an excellent chance of striking oil in Kenya, according to director Hassan Hassan. Shares raced to a 12-month high of 14.2 Canadian cents yesterday, following the shrewdly-timed

announcement that industry consultant Sproule Associates had been hired to assess the group's onshore exploration licence in Kenya.

It follows Tullow Oil's breakthrough discovery in the Kenyan rift basin on Monday. This is Kenya's very first oil discovery. And its significance is underlined by the fact that it was formally announced by the country's president Mwai Kibaki in Nairobi. "In the past there have been around 36 dry holes in Kenya, so this new discovery is massive for the industry," Hassan said. "This first successful well shows there is tremendous potential going forward.

"The fact that we have an onshore block means we're very well positioned to participate in that. It is very exciting for us as a company and we are incredibly privileged to be active in Kenya at this time. "The discovery means that with the introduction of new technology and new ideas, and new people coming in to explore Kenya, it could prove to be a major oil producing nation further down the road.

"And what we have is what we think is one of the best blocks in the country. So we are very excited." He adds: "The theory that the geology in Kenya can hold oil has now been validated. But it is still early days for us." Simba has already compiled a comprehensive study of all the existing data, which is now being assessed by Sproule. And based on Sproule's findings Simba will move onto the next stage of exploration.

It is hoped the Sproule report, expected in around 2 months, will validate Simba's findings to date and it may possibly assess the block's potential oil in place volumes. The report could potentially provide Simba with a seal of approval from a highly regarded industry consultant. This could prove important in the future when the junior explorer seeks potential farm-in partners to take the asset forward.

Indeed, Hassan says, the subsequent phase of exploration after the report will hopefully be about proving up current leads into drillable prospects, ready for potential farm-out talks. "We've got two very strong leads, identified from the reprocessing of old seismic data, and we are aggressively pursuing an exploration programme. "We have two different basins on our block, the Mandera and the Anza basin. We have oil seeps just north of our property, and that indicates that oil is present in the area. "So we think we have an excellent chance of hitting oil." *(Proactive Investors)*

Kenyan insurance group Jubilee Holdings posted a 4.5% rise in pretax profit for 2011, helped by its non-equities investments, it said on Thursday, adding it would expand into 12 new African markets by 2014. The company made KES 2.14bn (USD 25.8m) in pretax profit, up from 2.05bn in 2010, and said its gross premiums rose 39% to 15.98bn.

Jubilee sad it had defied a steep fall in the equities market by increasing holdings of other assets that it did not specify. "This has proven the validity of our policy to diversify our investments into non-traditional areas," Jubilee Chairman Nizar Juma said in a statement. Jubilee, the largest insurance company in East Africa by gross premiums, has businesses in Kenya, Uganda, Tanzania, Rwanda, Burundi and Mauritius. It plans to start operations in 12 new markets in Africa by 2014. Insurance is seen as a growing market in east Africa, where less than 2% of the nearly 100m population have any form of insurance. Jubilee's

earning per share rose to 33.10 shillings from 32.25 in 2010, it said.

The firm said it would increase its dividend 110% to KES 5.50 per share and said it would pay a bonus share issue in the ratio of 1 for every 10 held, for a third straight year. Its profit from underwriting increased to KES 540m from KES 523m the previous year. *(Reuters)*

Equity Bank has signed a KES 8.3bn (USD 100m) loan agreement with the International Finance Corporation (IFC), as it seeks to expand its lending portfolio in the SME and agribusiness sectors. The deal, signed on Wednesday at Equity's offices in Nairobi, is expected to boost lending in Kenya and across the bank's subsidiaries in the region.

"IFC's credit line will enable Equity to increase its lending programme to small-and-medium enterprises, support agriculture and women-led projects in the region and deepen financial inclusion in East Africa," Equity Bank CEO James Mwangi said. The agreement comes shortly after a similar one entered into between the Equity Bank and a German development bank, KfW.

The Equity-KfW deal saw the former bag close to KES 2bn in a loan meant to finance lending to small and medium businesses. This signals a growing trend locally, which has seen banks prefer looking for funds from international financiers a reaction to the high cost of borrowing caused by an upward revision of the central bank rate.

Following a steep depreciation of the home currency last year to an all-time record of KES 107 against the dollar, the Central Bank of Kenya through the Monetary Policy Committee raised its base lending to 18%, making it costly for banks to borrow from each other.

In addition, the biting inflation that loomed large throughout last year led to a freeze on customer deposits that were a major source from which banks drew money for lending. With the loan from the IFC, Equity joins nine other local banks that have entered into similar agreements with the World Bank Group-owned corporation. *(Nation)*

Economic News

The construction of what is to become Africa's biggest wind farm will start by June in an arid region of northern Kenya, the project's officials said Saturday. A total of 365 wind turbines will be erected near Lake Turkana, where winds blow predictably and regularly, averaging speeds of 11 metres per second.

After seven years of study and funding negotiations, the EUR 585m (USD 775m) project is to take off in June once risk guarantees from the Ida and Miga financial institutions part of the World Bank Groupare finalised, Carlo Van Wageningen, head of Lake Turkana Wind Power, told AFP. "All the contracts are in place. We're ready to start" the work once we get these guarantees, he said.

The first step will be to improve on or build 204 kilometres (126 miles) of road in northern Kenya for the trucks that will make 12,000 trips to bring in all the materials for the project in the remote, neglected region. "We're in the middle of

nowhere. There is no infrastructure whatsoever," Van Wageningen said, adding that the wind farm site resembles "photos of the surface of the moon."

A 428-kilometre transmission line will also be built to link the wind farm to the national grid at an additional cost of 142m euros. The transmission line will be built by Isolux Corsan of Spain and financed by loans from the Spanish and Kenyan governments. The wind farm is expected to start production of the first 50 MW in mid-2014 and reach full capacity in early 2015, by which time it should have an installed capacity of 300 megawatts.

Total energy generation in Kenya was 6,460 MW hours in 2008, half from hydroelectric power, one-third from oil and 16% from geothermal power, according to the Global Energy Network Institute. Morocco currently boasts Africa's largest wind energy production, with a capacity of 140 megawatts from 165 turbines.

The consortium for the Kenyan project has entered into a contract to sell the power produced to utility company Kenya Power over 20 years at a cost of 7.52 euro cents/kwh, a price, which, together with geothermal, is the lowest in Kenya. "Here you can produce windpower at an interesting cost, without subsidies," unlike the case in Europe, Van Wageningen said The African Development Bank said it was "heading the financing process" to arrange for a loan that will cover 70% of the project cost.. *(Nation)*

Kenya announced on Monday its first oil discovery, saying it was found in the northern part of the country where Africa-focused British firm Tullow Oil Plc has been exploring for oil, and was now checking on the commercial viability of the find. Kenya and its neighbours in east Africa as well as the Horn of the continent have become a hot spot for oil and gas exploration in recent years, spurred by new finds.

South Sudan, which split from Sudan in July under a 2005 peace deal that ended decades of civil war, is an oil producer, while commercial oil deposits were found in Uganda, and there are vast natural gas deposits in Tanzania and Mozambique. President Mwai Kibaki said in a statement read on live television that Tullow had encountered in excess of 20 metres of net oil pay, and would drill more wells in the area to ascertain the commercial viability of the find.

"This is the first time Kenya has made such a discovery and it is very good news," Kibaki said. "It is however the beginning of a long journey to make our country an oil producer, which typically takes in excess of 3 years." Shares in Tullow jumped 2.5% in London immediately after the announcement of its oil find in Kenya. At a joint news conference with Tullow executives, Kenya's Energy Minister Kiraitu Murungi displayed a glass bottle of the "light waxy crude oil" found by the company.

"We will make sure that the oil in Kenya is a blessing for the people of Kenya and not a curse," Murungi said, in reference to other countries whose people remained mired in poverty despite having struck oil. Analysts said although it was still too soon to tell the significance of Tullow's discovery, with the exact quantity or deposits as yet unknown, it was worth noting that Tullow had stated that the find went beyond their expectations.

"This is likely to attract interest from other explorers in the coming months, keen

to take advantage of this early find," London-based Marc Mercer, Africa associate at the Eurasia Group, a political risk consultancy, said. "If considerable reserves are found along the quantity discovered in Uganda, then this is somewhat of a game changer for Kenya and they are well placed to develop the industry for export given their geographic location."

Kenya is positioned on Africa's east coast, which could be a hub serving fast-growing Asian markets through its Mombasa port and the Lamu port, now in the initial stages of construction. Tim O'Hanlon, Tullow's vice president for Africa told reporters his company had been drilling the well since January this year, and it was the first prospect to be tested as part of a multi-well drilling campaign in Kenya and Ethiopia.

Tullow Oil operates Kenya's block 10BB with a 50% working interest and Canada's Africa Oil Corp., which holds the remaining stake. Africa Oil's shares also rose after the announcement. Tullow said it had been drilling the Ngamia-1 well on block 10BB, in the Lokichar basin in Turkana County. The well had reached a depth of 1,041 metres at the time of discovery.

"We have many other prospects to drill of this size and even larger ones, and we will do that," O'Hanlon said. "We have had similar discoveries in Uganda... I guarantee you that Tullow will now accelerate its efforts to make the dream come true for everybody." Tullow discovered oil in Uganda to the west of the country, along the border with the Democratic Republic of Congo, in 2006.

UK's BG Group said on Monday it discovered more gas than estimated off the coast of Tanzania. Kenyan officials told Reuters Nairobi would include a tax break for firms exploring for oil and gas in a new law, in a bid to attract even more investments in the sector. *(Reuters)*

Kenya's year-on-year rate of inflation fell for the fourth consecutive month in March to 15.61%, the lowest level since July 2011 but higher than analyst expectations, official data showed on Friday. The consumer price index, however, rose 1.34% in the month, reversing a 0.04% drop in February and increasing the likelihood the central bank might opt to keep rates on hold again at its next meeting in April 4, instead of beginning a cycle of monetary policy easing.

The consensus forecast in a Reuters poll of nine analysts was for inflation to slow to 14.8% from 16.69% in February. "That turn in the month-on-month rate of Kenyan CPI will sit uncomfortably," Razia Khan, head of Africa research at Standard Chartered Bank, said. "So the Central Bank of Kenya (CBK) was correct not to rush into any interest rate easing. It also supports our view that we will probably not see any official easing until the early June MPC meeting, perhaps," Khan said.

Component indexes rose across the consumer price inflation basket, with the exception of transportation costs which dropped a modest 0.22%. Food and alcoholic beverages rose 2.44%, restaurant and hotel prices climbed 1.12% and housing, water and energy costs increased 0.82%. "What this shows you, if you look at where we were last month and this month, it means for most of the components that make up inflation they are actually slowly rising," Ignatius Chicha, head of markets at Citibank, said.

"So that would warrant a bit of caution on the part of the central bank if they look at the numbers month-on-month and decide not to do anything on the central bank rate," he said. The central bank was widely criticised last year for failing to act quickly when inflation surged to double digits and the shilling sank to a record low of 107 against the dollar.

It eventually moved to aggressively raise the key lending rate from 6.25% at the beginning of September to 18% in December. The bank has since kept the rate on hold, citing concern with the country's balance of payments outlook, particularly because a rise in global oil price could be a threat to the stability of the exchange rate, and an inflation risk. "Our ... view is that the CBK will play things cautiously, and only start the easing cycle once there is clear evidence of a sustained down trend in inflation," Khan said. *(Reuters)*

Kenya, which announced with fanfare this week it had struck oil, risks similar delays in producing crude oil that neighbouring Uganda has faced due to lack of a regulatory framework for the sector, according to oil firms exploring in the country. While government officials in the east African country acknowledge there are some hazy parts of the law surrounding oil production, they say they are confident Kenya is ready.

But the industry is sceptical, with much at stake due to high costs and scant l aws for recovering and marketing oil found. The oil firms are discouraged by the example of Uganda where oil finds lay stagnant for a long time. James Phillips, chief operating officer of Canada's Africa Oil Corp., the company which discovered gas in Block 9, said the company won't spend any money or move ahead with its plans in the area until Kenya's energy ministry develops rules that would determine how that gas could be produced and sold.

"The government here is good and they're very easy to work with, but they're still finding their way," Phillips told Reuters at an oil, gas and energy conference in Nairobi. "If you don't have reserves, then you don't have the expertise and knowledge that comes with experience." Kenya said on Monday Africa-focused British firm Tullow Oil Plc, the operator in a joint venture with Africa Oil, had found oil to the north of the country, and was checking on the commercial viability of the find.

East Africa has become a hot spot for oil and gas exploration in recent years, spurred by new finds, but has yet to come to terms with a legal framework for the sector. Analysts say the current rules in Kenya are insufficient and do not account for the vast complications such as environmental concerns, production rates and revenue sharing agreements.

For now, the oil and gas production and exploration process in Kenya is regulated by the Kenya Petroleum Act, a 13-page law passed around 1986, decades before its first oil find, and government officials say this needs to be revamped. Analysts said because Kenyan officials are inexperienced contracts can be skewed toward commercial interests, a risk factor from inadequate regulation.

Its regulations will fall short in handling environmental disasters such as oil spills, and in protecting property rights of oil companies negotiating with one another. In some cases, reservoirs of hydrocarbons can extend into multiple blocks, each with a different licensed owner. Regulations usually dictate how companies

extract the deposits without infringing one another's property rights. Kenyan law is unclear on how to handle such a situation if it arises.

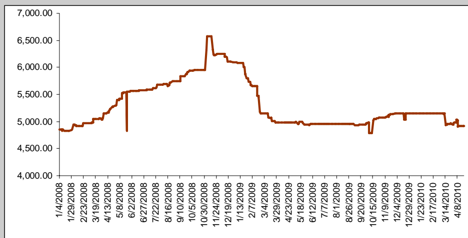
"They're not well prepared because there's been no production in the past," said Mwendia Nyaga, lead consultant at Oil & Energy Ltd., a consultant with the energy ministry. "The existing regulatory system needs to be improved as the issues they're dealing with become more complex." Commercial hydrocarbon deposits were discovered in Uganda in 2006 by Tullow, but a tax dispute between Kampala and Heritage Oil, Tullow's former partner in the oilfields, and wrangling over the production sharing agreements, resulted in delays to oil production.

In a similar tax dispute over unclear rules, Cove Energy said it was seeking clarity from Mozambique on a possible levy related to the sale of the British gas explorer, raising the prospect of a tax battle and potential delay to the USD 1.8bn deal. Martin Heya, Kenya's petroleum commissioner, says the country will not fall into the same pitfalls as its neighbours. "We think we have learned a lot from those who have discovered oil earlier than us," Heya said, days before the Tullow discovery was made public.

"We are preparing (regulations), but we don't put these things in the paper (newspapers) because you don't want to up the expectations of the people so much ... so someone who you talk to might think we are unprepared," he said. *(Reuters)*

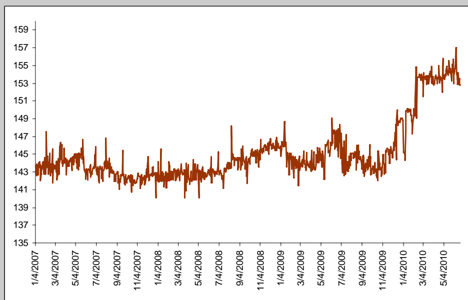
Malawi

Malawi Stock Exchange



Source: Reuters

MWK/USD



Source:SAR

Economic indicators

Economy	2009	2010	2011
Current account balance(% of GDP)	-4.073	-5.502	-4.791
Current account balance (USD bn)	-0.2	-0.306	-0.3
GDP based on PPP per capita GDP	880.88	916.63	940.29
GDP based on PPP share of world total (%)	0.018	0.018	0.018
GDP based on PPP valuation of country GDP(USD bn)	12.271	13.027	13.632
GDP (current prices)	352.37	390.91	432.14
GDP (Annual % Change)	5.878	4.557	3.175
GDP (US Dollars bn)	4.909	5.555	6.265
Inflation- Ave Consumer Prices(Annual % Change)	8.60	8.24	9.31
Inflation-End of Period Consumer Prices (Annual %)	7.76	8.35	9.73
Population(m)	13.93	14.21	14.50

Source: World Development Indicator

Stock Exchange News

The market index was up +2.81% 5,667.12 points, with thin trades across both local and foreign boards. Gains were recorded in FMB (+10.23%) to MWK 7.72, Illovo (+3.70%), Standard Bank (+2.73%), TNM (+3.42%) and OML (+2.00%). Market turnover for the week amounted to USD 471,254.36.

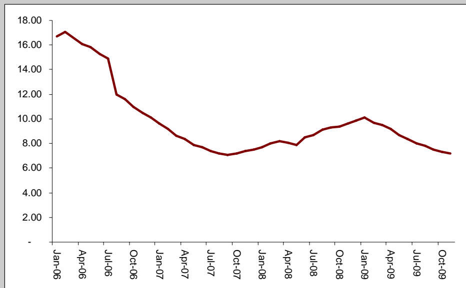
Corporate News

No Corporate News this week

Economic News

No Economic News this week

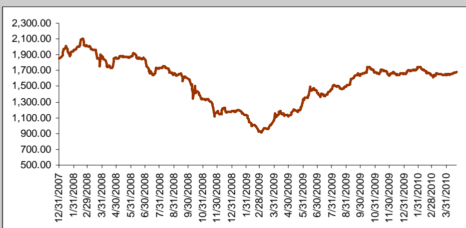
CPI Inflation



Source: SAR

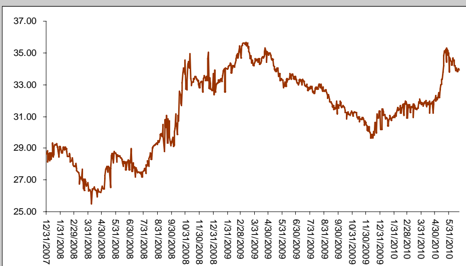
Mauritius

Mauritius Stock Exchange



Source: Reuters

MUR/USD



Source:SAR

Economic indicators

Economy	2009	2010	2011
Current account balance(% of GDP)	-9.308	-10.579	-9.758
Current account balance (USD bn)	-0.852	-0.947	-0.931
GDP based on PPP per capita GDP	12,356.23	12,699.51	13,389.07
GDP based on PPP share of world total (%)	0.023	0.023	0.023
GDP based on PPP valuation of country GDP(USD bn)	15.831	16.391	17.406
GDP (current prices)	7,146.27	6,935.94	7,339.15
GDP (Annual % Change)	2.065	1.98	4.695
GDP (US Dollars bn)	9.156	8.952	9.541
Inflation- Ave Consumer Prices(Annual % Change)	6.40	4.05	5.00
Inflation-End of Period Consumer Prices (Annual %)	3.10	5.00	5.00
Population(m)	1.28	1.29	1.30

Source: World Development Indicators

CPI Inflation

Stock Exchange News

The SEMDEX was up +2.41% while the SEM 7 rose +3.32% to close at 1,806.05 and 339.38 points respectively. Lux Island Resorts led the movers, gaining +8.1% to close the week at MUR 22.70, followed by Rogers, up +7.8% to MUR 319 and Terra (+5.8%). Gamma Civic led the losers after shedding -6.2% to MUR 334 while ENL Land(P) lost -5.0% to MUR 39.50 and Fincorp shed -4.2%.

Corporate News

HSBC, Europe's biggest bank, said it was in talks over a possible sale of its Mauritius retail banking and wealth management division, as it sells non-core assets to boost investor returns. The British bank said it remained committed to the Mauritius market, where it would still invest in its commercial banking division.

HSBC has embarked upon a widespread asset-selling programme over the last year, as part of Chief Executive Stuart Gulliver's plans to cut annual costs by USD 3.5bn, focus more on fast-growing Asian markets and boost its overall profitability. According to HSBC's website, its Mauritius division has a network of 11 branches and offices.

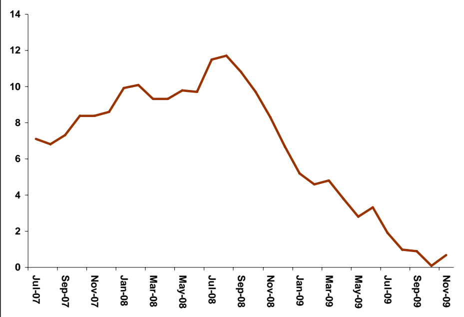
A sale of its Mauritius retail banking and wealth management units would come nearly a month after HSBC sold its general insurance businesses to French insurer AXA and Australia's QBE Insurance Group for USD 914m in cash.

HSBC also sold its majority stake in its Middle Eastern private equity arm last week and disposed of its banking operations in Costa Rica, El Savador and Honduras for around USD 800m in January. *(Reuters)*

Mauritius' leading sugar producer Terra Mauricia said on Wednesday full-year pretax profit shot up 84% on improved sugar sales. Terra said pretax profit in 2011 jumped to MAD 876m (USD 30.2m) against MAD 475m in 2010. Sales in the period rose to MAD 4.2bn from MAD 3.6bn a year earlier.

"These results are attributable to the good performance of all our segments, but particularly to that of our sugar segment, which registered an impressive turnaround of MAD 323m, of which MAD 119m is attributable to Sucrivoire," it said in a statement. Terra has a 25% stake in Sucrivoire, a sugar firm based in Ivory Coast. The group's earnings per share increased to 2.56 rupees from 1.13 rupees. *(Reuters)*

Leading Mauritian sugar producer Omnicane said on Friday its pretax profit rose 28.6% to MUR 577m (USD 20m) in 2011 boosted by the higher sale of refined sugar. Omnicane said revenue increased to 3.9bn rupees from



Source: SAR

3.5bn rupees a year earlier. "Group operating profit rose 42% on the back of the sugar segment contribution of MUR 202.5m from a loss of MUR 117.9m in 2010. This result is due to the 42% increase in sale of refined sugar..." the company said in a statement.

Earnings per share jumped to MUR 5.86 from MUR 3.71 in 2010. The firm said the 2012 crop would be slightly lower than last year. The group said it was taking over Alcodis Ltd, an ethanol production company, and that it was in advanced talks to develop a hydro-electrical project in Rwanda, as it eyes expansion opportunities across the region. *(Reuters)*

Economic News

Mauritius cut its economic growth forecast for 2012 to 3.6% from 4%, the statistics office said on Friday, citing a bleaker outlook for key sectors of the economy. The Indian Ocean island's economy expanded 4.1% in 2011. The island is pushing to rely less on Europe, its main source of tourism revenue and a major market for its textile, sugar and services industry, and has been branching into information technology, business outsourcing and offshore banking.

In January, the International Monetary Fund cut its 2012 forecast for economic growth in Mauritius to 3.7%, citing the need for greater investment and fiscal consolidation. The statistics agency said its key textile sector is expected to stagnate after expanding 8.0% in 2011. The sector shrank 4.0% in the fourth quarter of last year. Construction is seen stagnating after the decline of 2.0% in 2011, while the manufacturing sector is expected to grow by 1.4% compared with 2.7% in 2011.

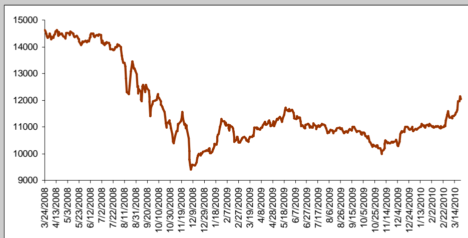
Last week Mauritius unexpectedly cut its key repo rate by 50 basis points to 4.9% citing risks to its growth outlook, which could be affected by uncertainty in global markets. The central bank's Monetary Policy Committee said there was momentum for growth in the tourist-dependent Indian Ocean island's economy, which has been hit by the euro zone crisis, but that it would experience some slowdown before improving. *(Reuters)*

The unemployment rate in Mauritius rose to 7.5% in the last quarter of 2011 from 7.2% in the same period a year earlier, official data showed on Thursday. A weak global economy has reduced demand for tourism on the Indian Ocean Island as well as its exports.

Statistics Mauritius said there were a total of 43,800 unemployed in the last quarter of 2011. Earlier this month the central bank governor said unemployment would rise to 8.1% this year from 7.9% in 2011. The central bank cut its benchmark lending rate by 50 basis point this month saying there were risks to growth outlook. *(Reuters)*

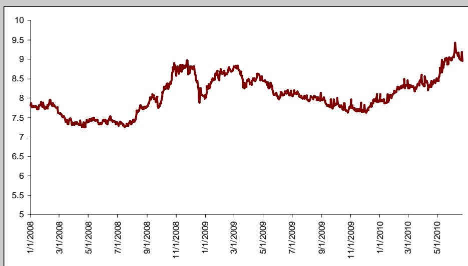
Morocco

Casablanca Stock Exchange



Source: Reuters

MAD/USD



Source:SAR

Economic indicators

Economy	2009	2010	2011
Current account balance(% of GDP)	-5.468	-4.736	-4.065
Current account balance (USD bn)	-4.963	-4.656	-4.269
GDP based on PPP per capita GDP	4,587.11	4,740.77	4,955.07
GDP based on PPP share of world total (%)	0.204	0.207	0.209
GDP based on PPP valuation of country GDP(USD bn)	146.231	153.257	162.44
GDP (current prices)	2,847.50	3,041.02	3,203.28
GDP (Annual % Change)	5.003	3.226	4.5
GDP (US Dollars bn)	90.775	98.308	105.012
Inflation- Ave Consumer Prices(Annual % Change)	2.80	2.80	2.60
Inflation-End of Period Consumer Prices (Annual %)	2.80	2.80	2.60
Population(m)	31.88	32.33	32.78

Source: World Development Indicators

CPI Inflation

Stock Exchange News

The MAS lost -0.79% to close the week at 10,948.45 points. Gains were recorded in CDM (+7.14%) to MAD 750, Rebab (+5.70%) and Ennakl (+3.63%). On the losing front we had Samir, down -5.70% to MAD 564, Sofac Credit which shed -11.55% to MAD 303 and SCE (-11.48%).

Corporate News

Morocco has excluded a group led by Egypt-based Orascom Construction Industries from the bidding for the first phase of a major solar energy project, l'Economiste newspaper reported on Friday. The newspaper gave no reason for the exclusion and a spokeswoman for Masen, the government agency managing the project, declined to comment. Quoting sources familiar with the plan, l'Economiste said Masen would select a winner within a few weeks from the three remaining consortiums it selected in December, 2010.

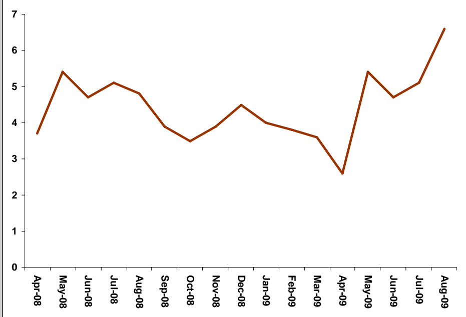
The 500 megawatt project, in the southern region of Ouarzazate, is the first of five in a USD 9bn solar programme that will account for 38% of Morocco's installed power generation capacity by 2020. The plan is vital to a country without its own oil or gas and which aims to diversify its exports to an energy-hungry trade partner, the European Union.

The four consortiums selected to bid for the design, finance, construction, operation and maintenance of a thermal solar plant in Ouarzazate were: Abeinsa ICI, Abengoa Solar, Mitsui and Abu Dhabi National Energy Co, Enel and ACS SCE, International Company for Water and Power (ACWA), Aries IS and TSK EE, Orascom Construction Industries (OCIC.CA), Solar Millennium (S2MG.DE) and Evonik Steag. The Ouarzazate project is to start as a 125 megawatt unit and undergo gradual upgrades to 500 MW by the end of 2015. *(Reuters)*

Maroc Telecom said on Monday it plans to raise its capital by as much as 22.7%, prompting traders on the Casablanca bourse to speculate that Morocco's main telecom player may make a fresh acquisition in Africa. The affiliate of French operator Vivendi will ask a shareholders' assembly to vote on April 24 for the management's proposal to raise its capital by up to 200m shares, the company said in a statement to the Casablanca bourse.

It did not say what it needed the capital increase for. Traders in Casablanca said that, if approved, Maroc Telecom's capital hike would be the Casablanca bourse's biggest ever. "We are talking about MAD 27bn (USD 3.2bn) as market value for the maximum number of shares the company plans to issue It seems they plan to make a new acquisition," a senior trader said.

Chief Executive Officer Abdeslam Ahizoune told Reuters the capital hike should



Source: SAR

give the firm "flexibility should an eventual need arise." He declined to elaborate. The firm is Vivendi's second-most lucrative subsidiary after its French arm SFR, although its revenue growth has recently been declining due mostly to growing competitiveness in the Moroccan market, its main source of income. Maroc Telecom also has subsidiaries in Mauritania, Burkina Faso, Gabon and Mali.

Its net profit fell 14.8% to MAD 8.1bn (USD 968.4m) in 2011 after its turnover shrank by 2.5% to MAD 30.8bn. Its stock has inched down 0.4% since the start of this year, slightly underperforming the main all-share index. In 2011, Maroc Telecom shares fell 9.6% while the index fell by almost 13%. Vivendi holds a 53% stake in Maroc Telecom and the Moroccan government has 30%. *(Reuters)*

Morocco-based BMCE Bank posted a 4% rise in 2011 net profit as an increased market share in core banking and revenues from African markets helped it offset depressed stock market activity and higher bad debt provisions. Morocco's third biggest bank, led by local magnate Othmane Benjelloun, made MAD 850m (USD 100m) net profit last year, or MAD 4.94 per share.

BMCE said on Tuesday net operating income, which it referred to as net banking income, rose 8% to MAD 8.14bn, with the contribution of African subsidiaries rising to 41% in 2011 versus 35% in 2010. BMCE Bank holds a 59.4% stake in Bank of Africa, which is active in 21 African countries.

The lender's market shares in loans and deposits rose by 0.1% and 0.3% to 13.1 and 14.6% respectively. Loans rose 13% to MAD 121.34bn in 2011 while deposits grew by 5% to MAD 139.15bn, it said. BMCE significantly reduced the losses of its London subsidiary, MediCapital. The bank said it was constrained by lower activities on the securities brokerage industry amid a sluggish stock market and the absence of certain one-off revenues.

The main index of Morocco's stock exchange lost 13% in 2011 amid a drop in trading activity induced mostly by regional political instability and the repercussions of the global financial crisis. Shares in the bank were down 1.1% to MAD 204.5 by 1247 GMT. The stock fell 18% in 2011 and has lost 3.2% since the start of 2012.

"BMCE did well in 2011 and continues to enjoy a decent financial flexibility when you consider its loan-to-deposit ratio amid the liquidity squeeze in the domestic market," said a senior trader on the Casablanca bourse. "The problem it has is its stock price which remains far too pricey considering its earnings per share," the trader added. *(Reuters)*

Economic News

Inflation in Morocco, as measured by consumer prices, was running at an annual 0.4% in February, less than half its level a month earlier, as a drop in communication costs offset increases in food prices, official data showed on Friday. Food prices, which account for about 40% of the consumer price index's total weighting, rose 0.4% in February compared with their level a year earlier and versus a 1.6% rise in January, the High Planning Authority said.

Communication costs meanwhile fell 12.6% in the 12 months to end-February, 2012, it said. Underlying inflation, a gauge used by Morocco's central bank to set the benchmark interest, rose 1.3% year-on-year, the authority said. On a monthly basis, inflation rose 0.3% from January after a 0.7% rise in food prices.

Inflation, which stood at 0.9% in 2011, is projected to rise to as much as 2.5% in 2012, the government said. The state has spent the equivalent of 6% of the USD 97-bn Gross Domestic Product (GDP) on subsidising staples, mostly wheat and sugar, as well as energy products, to hold down inflation. *(Reuters)*

Morocco's central bank on Tuesday cut its benchmark interest rate by 25 basis points, making its first rate move in three years after a sharp drop in agricultural output and the crisis in the euro zone hit economic growth. Central Bank Governor Abdellatif Jouahri predicted the economy would grow 2 to 3% in 2012, far below the government's 4.2% forecast in the budget and last year's near-5% growth performance.

"This is a year of drought for Morocco," Jouahri told reporters. He predicted a cereals harvest of around 3.8m tonnes, 55% below its level in 2011, and the economic crisis in Europe to continue impacting tourism and exports. The central bank said in a statement rates were lowered to 3.0% from 3.25%. The change was the first since March 2009 and the central bank said it had decided to cut the rate due to a "palpable decline in economic activity".

The North African country's state-run agricultural research institute told Reuters earlier this month that Morocco's cereals harvest this year would not reach half of last year's level. Government officials have also told Reuters that economic growth may be trimmed to as low as 2.5%. The shortage, which could ratchet up cereal import needs, comes at a sensitive time for the USD 100-billion economy, which relies on agriculture for 14% of its output.

The balance of payments deficit rose in 2011 to 6.1% of GDP, a level last seen in the 1980s amid slackening growth in the euro zone and an expected surge in food import needs. Jouahri said the current account deficit should stand at around the same level in 2012 but he was more concerned about the budget deficit which stood at 7% of GDP in 2011.

The rise resulted from a multi-billion dollar spending push by the state to avert any spillover from revolts rocking the Arab region, and which included increases in food and energy subsidies and an agreement with trade unions to raise wages. "The government hopes to lower the budget deficit to 5% (of GDP) in 2012 ... But to achieve it must take immediate measures to reduce subsidies in 2012.

"The longer we wait ... the more unsustainable our (budget) deficit and Morocco's ratings will become and then we may repeat the scenario of the 1980s," warned Jouahri, in reference to the implementation in 1982 of a structural adjustment programme for Morocco by the International Monetary Fund and the World Bank. Jouahri said the government should not subscribe to a capital hike planned by Maroc Telecom.

"It's not logical since the state has in recent years been reducing its share ownership in the company ... Plus, how can the state find say 3bn dirhams for this increase," he said. Led since December by moderate Islamists of Justice

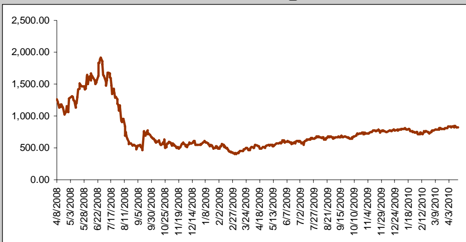
and Development Party (PJD), the government has allocated 48bn dirhams for subsidies in 2012, of which 16bn dirhams were arrears in payments, down from 49bn dirhams in 2011, which amounted to about the same public expenditure for investment.

Najib Boulif, Minister in Charge of General Affairs and Governance, told Reuters the government plans to reform subsidies as of this year but he declined to say when he expects this reform to translate into a reduction of their burden. Across Morocco, there are regular bouts of protest against poverty, corruption and the perceived failure of the state to help - complaints that sparked the "Arab Spring" uprisings in other North African countries in 2011.

Agriculture employs 40% of the 11-million workforce in Morocco, one of the world's 10 largest cereal importers, which relies heavily on rain due to the predominance of subsistence and rudimentary farming. *(Reuters)*

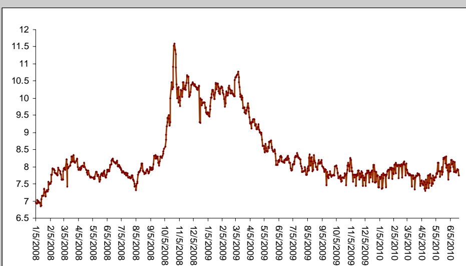
Namibia

Namibia Stock Exchange



Source: Reuters

NAD/USD



Source:SAR

Economic indicators

Economy	2009	2010	2011
Current account balance(% of GDP)	-1.049	-2.055	-1.225
Current account balance (USD bn)	-0.095	-0.19	-0.118
GDP based on PPP per capita GDP	6,610.35	6,771.73	6,964.03
GDP based on PPP share of world total (%)	0.016	0.016	0.016
GDP based on PPP valuation of country GDP(USD bn)	13.764	14.217	14.742
GDP (current prices)	4,341.36	4,406.65	4,530.72
GDP (Annual % Change)	-0.739	1.736	2.234
GDP (US Dollars bn)	9.039	9.251	9.591
Inflation- Ave Consumer Prices(Annual % Change)	9.12	6.77	5.45
Inflation-End of Period Consumer Prices (Annual %)	7.34	6.19	4.71
Population(m)	2.08	2.10	2.12

Source: World Development Indicators

Stock Exchange News

The NSX overall Index lost -0.34% to close at 888 points. On the NSX local and DevX, FSY led the movers after adding +9.68% to NAD 1.02 followed by Kalihari which rose by 0.41% to NAD 2.44 and ORY (+0.08%) while DYL was the main shaker after losing -8.33% to close at NAD 0.11 followed by MM which shed (-3.57%).

Corporate News

Anglo American Plc (AAL)'s Namdeb Diamond Corp., a producer of the gems in Namibia, approved NAD 280m (USD 36m) of funding to build a new mine at Sendelingsdrif on the Orange River. "The project is currently in the detailed design phase," Chief Executive Officer Inge Zaamwani-Kamwi said today at a press briefing in the capital, Windhoek. Construction will start toward the end of 2013 and will take 18 months, she said.

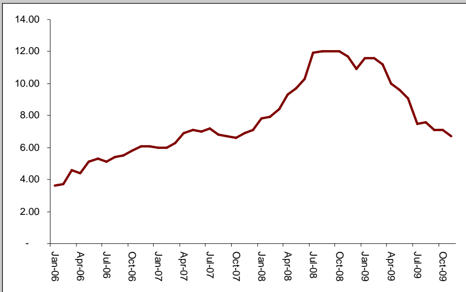
Diamond producers are adding mines as prices for the stones advance. Rough-diamond prices rose 24% last year after climbing the two previous years as producers struggled to keep pace with consumption. The use of diamonds may grow at double the pace of supply through 2020 because of an expanding middle class in China and India, according to consultants Bain & Co.

The Sendelingsdrif project will create about 200 jobs, the CEO said. Namdeb, which plans to produce 600,000 carats in 2012, expects the new mine to produce 45,000 carats a year, she said. The diamond deposit at Sendelingsdrif is the Orange River's largest after Daberas, where mining is being scaled down before workers and equipment are moved to the new operation, she said. *(Bloomberg)*

Economic News

No Economic News this week

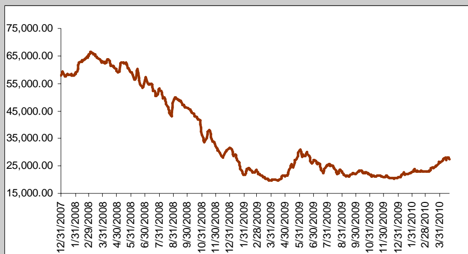
CPI Inflation



Source: SAR

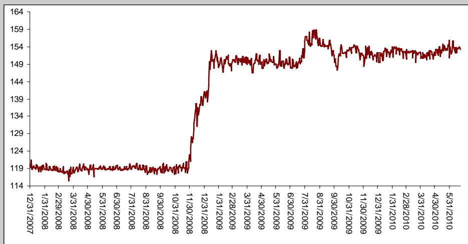
Nigeria

Nigeria Stock Exchange



Source: Reuters

NGN/USD



Source:SAR

Economic indicators

Economy	2009	2010	2011
Current account balance(% of GDP)	6.939	13.792	14.278
Current account balance (USD bn)	11.48	25.631	28.488
GDP based on PPP per capita GDP	2,199.08	2,281.27	2,369.35
GDP based on PPP share of world total (%)	0.475	0.489	0.499
GDP based on PPP valuation of country GDP(USD bn)	333.983	355.995	379.907
GDP (current prices)	1,089.30	1,190.86	1,244.37
GDP (Annual % Change)	2.905	4.985	5.215
GDP (US Dollars bn)	165.437	185.835	199.526
Inflation- Ave Consumer Prices(Annual % Change)	11.96	8.80	8.50
Inflation-End of Period Consumer Prices (Annual %)	9.12	8.50	8.50
Population(m)	151.87	156.05	160.34

Source: World Development Indicators

Stock Exchange News

The NSE All Share index was down -2.54% to close at 20,652.47 points. BAGCO gained +25.93% to close at 2.04 while CAP was up +15.75% to close at NGN 18.52. Other notable gains were recorded in Okumu Oil (+17.54%), Cadbury (+14.91%) and Continental (+11.96%). On the losing front we had Union Bank (-22.13%), Total Nigeria (-14.25%) and Eterna (-12.27%).

Corporate News

United Bank of Africa PLC may issue a USD 500m Eurobond in the final quarter of this year or early next year to finance its foreign currency assets and expansion in Africa, its Chief Executive Phillips Oduoza said last Friday. UBA, one of Nigeria's top four lenders, issued a NGN 35bn (USD 222m) bond last year and a NGN 20bn bond in 2010 as part of a NGN 400bn debt issuance programme.

Last month, it suspended a share sale citing weak local market conditions and Uduoza said the bank wanted to complete the capital raising before proceeding with the Eurobond. "We will probably do that last quarter of this year or early next year," he told Reuters on the sidelines of a conference in London. "We're looking at about USD 500m. We're still at the discussion stage. We haven't appointed parties. What we want is to do our equity capital raising before the Eurobond and that depends on market conditions."

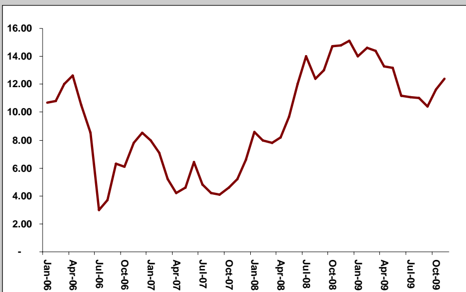
The bond would have a tenor of between five and seven years, he added. "We want to use it to finance some of our risk assets, some long-term foreign-currency denominated assets, and for our expansion in Africa," he said. Nigeria, Africa's top crude oil exporter, issued a USD 500m debut Eurobond in January last year. The aim of the 10-year bond was to create a benchmark for Nigeria in the global market.

The bond, which was issued with a coupon of 6.75%, was yielding 6.15% on Friday. UBA operates in 19 African countries, including Ghana, Kenya, Tanzania and Zambia. Oduoza said it had applied for a banking licence in Angola but the southern African state was a difficult market to enter.

"It's a fast-growing market just like Nigeria," he said. "It's been very tough. One of the requirements is partnership with the government and we don't want to partner with government. We don't want to dilute the brand." *(Nation)*

As more companies prepare to unveil their financial performance for the year ended December 2011, THISDAY can report that UAC of Nigeria Plc is set to declare a dividend higher than what it paid in 2010. The conglomerate had paid a dividend of NGN 1.10 for the 2010 financial year. However, THISDAY checks revealed that directors of the company might have decided to

CPI Inflation



Source: SAR

recommend a higher dividend of NGN 1.40 per share for the 2011.If this happens, it will show an increase of 27% above the NGN 1.10 recommended the previous year.

Apart from UAC of Nigeria, THISDAY also gathered that Unilever Nigeria Plc is set to put a smile on the faces of its shareholders with a dividend of NGN 1.10 for the year 2011 financial year. Both dividends are likely to be announced this week, source said last Friday. Meanwhile, Julius Berger Nigeria Plc last Friday announced a dividend of NGN 2.40 for the 2011 financial year. The construction company reported a turnover of NGN 169.413bn in 2011, as against NGN 173.691bn in the comparable period of 2010.

Profit after tax stood at NGN 4.875bn compared with NGN 2.804bn in 2010. The net asset value stood at NGN 10. 209bn as against NGN 7.733bn in 2010. The board of directors therefore recommended a dividend of NGN 2.40 per share. The closure of register is on June 4, 2012, while payment date is June 22, 2012. Similarly, Paints and Coating Manufacturers Nigeria Plc last week declared a dividend of 8 kobo per share for the year 2011 financial year.

The audited result of the company showed a turnover of NGN 1.788bn in 2011 as against NGN 1.257m in the comparable period of 2010. Profit before tax stood at NGN 122.969m compared with profit after tax of NGN 106.668m in 2010. The net asset value stood at NGN 1.172.44m compared with NGN 903.645m in 2010.

Meanwhile, Seven-Up Bottling Company Plc has unveiled its unaudited result for the third quarter ended December 31, 2011. According to the performance, turnover stood at NGN 43.217bn, compared with NGN 36.266bn in the comparable period of 2010. Profit after tax was NGN 1.935bn compared with NGN 2.192bn in 2010. *(This Day)*

Lafarge Wapco Cement Nigeria Plc on Friday increased its dividend payout to investors of the company by 275%. From the result declared at the Nigerian Stock Exchange (NSE), Lafarge Wapco proposed to pay its shareholders a 75 kobo dividend in 2011 compared to 20 kobo paid in 2010.

A review of the company's audited report for 2011 shows that profit after tax grew by 74.3% as the company posted NGN 8.5bn in 2011 compared to NGN 4.9bn recorded in 2010. Profit before tax also increased from NGN 8.5bn in 2010 compared to NGN 10.2bn in 2011, indicating an increase of 20.7%.

Its turnover also increased by 42.6% in 2011 to NGN 62.5bn compared to NGN 43.8bn in 2010. The firm's net assets stand at NGN 56.1bn in 2011 compared to NGN 48.3bn in 2010, representing an increase of 16.1%. *(Daily Trust)*

British soap and shampoo maker PZ Cussons has issued a second profit warning in less than four months, blaming social unrest in Nigeria, its biggest single market. "Given the importance of Nigeria to the group, the impact of the continuing tensions in the country will be significant, resulting in the group's overall performance being some way below expectations," the firm said on Tuesday.

Shares in the maker of Imperial Leather soaps and Carex anti-bacterial hand

washes fell 7.5% to 308 pence at 0710 GMT in London, valuing the firm at around 1.3bn pounds (USD 2.07bn). The group said profitability in Nigeria in the Jan. 25 to March 26 period, its fiscal third quarter, had been affected by a continuation of the economic and social tensions detailed when it posted interim results in January.

PZ Cussons particularly highlighted the continuation of social instability in northern Nigeria which has directly impacted sales, and the removal of a fuel duty subsidy in January that has hit consumers' disposable income and led to higher transport costs and port disruption, affecting both sales and costs. Despite its current problems in Nigeria the firm expects the removal of the fuel duty subsidy to be beneficial for the medium term macroeconomic health of the country.

It said third quarter trading in all its other markets in Europe and Asia had been in line with management expectations and was expected to be so for the balance of the year. "Looking ahead to the new financial year commencing June 1, the group is expected to return to profitable growth in all markets including Nigeria," it said. It said this growth would be supported by the benefits of a project to improve its supply chain, also announced on Tuesday. *(Reuters)*

Afren said its full-year profit nearly tripled, benefiting from a key oil field in Nigeria, and all eyes are now on the British oil firm's field in Kurdistan that is expected to start production in August. The Barda Rash field in Kurdistan in Iraq, in which Afren acquired a 60% interest last year, should produce 10,000 to 15,000 barrels per day by the end of the year, Chief Executive Osman Shahenshah told Reuters.

The company, whose main producing assets are in Nigeria, expanded in the Middle East last year when it bought stakes in two Kurdistan operations for USD 588m. "We have only 19% of our resources either in production or under development so there's major upside," the CEO said. The company targets 100,000 barrels of oil equivalent per day by 2017, he said.

"Acquisitions are much less important than they have been in the past." The company said it was on track for producing 42,000 to 46,000 boepd in 2012. Afren's 2011 exit rate was about 50,000 boepd. Ebok oil field in Nigeria produced 8,023 boepd. Afren's pretax profit in 2011 rose to USD 221m from USD 79m a year earlier.

"With a number of key catalysts likely to unlock significant upside from a multi-well drilling programme spanning Ghana, Nigeria, Tanzania and Kurdistan, there is potential for momentum to start building again," Singer Capital Markets' Simon Hawkins said. The company's shares, which have gained about 45% since the beginning of this year, were up 3% at 135 pence at 0952 GMT on Tuesday on the London Stock Exchange. *(Reuters)*

Ecobank Transnational Inc. (ETI), the Lome, Togo-based owner of banks in sub-Saharan Africa, said full-year profit rose 57% to USD 206.8m as it curbed losses and boosted revenue. Net interest income in the year through December climbed to USD 583.4m from USD 474.8m a year earlier, the company said in a statement e-mailed by the Ghana Stock Exchange today.

The results are attributable to “strong growth in revenue and efficient

management of cost," said Derrick Mensah, a research analyst SIC Financial Services Ltd., said by phone from Accra, the capital, today. Impairment losses on loans and advances narrowed to USD 85.7m in 2011 from USD 101.5m a year earlier, the company said. Ecobank Transnational's shares rose 9.1% in Ghana to 12 pesewas by the close. In Lagos, Nigeria's commercial capital, the stock gained 0.2% to 11 naira. *(Bloomberg)*

Unilever Nigeria Plc has proposed a NGN 1.40 dividend to its shareholders as it increased dividend payment by 27.27% from NGN 1.10 paid in 2010, the company said in its audited report for 2011 released to the Nigerian Stock Exchange yesterday. The company closes it register of shareholders to benefit from the dividend on April 10 to13, while payment would be made on May11 after its Annual General Meeting on May 10.

A review of the company's audited report for the period December 31, 2011 shows that profit after tax grew by 31.4% as the company posted NGN 5.5bn in 2011 compared to NGN 4.2bn recorded in 2010. Profit before tax also increased from NGN 6.2bn in 2010 to NGN 7.9bn in 2011, indicating an increase of 29.8%. The company's turnover also increased by 16.9% from NGN 46.8bn in 2010 to NGN 54.7bn in 2011. Fixed assets of the company also rose from NGN 11.74bn in 2010 to NGN 14.79bn in 2011 representing an increase of NGN 3.05bn or 26%. *(Daily Trust)*

Stanbic IBTC Bank Plc (IBTCCB), the Nigerian unit of Standard Bank Group Ltd., said full-year profit dropped 21% to NGN 7.44bn (USD 47m) as it made provisions for bad debt. Net interest income rose to NGN 29.8bn naira from NGN 26.4bn a year earlier, the Lagos-based company said in an e-mailed statement today. Non-performing loans rose 30% to NGN 18.5bn, while gross lending increased 42% to NGN 266.6bn, the bank said in the statement.

The bank took a loss provision of NGN 4.7bn, "eroding the modest earnings accretion," Vetiva Asset Management Ltd. said in an e-mailed note. The company's proposed dividend of 10 kobo per share is "disappointing," according to Vetiva, which placed its "Accumulate" rating on the bank under review. *(Bloomberg)*

The Protea Hospitality Group says it is forging ahead with extensive expansion plans on the continent this year, with the first Protea Hotel in yet another African country soon to be built, and 10 other properties in the pipeline for Nigeria, Uganda and Zambia. According to the group, the total value of the investment by Protea Hotels and its property owner-partners is over NGN 20.4bn and represents the biggest expansion on the continent this year of any hotel group in the world.

BusinessDay gathered that this would bring to nine the number of African countries in which Protea Hotels is represented, and the company is expected to make a separate announcement soon in this regard. Arthur Gillis, chief executive officer, Protea Hospitality Group, said the company was viewing the African market with much optimism this year, notwithstanding the uncertainty facing the global economy. "As political stability and business opportunities increase, they create a greater need for the hotels and we're leading the charge.

"There are a number of countries such as Nigeria, Zambia, Uganda and Angola

that are flying in the face of the global economic trend as far as hospitality is concerned. Africa's traditional trading partners have been changing rapidly in recent years, and this is spurring unprecedented growth in regions that have previously not seen the numbers," said Gillis.

According to an African Outlook document co-authored by the African Development Bank, the OECD Development Centre, the United Nations Development Programme and the United Nations Economic Commission for Africa, the continent is becoming increasingly integrated in the global economy and in 2009 China became Africa's main trading partner. "Hospitality groups would be foolish not to be wondering where their opportunities lie and researching which areas of the continent are drawing the largest%age of commercial travel," Gillis observed.

According to the chief executive officer, the new hotels by the group expected in Nigeria and in other African countries between now and 2013 are as follows: Protea Hotel Ibadan, Oyo State, 75 rooms, to open mid-2012; Protea Hotel Select Emotan - Benin City, Edo State, 100 rooms, opening in late-2012; Protea Hotel Select Ikeja, Alausa, Ikeja, Lagos, Lagos State, 120 rooms, under construction and set to open in early 2013; African Pride Avalon Hotel and Spa, GRA Ikeja, Lagos, Lagos State,150 rooms, under construction and due to open in late-2013; and Protea Hotel Asaba, Asaba, Delta State, 125 rooms, expected to be ready in April 2012.

In Uganda, it is expected that by April 2012, Protea Hotel Entebbe, 70 rooms, will be opened; and a further two hotels to open under the Protea Hotels banner in the third quarter 2012. Gillis disclosed that in Zambia, construction of 80-room Protea Hotel Ndola, would start in April 2012 and it is expected to open late 2013; and that a 104-room Protea Hotel Mulungushi (name yet to be confirmed), would be ready sometime in 2013 as construction has already started.

The CEO expressed the optimism that the hotels would create an estimated 1000 new direct jobs in the hospitality industry in those countries, and scores of indirect jobs in the supply industries. Gillis said hoteliers and developers in Africa were consistently turning to the Protea Hospitality Group for partnership because of the strong brand equity that each of their brands represents, the company's excellent track record in management and logistics across the continent. "It's Africa's year for development, and that means it's also the Protea Hospitality Group's year for development," he said. *(thetimesofnigeria)*

Economic News

A memorandum of understanding (MoU) involving Federal Government and the General Electric (GE Energy) has been signed in London. The deal covers a NGN 175bn (about USD 10bn) investment in power plants with capacity to generate 10,000 megawatts. Power Minister Prof. Barth Nnaji, who led a delegation to sign the agreement at the Nigerian High Commission in London, told reporters that the GE has interest in acquiring at least 15% stake in power plan.

The development countered earlier reports that the British firm wanted to build a 10,000 megawatts capacity plant in Nigeria. The investment could be sunk into

existing plants or on new plants. But such investment will be after the conclusion of the privatisation of the power sector, The Nation learnt. According to the minister, the GE's move is the highest expression of investment support toward the govern-ment's aspiration of achieving 40,000 megawatts generation by 2020.

He said: “To have a company willing to work with us on the delivery of 10,000MW is a show of confidence in Mr. President's vision. “Even if the equity is one%, it is still significant because it will take us somewhere. And with 15%, Federal Government will provide the balance.” He explained the government will not be involved in any of the projects, but will provide guarantees for the private sector participants. He said: “The local content will be huge power because GE and any other foreign investor must have local partners.”

The minister said what the government and GE had signed after a meeting with President Goodluck Jonathan in Abuja, was a series of general agreements for support in various sectors of the economy including power, transportation, especially rail, and health. He said: “What we are doing today is the culmination of a series of work done, some behind the scenes, and some in the open. With the meeting between President Goodluck Jonathan and the Chairman of GE last month in Abuja, there was a narrowing of areas of focus for the country and GE to collaborate on specific areas of focus.

“Accordingly, GE developed MoUs specific to the various sectors, and today, the MoU we are signing relates to power alone.” Nnaji described the USD 10bn as very ambitious in the face of the cash crunch at the international capital market and noted that with GE's cash and government's bank guarantees, the projects would become much more bankable, as investors can approach financial institutions to raise funds. He noted that the relationship between the government and GE is a long term one, as the energy company has moved from just being a supplier of power equipments in the country, to being an equity investor.

“The MoU creates a relationship that will allow GE to not just sell turbines to Nigeria, but also have equity participation in collaboration with the government and private sector,” he said GE's President, Sub-Sahara Africa, Mr. Jay Wileman, said with the signing of the MoU, things can get rolling because now is the beginning of the real work of delivering power in the country.

He recalled the discussions with GE started in 2009, adding that with the MoU, Nigeria has become “the epicentre of GE's focus and we will be bringing in our experience, and partners to demonstrate our capacity.” Nigeria's Acting High Commissioner in Britain, Ambassador, O. Anozie, said the epoch making event complements Mr. President's reform agenda, particularly in the area of power which he identified as a prerequisite for economic and national development. *(Nation)*

The Central Bank of Nigeria (CBN) has said more than 400 companies have so far benefited from the NGN 200bn intervention fund for re-financing and resuscitation of the manufacturing sector. Out of this, NGN 198bn has been disbursed. Speaking with The Nation, Deputy Director, Development Finance, CBN, Mr Akintunde Sowunmi , said the apex bank expects banks to play their roles in ensuring that the funds are well utilised.

"We expect the banks on their parts to play their roles. Due diligence is expected from them. All these is being done in order to transform the industrial sector, most especially the manufacturing sector," Akintunde said. He stated that the CBN has engaged the African Finance Corporation (AFC) to provide technical advice to ensure effective implementation of the projects invested in, as the AFC is also to provide capacity building to BoI. A company can access a maximum of NGN 1.1bn of the Resuscitation and Refinancing Facilities (RRF) for manufacturers through the commercial banks.

While confirming this, Manager, Risk Management Division, Bank of Industry, (BOI), Mr Kola Adewole, said 99% out of the NGN 200bn has been disbursed so far, adding that the intervention fund for the revival of the industrial sector has so far supported the MSMEs. "The objectives of the fund are to fast-track the development of the manufacturing sector of the economy by improving access to credit to manufacturers; improve the financial position of the Deposit Money Banks; increase output, generate employment, diversify the revenue base, and increase foreign exchange earnings and provide inputs for the industrial sector on a sustainable basis," he said.

Also speaking, one of the beneficiaries and the Managing Director, European Soap, Suren Mirchandani, said his company, which got about NGN 519m through the bank, is growing stronger. He said the funds have really helped the company, adding that it is seeking for another intervention fund to be able to expand. *(Nation)*

With a few days to the end of the first quarter of the year, there are indications that the effects of a drop in disposable income brought on by the hike in fuel price and the security challenges in certain parts of the country are expected to have a negative impact on the fast moving consumer goods market. Although government officials have been downplaying the effects of the phased withdrawal of fuel subsidy on the overall economy, independent analysts confirmed that inventory figures from the FMCG sector have gone up, signifying a slowdown in demand for household goods.

A report presented at the March breakfast meeting of the Lagos Business School by managing director, Financial Derivatives Company, Mr. Bismarck Rewane showed that Nigerians are facing increased budgetary constraints leading to consumption substitution at micro and macro-levels. According to the report, anecdotal evidence suggests a 10-20% decline in certain FMCGs. The immediate result, the report showed, is that retail sales were flat in shopping malls in January and February.

Giving further clarification on the report in an interview with THISDAY at the weekend, Rewane said the scenario created by the federal government decision to raise the price of fuel from N65 to N97 last January has made it necessary for many Nigerians to make hard choices, a development which he said would impact the aggregate demand for goods.

He explained that customer traffic to Lagos shopping malls has fallen by 40% given the high cost of transportation, which he added was worsened by the payment of toll fares along the Lekki Epe Expressway and higher cost of fuel. "When a consumer living in VGC, for example, decides to go to the shopping mall, he has to pay toll fares twice, in addition to higher cost of fuel he is bound to incur. The immediate effect of this is that such a consumer, having weighed

the higher cost of going to the shopping malls, may decide to go to any nearby shop to get what he needs, although he may not get the quality he needs," he said.

He noted that distribution costs have equally gone up within the first quarter of the year at a period while disposable income has dropped substantially. He, however, predicted that the current decline in disposable income may soon change as we enter the second quarter of the year. A gloomy picture of the situation has also been painted by some of the operators in the FMCG sector.

It was gathered that apart from making it difficult for them to conveniently explore the potential of a large market which the north provides, the series of bombings in some states in the north has impeded formal and informal trade with neighbouring countries. Lamenting the impact of the current security situation in the north, marketing director, Promasidor Nigeria Limited, Mr. Kachi Onubogu said virtually all the operators are feeling the pinch of the threat to lives and property in some states in the north.

Speaking at a retreat for business editors and brand reporters in Lagos a fortnight ago, Onubogu said operators in the industry have suffered greatly from the activities of Boko Haram in the northern part of the country. He explained that for obvious reasons, that section of the country accounts for a high%age of the market for some of their products especially tobacco and beverages.

He explained that the security challenge has made it difficult for operators in the sectors to conveniently market their products while it is also becoming increasingly difficult to get the products to the neighbouring African countries through some states in the north. Market watchers confirmed that the full effect of these developments will surely manifest in the operating performance of some of the FMCG companies in the first quarter of the year. *(This Day)*

Nigeria is to increase limits on pension funds' investment in the stock market to half of their portfolio, from a quarter currently, according to proposals from the regulator seen by Reuters on Monday, a move that could boost its share index. Nigeria's pension funds were worth around USD 13bn in 2010 and have been growing at a rate of 30% per year. Its equity market struggled to sustain a recovery after a more than 60% fall in 2008, which led to a mass exodus of domestic investors, including pension funds.

Under the regulatory changes being proposed by the National Pension Commission (NPC), they will also be allowed to build a portfolio compliant with sharia or Islamic law, in a country with one of the highest Muslim populations in the world. The central bank is drafting a regulatory framework meant to establish Nigeria as the African hub for Islamic banking, emulating the success of Malaysia in Asia.

"PFAs (pension fund administrators) shall invest pension fund assets with the objectives of ensuring safety and maintenance of fair returns," the draft document said. It called on fund managers to review the proposals, published on its website, the second of such review since the pension law was set up in 2004. Since the 2008 stock market fall, regulators have been trying to lure back domestic investors to the stock market, and they hope the move to ease pension fund restrictions could provide a much needed impetus.

The main all-share index has gained just 2% this year, after a 16% decline last year. Yet while domestic investors have been wary, offshore investors have been increasing their stake in Nigeria. Last year, share purchases by foreign investors rose 80% to 512bn naira (USD 3.23 bln), despite the index poor performance.

In the last regulatory review, in 2010, the regulator allowed pension funds to invest in corporate bonds and private equity for the first time, enabling firms like Lafarge Wapco , Flour Mills and UBA to tap a more liquid debt market. *(Reuters)*

The National Pension Commission (PenCom) said it will withdraw the operating licence of any Pension Fund Administrator (PFA) that fails to meet the new mandatory capital requirement by the end of June this year. The Director-General of PenCom, Mr. Muhammad Ahmad made this threat in an interview with THISDAY in Abuja. He recalled that the commission directed the operators to raise their capital base from NGN 150m to NGN 1bn, allowing them 13 months, up till June 30, 2012 to comply with this order.

Ahmad who argued that the time given was enough for the operators to recapitalise, said the date would not be extended by one day and threatened that PFAs who fail to comply with this order would have their operational licenses withdrawn. “The bottom line is that we do not intend to extend the deadline by one day. Any one that does not meet the requirements, the company does not have capital and capital is a primary requirement for licensing and that license would be withdrawn,” the director-general said.

He also gave an update on the exercise, saying that two PFAs have already surrendered their licences, having merged their operations with other companies while three others were still in merger talks. “Two PFAs have merged, in other words, they returned their licences and their assets were transferred to other PFAs. There are at least three others that are talking to themselves to merge, we are also aware that there are some that are not making any effort.

“We have written to them in January, giving them three months to give us proposals on how they intend to address their capital positions. Some have started to respond, we have also received requests from those who want to raise capital in terms of the necessary approvals to be granted,” Ahmad reported. PenCom last year announced a hike in the statutory capital for PFAs from N150m to N1bn, given the affected operators 13 months, ending June 30, 2012, to fully comply with the new capitalisation directive. The capital base for Pension Fund Custodians (PFCs) remains N5bn.

Explaining the rationale behind the directive, Ahmad said the hike in capitalisation would lead to improvement in capacity building and employment of qualified personnel, deployment of adequate IT infrastructure for improved business process and creation of more business outlets.

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In addition, it is expected that a stronger and more efficient research units for optimum investment decisions would be set up by individual operators with improvements in data management and record keeping in each organisation. The new minimum share capital requirement would subsequently be monitored by the commission on an annual basis at the financial year end of each PFA and any shortfall shall be made up within 90 days, Ahmad added.

Meanwhile, in the circular titled "Minimum Share Capital Requirement for Licensed PFAs" PenCom defined the new capital to mean shareholders' fund unimpaired by losses. "This circular is therefore to intimate PFAs about the commission's decision on the new minimum share capital requirements for a PFA business that a minimum shareholders' fund of N1bn unimpaired by losses has been approved.

"This amount is considered adequate to absorb unforeseen losses and improve the financial condition as well as business process of the PFAs given the current market situation. The increase in the minimum capital requirement would also encourage healthy mergers or acquisitions and promote stability in the industry.

"Furthermore, it is expected that the improved financial condition of the PFAs after the implementation of the reviewed capital requirement would lead to improved service delivery and product development resulting from automation (timely payments) ," the regulator stated. Justifying the hike in PFAs' capital base, Ahmad explained that the commission consulted widely with operators in the industry before arriving at the new statutory capitalisation of N1bn for PFAs.

"The commission has through its oversight function observed that the minimum paid-up capital of N150m was no longer adequate to meet the operational expenses of a PFA business given its intensive IT nature and an average gestation period of five years. "The commission consulted with the pension industry for its inputs on the new minimum capital requirement for PFAs. The input of the pension industry and subsequent review by the commission resulted in the presentation of a technical paper to the board of PenCom on the issue," the Director-General stated. *(This Day)*

Nigeria's foreign reserves rose by 7% to USD 37.534bn, data on the website of the Central Bank of Nigeria showed yesterday. The central bank has been striving to shore up reserves to protect against shocks. The recent signing of onshore oil production license renewal between Nigeria and US energy major, Exxon is likely to have contributed to the forex boost. The 20-year extension is worthbns of dollars and would have included a sizeable, undisclosed signature bonus.

The figure was up from USD 34.9bn on March 19 and from USD 34.8 a year earlier, the data showed. Despite record high oil prices, Africa's largest crude exporter has failed to build up foreign exchange reserves in recent years as government spending has been high. Nigeria relies on crude exports for more than 95% of its foreign exchange earnings and investors watch reserve data closely to gauge the defences Africa's second largest economy has against a potential dip in oil prices.

Central Bank Governor Sanusi Lamido Sanusi said during a rate decision last week that Nigeria needed to build up foreign exchange reserves to cope better with external shocks. Nigeria removed subsidies on gasoline in January but was forced to partially reinstate them after more than a week of public protests over the increase in fuel costs. Still, the financial burden on government from the subsidies was reduced and this, along with the high price of oil, has helped forex reserves to increase.

"The news is encouraging, confirming our belief that since reforms allowing for

the partial lifting of the fuel price subsidy, we have seen a more rapid pace of accumulation of forex reserves," said Razia Khan, Head of Africa Research at Standard Chartered. "Investors will inevitably wonder what the implications are for the forex rate. Given that the central bank wants to see a faster pace reserves accumulation, we doubt that there will be any immediate move to change the forex band," Khan added. The Sanusi central bank tries to keep the naira in a 155/160 band by controlling dollar supply in bi-weekly auctions. *(Daily Trust)*

Africa's top oil producer Nigeria has opened a tender process to sell its oil via multi-bn dollar annual term contracts beginning in June, an official notice showed. Nigerian National Petroleum Corporation (NNPC) invited refiners, trading houses and local Nigerian oil companies to submit bids by April 5, according to the notice.

The notice, according to Reuters news, did not specify the volume of oil to be awarded in this year's contracts. NNPC said it planned to maintain"regional balance" in the distribution of oil to Africa, Europe, Asia and North and South America. Nigeria, a member of the Organisation of Petroleum Exporting Countries (OPEC) is under pressure to fight oil industry corruption after strikes and protests in January, sparked by a hike in state-subsidised petrol prices. *(Nation)*

Nigeria's government plans to guarantee bonds sold by companies involved in large-scale road, rail and power projects in Africa's most populous nation, according to the Debt Management Office. The framework for "issuing the sovereign guarantees is still being fine-tuned," Patience Oniha, executive director in charge of market development at the Abuja-based DMO, said in an e-mailed response to questions. She didn't give details of the companies that may benefit from the debt guarantees.

Power supply in Nigeria, Africa's largest oil producer, is less than half demand, causing regular blackouts in a nation of more than 160m people. President Goodluck Jonathan plans to sell six power plants and majority stakes in 11 power- distribution companies to end a state monopoly. Debt guarantees will enable companies to fund projects that "they may ordinarily have been unable to embark upon due to inability to access large and long-term capital required," Oniha said.

The program is "intended to be used as a means of supporting private sector operators who are involved in projects that have large macroeconomic benefits either alone or in partnership with the government." The target for the budget deficit this year was increased on Feb. 16 to 2.97% of gross domestic product from 2.77% forecast in December after Jonathan was forced to backtrack on scrapping fuel subsidies.

The government plans to cut spending on administration, training, transportation and other programs to keep the deficit below 3%, according to the Finance Ministry. Government Borrowing Sovereign guarantees will reduce the need for the government to borrow directly from capital markets, Oniha said. The Finance Ministry said in its December budget plan it will borrow 794bn naira on the local capital market in 2012. The DMO twice postponed its monthly bond auctions this year as borrowing costs increased.

The central bank raised its benchmark interest rate by 6%age points to a record 12% since September 2010. “In view of the high interest rate environment, occasioned by tight monetary policy stance, a moderation in government borrowing would be positive,” Central Bank of Nigeria Governor Lamido Sanusi said on March 20. Government debt stood at 17.8% of gross domestic product in 2011, while the ratio of debt-service to government revenue was 19.1%, he said. The yield on Nigeria’s USD 500m of Eurobonds due 2021 was at a record low of 5.4% yesterday, 80 basis points lower since the beginning of the year. *(Bloomberg)*

It was revealed on Tues-day that Nigeria is yet to tap the USD 100bn Medicinal Plants Funds, while other countries like India and China are already benefiting from the funds. This was revealed even as the Nigeria Medicinal Plants Development Company (NMPDC) said it had identified and domesticated six different medicinal plants (herbs) for curing various types of diseases including malaria, cancer and to address the issue of maternal mortality in the country.

Managing Director, NMPDC, Mrs Zainab Shariff, disclosed this on Tuesday while addressing journalists on the plans by the company to launch its wide range of drugs, produced from medicinal plants. Mrs Shariff said the country’s inability to process about 8,000 natural medicinal plants spread across the states had hindered Nigerians from accessing the global herbal market.

She said: "In spite of the more than 8,000 medicinal plants in the country, Nigeria has not been able to utilise these plants to advance the course of medicine.” Mrs Sharif, a pharmacist, added that Nigeria had failed to key into the global market, making it impossible for the country to tap the USD 100bn funds in the global market.

She pointed out that unless Nigeria realised the advantages in agricultural products for medicinal purposes, the country would continue to fail to benefit from the lucrative medicinal plants market. "Medicinal plants is another window to diversify the Nigerian export drive and improve on rural economy. Investing and tapping from the abundant medicinal plants could lead to the production of body care products, herbal products and other therapeutic food items," Shariff added.

She stated that contrary to insinuations that herbal medicines are not safe, "herbal medicines are friendly and come with safety formulations that guarantee health safety." *(Tribune)*

THE use of 40% cassava flour by local bakeries would save Nigeria N258bn yearly, Minister of Agriculture, Dr Akinwumi Adesina, has said. He disclosed this in Lagos while presenting the UTC bread made with 40% cassava flour. To this end, he said the government will work with the National Assembly to introduce a bill to promote 40 % cassava in bread initiative as well as provide incentives to encourage local food firms to adopt the formula.

He said the promotion of the use of cassava by local bakeries, which was part of Federal Government’s Agriculture Transformation Action Plan, would make the nation self-sufficient in food production. The Minister said there will be a national orientation for bakeries across the country to promote the 40%

cassava input. He said the government's decision to substitute wheat flour with cassava in bread production was a policy in the right direction as it would discourage wheat flour importation, and encourage farmers to produce more cassava.

Adesina noted that Nigeria is the largest producer of cassava in the world with an annual production of 35million tonnes of the commodity. He lamented that the country had been spending N635bn annually on the importation of wheat. In addition, he said the cassava was produced and marketed without value addition. According to him, Nigeria should not be an importer of wheat flour for bread production since cassava could serve as an alternative.

"Nigeria is the only country which does not produce wheat but eat 100 per cent wheat. We have to start processing what we produce instead of eating always imported things, making farmers of other countries happy, while the farmer of Nigeria is sad," he said. The Managing Director/Chief Executive, UTC Plc, Mrs Foluso Olaniyan, said her company has made transition into the production of 40% cassava flour bread. She said the initial challenge was getting supply of high quality cassava. This, she explained, has been solved following the government's efforts to boost the production of the crop nationwide. *(Nation)*

The federally-collected revenue improved significantly by 51.7% to NGN 3.025tn at the end of fourth quarter of 2011, compared with the NGN 1.461tn it stood in the corresponding quarter of 2010, the Central Bank of Nigeria (CBN) has said. The CBN stated this in its "economic report for fourth quarter 2011," obtained on its website yesterday.But the report showed that the amount represented a decline of 9.1% from the level in the preceding quarter.

It explained that at NGN 2.408tn, gross oil receipts, which constituted 79.6% of the total, exceeded the budget estimate by 41.3%, but was lower than the level in the preceding quarter by 8.9%. The CBN attributed the decline in oil receipts relative to the preceding quarter to a fall in the receipts from petroleum profit tax (PPT) and royalties.

"Non-oil receipts, at NGN 616.98bn (20.4% of the total), was above the budget estimate by 2.7%, but was below the level in the preceding quarter by 9.9%. The decline in non-oil revenue relative to the preceding quarter reflected, largely, the decline in Corporate Taxes and National Information Technology Development Fund (NITDF) during the review period.

"Of the gross federally-collected revenue during the review quarter, the sum of NGN 1.404tn (after accounting for all deductions and transfers) was transferred to the Federation Account for distribution among the three tiers of government and the 13 derivation fund. "The Federal Government received NGN 663.50bn, while the states and local governments received NGN 336.54bn and NGN 259.46bn, respectively," it declared.

According to the CBN, the balance of NGN 144.68bn at the end of the quarter went to the 13% derivation fund for distribution to the oil-producing states. It also revealed that the federal government received NGN 23.72bn from the Value Added Tax (VAT) pool account,
while the state and local governments received NGN 79.05bn and NGN 55.34bn, respectively, during the period under review.

“During the period under review, the sum of NGN 257.08bn was drawn down from the excess crude account to bridge the short-fall in revenue for the period and was shared as follows: Federal (NGN 117.82bn), state (NGN 59.76bn) and local governments,” it said. Banks’ deposit rates generally increased, while lending rates indicated mixed developments during the quarter under review, the CBN said. *(This day)*

About 4,259 megawatts (MW) of electricity is expected to be generated from the National Integrated Power Projects (NIPP) by the end of next year, the Niger Delta Power Holding Company (NDPHC), has said. The Managing Director of NDPHC, Mr James Olotu, said the company’s target is to generate 1,310mw from the NIPP power plants this year, 4,259mw by end of 2013 and to 4770mw by 2014.

The NIPP power plants, which are 10, include the phase two plants of Geregu, Omotosho and Olorunsogo as well as Alaoji, Egbema, Omoku, Calabar, Sapele, Ihovbor and Gbarain generation companies. The power plants were supposed to have come on stream at most by end of last year, but could not due to political and economic hitches. Hence the new target to bring all the plants into operation has be fixed for 2014.

Some of them that are currently generating power are being challenged by lack of gas supply. Besides gas supply constraints, Olotu said the avoidable delays caused by the suspension of NIPP funding because of House of Representatives probe, had caused huge variation costs to the project. He also noted that demurrage costs, increase in compensation costs for acquired land and right of way (RoW), delays in obtaining approvals, delay in granting Customs duty waivers, have made the project incur significant demurrage obligations and delay.

He said: "Increased compensation cost and some way-leave costs are more than the project costs. Future projects may be affected if this is not checked." He also cited buy-in by some government agencies as part of challenges. He said: "Many government agencies do not treat requests by sister agencies with the speed required and with that result additional costs are incurred.

He also noted that lack of gas for completed projects is a major challenge for effective operation of the NIPP plants. He said: "As at today, four gas turbines are ready at Olorunsogo and two gas turbines at Sapele but each station manages to run on the average one unit a day, that is, 225MW instead of 676 MW for the two stations. Ihovbor has four gas turbines while Calabar has five gas turbines and Omotosho has four gas turbines, which will soon be ready. The last two cannot run because of delayed gas supply."

The NDPHC chief said the securitisation from government is another issue. He said securitisation request from government is being awaited to progress discussions with international oil companies (IOCs) on gas agreements and that there is no approved date for gas tie-in to existing line at Omotosho Phase II and this may delay commissioning of the four gas turbines.

On transmission and distribution of power from the plants, he noted that the NDPHC will upon completion of the plants transfer the generated power to Transmission Company of Nigeria (TCN) and the host distribution companies on

terms to be negotiated and agreed upon. This, he said, is to ensure sustainable operation and protection of NDPHC investment as approved by Board, subject to final approval of shareholders. *(Nation)*

The Central Bank Nigeria (CBN) has said it plans to issue withdrew a total of N735.628bn from circulation, through sale of treasury bills in the second quarter of this year. The liquidity management office disclosed this in a chart titled: “Nigerian Treasury Bills Issue Programme for Second Quarter 2012,” obtained on its website Wednesday.The move, THISDAY learnt would be in continuation of the apex bank’s restrictive monetary policy stance.

Auctioning treasury bills will help in reducing the volume of money supply in the system. Treasury Bills are marketable money market security. They are issued through a competitive bidding process at auctions. According to the schedule, while the apex bank plans to issue a total of NGN 160.723bn in 91-day bills in the second quarter, it will also issue a total of NGN 263.491bn and NGN 311.414bn in 182-day and 1-year bills respectively in same period.

The chart also showed that the apex bank planned to sell treasury bills twice in April, May and June respectively. A breakdown of the figures showed that the regulator plans to sell a total of NGN 65.048bn 91-day bills in April, NGN 62.704bn 91-day bills in May and NGN 32.971bn 91-day bills in June.

Similarly, for the 182-day bills, it proposed to issue a total of NGN 118.41bn in April, NGN 100bn in May and NGN 45bn in June. For the 1-year bills, the CBN also proposed to issue a total of NGN 140.730bn in April, NGN 111bn in May and NGN 60bn in June. In a related development, the CBN yesterday said that there were errors in the external reserves figures it published on its website last weekend.

According to a circular titled: “Computation of External Reserves Position for the Period 19th to 22nd March 2012,” signed by the Director, Reserve Management, CBN, Lamido Yuguda, the true position of the forex as at “March 19, was USD 35.077bn, March 20 - USD 35.137bn, March 21 - USD 35.189bn and March 22- USD 34.233bn.”

The apex bank had published on its website that external reserves improved to USD 37.534bn on March 22. The CBN circular with reference number: “RED/DIR/CIR/GEN/01/01,” further explained: “we refer to the publication of the external reserves position on the CBN website for the period 19th to 22nd March, 2012, and regret to state that there was error in the computation of the daily external reserve position for the four days during the said period. The error is highly regretted.” However, the forex reserves stood at USD 35.420bn as March 26. *(This Day)*

The Central Bank of Nigeria (CBN) said it had disbursed NGN 177.67bn as intervention fund for some power projects and local airlines to boost the economy. The CBN Governor, Mallam Sanusi Lamido Sanusi said the amount was released to the Bank of Industry (BOI), for disbursement to 33 projects – N85.74bn for 18 power projects and N91.93bn for 15 airline projects, as at the end of February this year.

Sanusi, who was represented by Dr. Muda A Olaitan, Deputy Director, Development Finance Department at the CBN, stated this at the second

WorldStage National Electricity Power Conference in Lagos yesterday. He said since the launch of the N300bn Power and Airline Intervention Fund (PAIF) in March 2010, it had improved the funding of power projects and electricity to support industries at lower cost.

He said: "Over 28 power projects in different parts of the country submitted application for financing under the Fund, out of which 15 projects have been financed by the PAIF. "The projects are mainly captive power projects catering for specific industrial enterprises or clusters. Nine of the power projects approved, had potential generating capacity estimated to be at 582mw, out of which 349.2 mw was additional megawatts generated."

He noted that the improvement in the country's power supply has been as a result of the fund, which is meant to reduce domestic production costs, improve industrial capacity utilisation, enhance competitiveness, lead to employment creation and poverty reduction among Nigerians. He said: "The PAIF provides seed capital that leverages additional private sector investments into the Nigerian power sector. Equity on power projects is expected to be 30%.

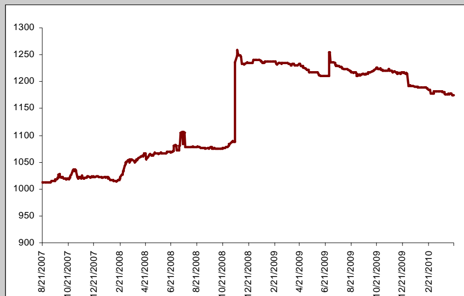
"The NGN 85.74bn approved for power projects implied that project promoters would bring in additional 30% private sector investments into the Nigerian power sector, while the total amount brought in by the investors was NGN 25.722bn. "By providing long-term liabilities to deposit money banks in the country, the PAIF is assisting the development of long-term bank credits suitable for financing infrastructure projects. The market will allow DMBs to compete with the international DFIs and commercial/investment banks to provide alternative financing sources.

"The concessionary interest rate of the Fund at 7% together with its long tenor of 10 – 15 years created a stabilising effect on the capital structure of power projects; and makes an otherwise unviable or marginal investment a viable one. It has also at the same time created a cash flow for recurrent expenditure through the interest differential. This was brought about by the average interest rate gap of over 12%.

The average lending rate is 19%; it is 7% under PAIF." He noted that PAIF has resulted in an average cost savings on interest expense of about NGN 6.00bn for beneficiaries as at February, 2012. The fund has also offered grant opportunity for banks to build the capacity of their officers on power desk. *(Nation)*

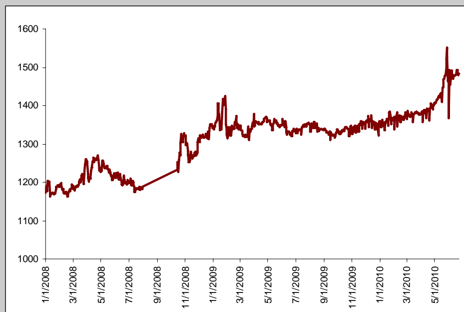
Tanzania

Dar-es Salaam Stock Exchange



Source: Reuters

TZS/USD



Source:SAR

Economic indicators

Economy	2009	2010	2011
Current account balance(% of GDP)	-9.907	-9.086	-9.7
Current account balance (USD bn)	-2.195	-2.15	-2.477
GDP based on PPP per capita GDP	1,414.36	1,487.35	1,578.68
GDP based on PPP share of world total (%)	0.082	0.085	0.088
GDP based on PPP valuation of country GDP(USD bn)	57.335	61.5	66.582
GDP (current prices)	546.63	572.25	605.346
GDP (Annual % Change)	4.954	5.649	6.74
GDP (US Dollars bn)	22.159	23.662	25.531
Inflation(Annual % Change)	7.251	7.028	7.126
Inflation (Annual % Change)	6.659	6.423	5.5
Population(m)	38.2	38.964	39.743

Source: World Development Indicator

Stock Exchange News

The DSEI gained a marginal 0.36% to close at 1,324.02 points. Gains were recorded in TCC up +1.27% to TZS 3.200 and TBL (+0.77%) to TZS 2,620. All the other counters remained unchanged.

Corporate News

British gas producer BG Group and its partner Ophir Energy discovered more gas than estimated off the coast of Tanzania, coming closer to the minimum threshold volumes required for a two-train liquid natural gas development. The discovery made at the Jodari-1 well in block 1 had recoverable mean resource estimated at 3.4tn cubic feet (TCF)), above the mean estimate of 2.2 TCF, Africa-focused oil and gas firm Ophir Energy said in a statement.

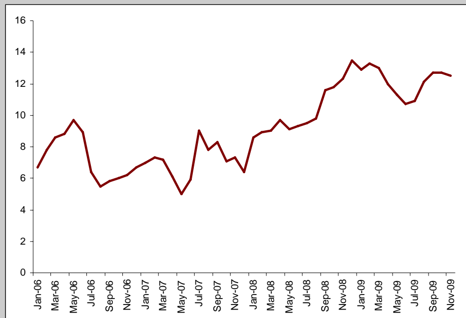
Ophir, backed by steel magnate Lakshmi Mittal, said the cumulative discovered, recoverable gas resources in blocks 1, 3, 4 were now about 7 TCF. Ophir holds 40% of the three blocks. "3.4 TCF recoverable at Jodari is the strongest possible start to the five-well 2012 Tanzania drilling campaign," Investec's Stuart Joyner said.

"This is a very strong start to our five-well 2012 Tanzania drilling campaign and the Metro-1 drillship will now move to drill Mzia-1, which is targeting mean recoverable resources of 4.6 TCF," Ophir said. BG's shares were up about 1% at 1505 pence at 0930 GMT on Monday on the London Stock Exchange, while those of Ophir rose 15% to 461.7 pence. *(Reuters)*

Africa Barrick Gold (ABG) has reaffirmed plans to continue investing in its Tanzanian operations this year and beyond, in order to improve efficiency in its four gold mines and explore the potential of developing a fifth mine at its Nyanzaga deposit. "The operations continue to make progress. We've had our challenges over the last couple of years, and it's vitally important that we seek to deliver what we have set out to the market and to ourselves during 2012 and beyond," African Barrick Gold CEO Greg Hawkins, said.

"We are looking for growth .... You would have heard us talk about the Nyanzaga project the 'Tusker' deposit -- and the potential delivered by our exploration team which has worked very, very hard over the last 18 months to declare a 4-m ounce resource out there. So, a real potential fifth mine in Tanzania and something that can really grow the business over the next few years," Hawkins said.

CPI Inflation



Source: SAR

ABG acquired Tusker Gold in May 2010, giving the company 100% control of the Nyanzaga project. Hawkins, speaking at the Barrick Excellence Awards ceremony at Buzwagi mine this week, reaffirmed ABG's commitment to Tanzania in mining gold. ABG targets increased overall output for its four gold-producing mines in Tanzania Bulyanhulu, North Mara, Buzwagi and Tulawaka - and will look to control cash costs further, he said.

"Cash costs are a key focus for us. Our best leverage for improving our cash cost per ounce performance is to produce more ounces and I think we've got some options at all the mines to be able to improve the production level and that will help us manage our cash cost per ounce," he added. The largest gold miner in the world, with current production of close to 700,000 ounces of gold in Tanzania, ABG plans to boost production to onem ounces in the country per year by 2014.

The company, which has invested around USD2bn in its Tanzanian operations so far, currently employs 5,400 people. Hawkins applauded ABG employees who were awarded the 2011 excellence awards in various fields, including safety, security, community relations and the environment. "I congratulate all the winners. We should all be very proud ... there are not too many of these awards that are handed out across the entire organisation, so you should be very proud," he said.

"To the teams that have put in the effort and the individuals that have received the awards, this is an enormous achievement," he said. Some senior officials from ABG's parent company, Toronto-based Barrick Gold Corporation, attended the employees' excellence award ceremony at the Buzwagi mine in Tanzania. Barrick's Vice-President for Safety, Health and Risk, Craig Ross, said ABG's mines in Tanzania had made great strides in improving their health and safety performances over the past few years.

"If you look at the health and safety statistics across the board at ABG, you can see significant improvements," he said. "What has been done with the safety awards recognizing people is to see that expanded to the environmental awards, CSR (corporate social responsibility) awards and security awards. It shows the company ethos, which is all about people," he said. *(IPP)*

Augusta Energy SA, a Geneva-based oil trader, has for the third time won a tender to supply petroleum products to Tanzania, under the East African country's bulk-procurement system. "The tender is estimated to be worth USD 750m at today's price," Shanif Mansoor, chairman of Tanzania's Petroleum Importation Coordinator Ltd., said today in a phone interview from Dar es Salaam, the commercial capital. PIC, as the company which groups oil-marketing companies in Tanzania is known, issues a tender to import fuel every two months.

Augusta Energy will supply 640,000 metric-tons of oil products for delivery in May and June, Mansoor said. The next tender will be issued in two months for consumption in July and August, he said. Tanzania consumes 1.54m cubic meters (407m gallons) of petroleum annually, according to information on the website of the Energy and Water Utilities Regulatory Authority. The country is also a transit hub for oil products that are shipped to nations in the region including the Democratic Republic of Congo, Rwanda, Burundi and Zambia.

(Bloomberg)

Economic News

Tanzania will hold an oil exploration licensing round for 16 offshore blocks starting in September this year, a principal geologist at the state-run Tanzania Petroleum Development Corporation said on Tuesday. Meshack Kagya told an energy conference in Nairobi that details of the Tanzanian plan would be unveiled next month, with the process expected to close in 2013.

He said there were an additional five onshore blocks for licensing that would not be part of the round scheduled for September. "These will be separate from the deep sea (blocks). I am not sure of the timeline," Kagya told reporters. The offshore blocks had over 34,000 km of two dimensional seismic data and over 8,000 square km of three dimensional data. The blocks are in waters with depths ranging from 1,500 metres to 3,000 metres.

East Africa has been a focus for exploration since substantial deposits of crude were found in Uganda in 2006. London-listed Tullow Oil expects to start production there in late 2012.

Tullow said on Monday that it had also struck 20 metres of light, waxy crude after drilling its first well in Kenya's arid north, sending its shares higher. Norwegian oil firm Statoil has said its Tanzanian gas discovery announced last month, the biggest ever made in the country, held up to 5 trillion cubic feet of gas, or about 891m barrels of oil equivalent (boe) in proven reserves.

Last September, Tanzania got a USD 1bn loan from China to build a major natural gas pipeline from Mnazi Bay in the Mtwara region in the country's south to Dar es Salaam, and processing plants in Mnazi Bay. "They are securing the sites for LNG processing in Mtwara region for LNG for export and for domestic markets," Kagya said. He said that the government was in the process of setting up a second pipeline to add to an existing one joining the Songo Songo gas field to Dar es Salaam.

Statoil says it has to weigh its options before it decides what type of development to invest in, but proximity to the Asian energy market makes an LNG development plausible. Africa-focused oil and gas firm Ophir Energy Plc and its partner BG Group have made significant gas finds. The pair said on Monday they had discovered more gas than estimated off the coast of Tanzania, adding an estimated 3.4 trillion cubic feet (TCF) in recoverable reserves from the Jordari-1 well in block 1, 55% more than initially expected.

Kagya said Tanzania's natural gas estimates stood at more than 10 trillion cubic feet following recent discoveries. Tanzania already uses some of its gas to produce electricity and supplies the gas to 37 institutions and industries. *(Reuters)*

Tanzania's state-run power utility said it secured a USD 165m loan from HSBC Holdings Plc to build a 100 megawatt gas-fired facility. "Construction already started on this one, and could be commissioned next month," Tanzania Electric Supply Co. Managing Director William Muhando said by phone

yesterday from Dar es Salaam, the commercial capital, without saying when the loan was approved. Jacobsen Elektro AS, a Norwegian company, is building the Dar es Salaam plant, he said. An HSBC spokesman declined to comment.

Tanzania, East Africa's second-biggest economy, had an electricity deficit of 264 megawatts in February 2011 following a drop in hydropower generation after a drought. The resulting power outages caused economic growth to slow to 6.4% in the third quarter of 2011 from 6.7% a year earlier. Aggreko Plc (AGK), the world's largest provider of mobile-power supplies, this week cut off its two 50-megawatt plants in Dar es Salaam, which it started operating in October, because the power utility hasn't paid 58bn shillings (USD 36m) it owes, Muhando said.

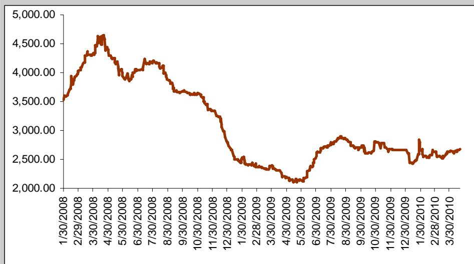
Aggreko's actions shouldn't have a "significant impact" on power supply, he said. "The water level in our reservoirs has slightly increased and we are now using more hydropower and gas-fired generators." Tanesco, as the utility is known, owes power suppliers including Glasgow-based Aggreko 230bn shillings, Zitto Kabwe, chairman of the Parliamentary Parastatals Organizations Committee, said in a text message.

"Aggreko switched off because Tanesco had no money to pay, and still has no money," Zitto said. The plant isn't running "due to lack of fuel," Aggreko spokesman Tom Eckersley said in an e-mailed response to questions yesterday. Tanesco expects to report an annual loss of 200bn shillings for year 2011 and the same amount for this year because of the drought, Muhando said Jan. 19. The country's power tariffs are below the cost of producing and supplying power, and Tanesco gets subsidies from the government to make the difference, according to Muhando.

The government is in talks with HSBC for more funds for a 70-megawatt oil-powered plant in Mwanza, 701 miles (1,128 kilometers) northwest of Dar es Salaam, which Jacobsen will build, Muhando said. Electricity output in Tanzania was 700 megawatts in January, matching demand, he said. Muhando on Jan. 19 said Tanesco was in discussions with a group of banks led by Citigroup Inc.'s domestic unit for a 408bn-shilling loan to fund power generation. "Agreements have been concluded between the government and the banks to provide" the funds, he said. "They are working on the format of guarantees from the government." *(Bloomberg)*

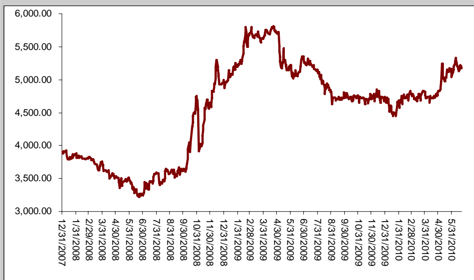
Zambia

Zambia Stock Exchange



Source: Reuters

ZMK/USD



Source:SAR

Economic indicators

Economy	2009	2010	2011
Current account balance(% of GDP)	-3.935	-2.871	-2.561
Current account balance (USD bn)	-0.484	-0.453	-0.469
GDP based on PPP per capita GDP	1,544.01	1,615.66	1,696.23
GDP based on PPP share of world total (%)	0.026	0.027	0.027
GDP based on PPP valuation of country GDP(USD bn)	18.482	19.711	21.091
GDP (current prices)	1026.921	1294.482	1472.322
GDP (Annual % Change)	4.537	5.042	5.495
GDP (US Dollars bn)	12.293	15.792	18.307
Inflation- Ave Consumer Prices(Annual % Change)	13.989	10.201	7.261
Inflation-End of Period Consumer Prices (Annual %)	11.996	8	7.017
Population(m)	11.97	12.2	12.434

Source: World Development Indicators

CPI Inflation

Stock Exchange News

The LuSE index gained +0.31% to close at 3,925.56 points. Zanaco, Farm and Zambia Sugar led the gainers after putting on +6.38%, +4.98% and +3.46% to close the week at ZMK 1,200, ZMK 2,950 and ZMK 269 respectively while Zambrew (-7.02%), CEC (-1.66%) and SCB (-0.67%) were on the losing front.

Corporate News

Canada's First Quantum minerals said on Monday an independent study has confirmed that a planned new copper mine in Zambia should last at least 15 years. The estimates on the Sentinel copper project by an independent consultant matched those of the company, First Quantum said in a statement. It is part of the Trident project that is located approximately 150 km west (90 miles) of the flagship Kansanshi mine.

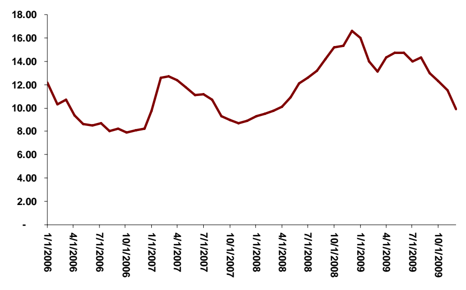
The findings justified plans to develop Sentinel into a state-of-the-art facility capable of producing up to 300,000 tonnes of copper in concentrate annually, First Quantum said. Plans call for developing the facility over two years at the same time as a new copper smelter that would process all of Sentinel's concentrate production, eliminating the need to export concentrate. "We estimate Sentinel and the smelter project will require a capital investment of over USD 2.4bn, including an extensive infrastructure development programme, and create approximately 2,400 direct jobs for Zambians," it said.

Development now awaits conclusion of commercial negotiations currently under way, the company said. The miner has an 80% stake in the Kansanshi mine in Zambia, the world's eighth-largest copper mine. It also produces copper and gold from the Guelb Moghrein mine in Mauritania. *(Reuters)*

Independent third-party estimates have confirmed First Quantum Minerals (FQM)'s Sentinel copper project in North-Western Province has resource of 1, 027m tonnes. FQM yesterday issued the mineral resource and reserve estimates for its Sentinel copper project in Zambia, which indicated an estimated, measured and indicated resource of 1,027m tonnes at 0.51% copper using 0.2% cut-off containing 5.2 tonnes of copper.

The Sentinel project is part of the Trident project that is located approximately 150 kilometres west of the company's flagship Kansanshi Mine in North-Western provincial capital, Solwezi. The two mining projects will collectively create 2,400 direct jobs for the local people. Figures further reveal an estimated recoverable proved and probable mineral reserve of 774 tonnes at 0.50% copper, using a 0.2% copper cut-off, containing 3.9 tonnes of the mineral.

The mine lifespan is estimated to be in excess of 15 years with potential to



Source: SAR

increase with planned delineation drilling and future successful exploration. Commenting on the findings FQM chairperson/chief executive officer, Philip Pascall, said: “These independent third-party estimates confirm those of our exploration team and justify our plans to develop Sentinel into a state-of-the-art facility capable of producing up to 300,000 tonnes of copper in concentrate annually.

“Our strategy is to develop this facility over a two-year time frame at the same time as a new copper smelter in Zambia that would process all of Sentinel’s concentrate production, eliminating the need to export concentrate to offshore smelters.” Mr Pascall said the two projects would require capital investments of more than US USD 2.4bn and that FQM want to fully start the development once the current negotiations are completed.

“Altogether, we estimate Sentinel and the smelter project will require a capital investment of over USD 2.4bn, including an extensive infrastructure development programme, and create approximately 2,400 direct jobs for Zambians.” “We plan to fully activate the development of Sentinel on conclusion of commercial negotiations that are currently underway,” noted First Quantum’s chairperson and CEO.

Sentinel’s maiden mineral resource estimate has been developed and the data has been verified by G. White, FAusIMM, FGS – Principal Geologist, of CSA Global (UK) an independent consultant and a qualified person for the purpose of National Instrument 43-101 Standards of Disclosure for Mineral Projects. The mineral reserves data has also been verified by independent consultants N. Journet of DumpSolver Pty Ltd and A. Cameron of AJ Cameron and Associates, both qualified persons for the purpose. *(UK Zambians)*

Economic News

Zambia's central bank said on Tuesday it would introduce a benchmark interest rate from the beginning of April to replace the money supply targeting that has hitherto been its major policy lever. A Bank of Zambia statement said the first policy rate would be announced on March 29, and would come into effect on April 2, and would provide financial markets with a "credible and stable anchor for setting interest rates".

"The increased reliance on interest rate policy-based instruments is expected to provide a relatively more transparent and efficient process through which the Bank of Zambia can better anchor inflation expectations," it added. Analysts welcomed the move by Africa's biggest copper producer, saying it would add another layer of transparency to what is already an attractive frontier market for international investors chasing after high yields.

"It's a good starting point towards the promise of greater price stability," said Razia Khan, head of Africa research at Standard Chartered in London. "It brings the country that much closer - potentially - to an inflation-targeting regime." *(Reuters)*

Zambia's economy grew by a slightly upwardly revised 6.6% in 2011 from 7.6% in 2010, the Central Statistical Agency said on Thursday. "The estimate (is) higher than the preliminary estimates which showed an expected

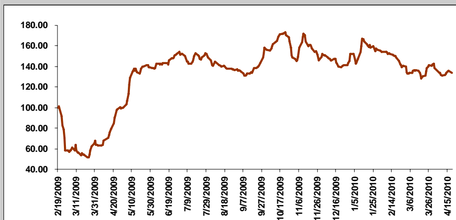
growth of 6.5% for 2011. This growth mainly came from construction, which showed a growth of 8.5%," the CSO said. *(Reuters)*

Zambia's inflation quickened to 6.4% year-on-year in March from 6.0% in February, the Central Statistics Office said on Thursday. "The increase is attributed to increases in prices of food and non-alchoholic beverages," the Central Statistical Office said in a statement. *(Reuters)*

SECURITIES AFRICA

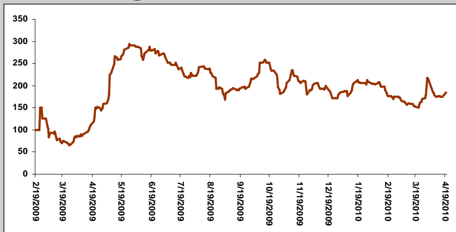
Zimbabwe

ZSE Industrial Index



Source: Reuters

ZSE Mining Index



Source: Reuters

Economic indicators

Economy	2009	2010	2011
Current account balance(% of GDP)	-21.357	-19.898	-19.582
Current account balance (USD bn)	-0.76	-0.84	-0.946
GDP based on PPP per capita GDP	303.146	359.739	411.761
GDP based on PPP share of world total (%)	0.004	0.005	0.005
GDP based on PPP valuation of country GDP(USD bn)	3.731	5.954	5.983
GDP (current prices)	303.146	359.739	411.761
GDP (Annual % Change)	3.731	5.954	5.983
GDP (US Dollars bn)	3.556	4.22	4.831
Inflation- Ave Consumer Prices(Annual % Change)	9.00	11.96	8.00
Inflation-End of Period Consumer Prices (Annual %)	0.813	8.731	7.4
Population(m)	11.732	11.732	11.732

Source: World Development Indicators

Stock Exchange News

The market closed the week on a negative note with Industrial Index losing -1.80% to 136.76 while Mining Index was down -0.15% to 85.01 points. Radar and RTG led the movers after gaining +80% and 33.33% to close the week at USD 0.18 and USD 0.02 respectively. Other gains were recorded in Celsys up +25% to USD 0.0005 and CBZ which put on +10.00% to USD 0.055. Interfresh and Star led the losers after they shed -67.50% and -52.50% to USD 0.0013 and USD 0.0038 respectively. Other notable losses were recorded in PGI (-40%), Interfin (-36.84%) and Gulliver (-33.33%)

Corporate News

RIOZIM managing director Mr Josh Sachikonye is set to step down, as shareholders approved the USD 55m capital raising initiatives. RioZim chairman Mr Tichaendepi Masaya said Mr Sachikonye, who has been at the helm of the diversified resource firm since 2004, would step down with effect from March 31 this year. The new managing director will be announced at the company's annual general meeting in May. No reasons were given for Mr Sachikonye's resignation.

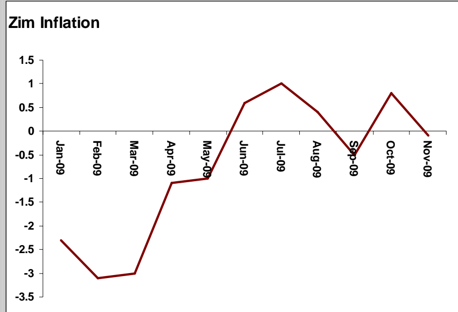
But the market had previously speculated about Mr Sachikonye's imminent departure. With approvals from the shareholders, RioZim will raise USD 5m through issuance of 10m rights issue shares at US50c. Another USD 5m would be raised through private placement of about 13m shares to Global Emerging Markets. An additional USD 45m would be raised via convertible debt to GEM Raintree, a Mauritius-based firm, who will also underwrite the rights issue.

The convertible debentures would be drawn over the next five years to finance existing operations, settle debts and for recapitalisation. Shareholders voted 91,9% in favour of the rights issue while 92,93% and 92,64% of the shareholders approved the private placement and the issuance of convertible debentures respectively. About 74% of the shareholders were present.

RioZim director Mr Richard Tait told shareholders that the company managed to persuade the majority of the creditors to restructure the debt, while negotiations were in progress with some creditors. Some RioZim creditors had applied for the provisional judicial management of the company. RioZim owes several local banks close to USD 60m.

The EGM was thrown into doubt last week after the Securities Commission of Zimbabwe expressed dissatisfaction with some sections of the circular detailing the RioZim recapitalisation. Last year, RioZim held an EGM to consider the USD 59m cash call but it was rejected by shareholders as about 47% of the shareholders said "No" to the rights offer while 32% voted in favour. RioZim requires fresh capital to retire debt and recapitalise operations. The company

CPI Inflation



Source: SAR

traded at US45c on the ZSE last Friday. *(Reuters)*

NicozDiamond Insurance earnings per share (EPS) rose 314% buoyed by growth in gross premiums written for the year-ended December 2011. The group recorded a 27% in gross premium written at USD 23,5m compared to USD 18,5m the previous year. Earnings per share closed the year at 0,29c up from 0,07c in 2010. Clover Leaf panel beaters and Fidelity Funeral Assurance, the group's associate companies, contributed USD 290 883 to group profits.

The group declared a dividend of 0,046 cents per share. NicozDiamond general manager Noel Manika told an analysts briefing on Friday: "We are pleased with the level of growth driven by inflation below 5%." Manika said NicozDiamond contributed the bulk of the gross premium written followed by First Insurance company of Uganda. The company posted an underwriting profit of USD 225 000 and profit after tax of USD 1,5m.

The group recorded significant fire and engineering claims during the period under review resulting in a claims growth of 33% from prior year, a rate higher than gross premium written. The group paid USD 8m in gross claims. "Despite the magnitude of the claims, the company was able to pay all these claims in full and restored its clients to their original positions within reasonable time frames," the group said.

Managing director Grace Muradzikwa said the country's insurance sector had potential, but required three more years to grow to get into the league of some of the leading African countries such as Kenya and Namibia. Muradzikwa said at its peak the country used to write USD 600m worth of business. She said since the introduction of multi-currencies in the country's payment system volumes of business written had steadily grown from USD 60m in 2009 to USD 160m last year.

"Zambia is writing USD 180m. Just give us another three years we really should be in the league of Kenya at USD 670m and Namibia at USD 600m because that is where we used to be," she said. Muradzikwa said competition remained high in the insurance sector with 29 players. "We feel we are seriously overtraded. Zambia write a lot more than us with 10 players and Malawi has six players. We are fighting for a small cake," she said.

She said during the period under review accounts increased to 25 625, indicating a 124% growth from 11 431 in 2010. She said the indigenisation law was affecting investor confidence and capital inflows. "A lot of companies are still struggling and some are closing. Companies are struggling in terms of capital," she said. *(News Day)*

KINGDOM Financial Holdings Limited (KFHL) says it now has the pedigree to pursue a listing outside the country after a recent partnership with Mauritian banking group, AfrAsia Bank Limited (ABL). The tie-up with ABL was the second recapitalisation initiative of the group's three-pronged recapitalisation approach that involves raising money from existing shareholders, private placement and debt finance.

KFHL founder, Nigel Chanakira said, "We feel we are of the pedigree now following the link up with AfrAsia to go onto another bourse that is outside the Zimbabwean market. We will pursue the initiative within the context of where the

money comes from. We are having inquiries that may well open the equation to a different listing." ABL recently snapped up a 35% stake in KFHL in a USD 9,5m transaction that helps Kingdom Bank Limited meet the central bank's stipulated minimum capital requirements of USD 12,5m for commercial banks.

Chanakira said the listing would occur once the USD 10m debt finance deal is concluded. "As such, timing of the re-listing of Kingdom is intricately linked to the conclusion of ongoing capital raising initiative aimed at strengthening the group's balance sheet. It is the group's considered view that listing should happen once the company is on a stronger financial footing so as to preserve shareholder value," Chanakira said.

The group wants to return on the Zimbabwe Stock Exchange, as well as listing on the JSE in South Africa. KFHL had delisted from ZSE after its merger with Meikles, Tanganda and Cotton Printers had created the largest capitalised company on the bourse. A demerger in 2010 meant that KFHL has to return to ZSE again.The KFHL anchor shareholder said the debt financing would be concluded by June and would be made easier by the partnership with the Mauritian banking group.

Debt financing occurs when a firm raises money for working capital or capital expenditures by selling bonds, bills, or notes to individual and/or institutional investors. In return for lending the money, the individuals or institutions become creditors and receive a promise that the principal and interest on the debt would be repaid.

"Bringing on board AfrAsia will mean even that debt finance that we had, the cost of that debt will be a lot lower than we had before because it changes the nature of who AfrAsia Kingdom is as opposed to Kingdom Financial Holdings. We are looking at better prices, structures that have been done by AfrAsia before," he said.

"We can do a series of issues as opposed to being confined to one term structure in terms of debt finance that we will be raising." The KFHL/ABL partnership has resulted in the creation of AfrAsia Kingdom Holdings registered in Mauritius. AfrAsia Kingdom Holdings now wholly owns KFHL, which is set to rebrand to AfrAsia Kingdom Zimbabwe Limited reflecting the new partnership.

Executives from ABL, led by CEO James Benoit, Ben Padayachy, GM and Head of Global Business and Suneeta Motala, head of Marketing and Public Relations, were invited to attend Thursday's KFHL board meeting. Benoit and Padayachy will join the board subject to regulatory approval from the Reserve Bank of Zimbabwe. KFHL CEO, Lynn Mukonoweshuro, said the group would "go for a name change to embrace the partnership as we move into the future".

She said other KFHL subsidiaries Kingdom Bank, Kingdom Stockbrokers, MicroKing and Kingdom Asset Management will retain their names "but will of necessity have a member of the AfrAsia group as part and parcel of their rebranding". *(Daily News)*

KENYA-based financial services group Commercial Bank of Africa is set to acquire a 49% stake in Royal Bank, which will enable it to meet the minimum capital requirements set by the Reserve Bank of Zimbabwe. Royal Bank chief executive Mr Jeffrey Mzwimbi said last week the arrangement

would also enable the bank to provide more lines of credit. "We have been in discussions with a number of private equity and banking investors who are interested in investing in Royal Bank and naturally we are excited that a bank of CBA's size and market stature is interested in investing in Royal Bank," said Mr Mzwimbi.

Royal Bank is now seeking the relevant regulatory approvals. "As is customary for large investments of this nature, the investment by CBA will require various approvals which we are working on."Commercial banks are required to have a capital base of USD 12m. As at March 1 2012, 22 banks out of 25 institutions were in compliance, according to the RBZ. Apart from Royal, Genesis and ZABG Bank are yet to meet the threshold.

RBZ Governor Dr Gideon Gono said earlier that non-compliant banks would have their licences withdrawn with effect from April 1 this year. "As monetary authorities we wish to reiterate that as of April 1 2012, any banking institution that is not compliant with the minimum capital requirements shall not be allowed to conduct banking business," said Dr Gono.

"In this regard banking institutions must finalise their recapitalisation initiatives, including consummation of mergers and acquisition transactions, by March 31 2012." Mr Mzwimbi, one of the founders of Royal Bank said they were also talking to a number of foreign and institutional investors who will be expected to provide critical mass and leverage to the institution.

CBA mainly focuses on financing the small-to-medium enterprises."Their size and success in this sector excites us as it matches our desire to promote and develop this grouping in our own country. We want to adapt and replicate their model here in Zimbabwe," said Mr Mzwimbi. Originally founded in 1962 in Dar es Salaam, Tanzania, CBA is one of Kenya's oldest, as well as largest, privately-owned commercial banks.

The Global Credit Rating Company of South Africa has given CBA an AA long-term rating and an A1 short-term rating. At the close of 2010, CBA's shareholder funds stood at over USD 100m with total assets of just under USD 1bn. It has also recorded a net profit of about USD 36m. *(Herald)*

General Beltings posted a 26% increase in revenue of USD 6,3m for the year ended December 2011 despite the liquidity challenges facing the economy. The company recorded an operating loss of USD 1, 4m down from USD 1, 7m the previous year.General Beltings chairman Godfrey Nhemachena, said despite the turnover increase, sales volumes decreased by 5% to 1 277tonnes.

The stronger South African rand exerted pressure on margins as raw materials and other input costs increased. However, improved market penetration and product diversification increased capacity utilisation by 5% to 40%, Nhemachena said. He said gross margins increased to 30% during the period under review from 27% due to improved product mix and prudent purchasing.

Nhemachena said the global recession that persisted from the previous year adversely affected investment inflows resulting in liquidity shortages during the year thereby affecting the companys product demand. Due to shortages of long-term funding structures and a slow debtors book, the company incurred a

finance costs of USD 186 000 on borrowings of USD 750 000 reflecting a cost of finance of 24% per annum, he said.

The company recorded an overall cash outflow of USD 310 000 and net assets declined by 16% due to operating losses incurred in the year. General Beltings departments, including the rubber and chemicals divisions, recorded an increase in turnover. The rubber division contributed 52% to turnover although intermittent supplies of raw materials and utilities due to working capital shortages restricted the division from achieving targeted production and efficiency levels.

The initiatives aimed at reviving Bulawayo industries are expected to benefit the division, he said. The chemical division is also expected expected to benefit from the revival of the timber and dairy industries. The division recorded an increase in turnover of USD 3m from USD 2,6m. The company did not declare a dividend for the period under review so that it can meet its working capital requirements. *(Daily News)*

CBZ Holdings profits jumped 61,5% to USD 30, 3m to full year ended December 2011 on the back of a significant increase in total income. Total income for the group improved to USD 123m up from USD 81,5m recorded during the comparable year. The strong financial performance saw earnings per share for the group increasing to US4,83c from US2,99c recorded during the same period the previous year.

CBZ Holdings yesterday traded at US5c against an EPS of US4,83c. This means that CBZ share price still has room to trade northwards. It is also an indication that most stocks on the Zimbabwe Stock Exchange are still undervalued and when the market re-corrects more stocks are expected to appreciate. CBZ stocks opened the year at US14c and rose to US19,5c in April. The counter traded lower reaching US7,29c on December before closing the year at US14c. The group's market capitalisation closed the year at USD 95,8m.

During the period under review the group's charge for impairments were at USD 14,4m against tight liquidity conditions on the market. Analysts expected write-off for most banks to be high on the back of high levels of default, thereby affecting profits. However, indications are that most banks had quality clients who have the potential to repay, despite defaulting. Commenting on the results, group chairman Mr Luxon Zembe said CBZ Bank was affected by "hot money" caused by high value withdrawal transactions that were effected on behalf of the bank's clients when there was no lender of the last resort or interbank market.

The entire banking sector was hit by serious liquidity shortages in mid-December into 2012 resulting in delays on payments, as well as larger than normal loans to deposit ration. "The group's banking unit, which is the largest in the sector, was not spared by this predicament," said Mr Zembe. He added that the group had secured about USD 120m for lines of credit to reinforce the bank's liquidity position to avoid the previous crisis.
During the period under review, the banking group recorded a 43,5% growth in deposits to USD 829,9m from USD 578m recorded in 2010. Most of the deposits came from the services sector and financial organisations, contributing USD 160,7m and USD 159,9m respectively. *(Herald)*

Murowa Diamond Mine in Zvishavane could soon be put up for sale as parent company Rio Tinto International has indicated it will exit the

diamond business. The mine, in which Rio Tinto International has a 78% stake, is located near Zvishavane in south central Zimbabwe. The remaining 22% is owned by RioZim Limited. Rio Tinto diamonds and minerals chief executive officer Mr Harry Kenyon-Slaney said the group had a view to divest from the diamonds business and focus instead on other strategic areas.

"We have a valuable, high-quality diamonds business, but given its scale we are reviewing whether we can create more value through a different ownership structure," he said in a statement. Rio Tinto, the world's third largest miner, runs three mines in Australia, Canada and Africa — the 100%-owned Argyle Mine in Australia, famous for its pink diamonds, as well as 60%-owned Diavik Mine in Canada and the Murowa Mine.

The Murowa Mine is located on three kimberlite pipes, discovered on the mine site in 1997.
Operations at the Murowa Mine began in 2004, after feasibility studies and mine planning conducted between 1998 and 2000. According to initial feasibility studies, the mine's resource has the potential to be expanded to between six and seven times its current production level. The mine currently employs around 180 people.

The latest operations review by Rio Tinto on Murowa shows that the mine increased its diamond production by 106% to 367 000 carats last year from the 178 000 carats produced in 2010. Ore processed during the last year also rose 23% to 473 000 tonnes from 384 000 tonnes in 2010. Rio Tinto's diamond business mined 11,7m carats of diamonds last year.

In the statement released yesterday, Rio Tinto said it was reviewing its diamond business and would consider selling it, as it focuses on expanding in more profitable commodities such as iron ore, copper and uranium. *(Herald)*

BancABC Zimbabwe, a subsidiary of ABC Holdings Limited, was the major contributor to the groups' profit of Pula 141m for the year ended December 31. The local unit contributed 39% to the profits. BancABC Botswana, Mozambique, Tanzania and Zambia contributed 20%, 20%, 2% and 23% respectively.Net interest income stood at P412m indicating a 38% surge from 2010.

ABC Holdings chairman Howard Buttery said in a statement BancABC Zimbabwe recorded a 106% increase in attributable profit to P55mfrom P27m the previous year. He said the increase was due to strong business growth recorded during the year under review, which gave rise to higher net interest and non-interest income that increased by 137% to P136m and 51% to P129m.

"The liquidity situation in Zimbabwe deteriorated in the second half of the year," Buttery said.

"This is expected to continue in the foreseeable future as there is no lender of last resort. "The situation is further exacerbated by the fact imports currently significantly exceed exports in a currency the central bank cannot print." He said the bank had undertaken to improve liquidity at the expense of profitability. "As a result, while business is projected to register significant growth, profitability will not grow by the same magnitude," he said.

Buttery said the group plans to raise USD 50m to boost the liquidity position of its units. African Development Corporation, a 23,2% shareholder in the group, will be the underwriters. African Banking Corporation of Zimbabwe Limited chairman Ngoni Kudenga said profit after tax for BancABC Zimbabwe increased to USD 7,3m from USD 3,4m the previous year due to continued growth on assets and liabilities in the first half of the year.

The bank recorded an increase of net interest income of USD 19, 9m from USD 8,5m the previous year. Kudenga said the bank would be opening more branches in 2012 and e-channels were expected to increase. “The bank is also set to join the ZimSwitch link for ATM transactions again in the second quarter of 2012,” he said. “On the economic front, the bank has seen an easing on the liquidity situation particularly in the last few weeks. “This should see 2012 perfomance remaining on track.” *(News Day)*

TA Holdings Limited managed to return to profitability in the year ending December 31 after it posted a profit after tax of USD 6,2m compared to a loss of USD 5,1m during the same period in 2010. Although the group’s cluster investments all reported improvements in performance, the growth in earnings was mainly attributed to increase in underwriting results in insurance.

“The business models at all groups in Zimbabwe insurance business were restructured to reduce the high levels of reinsurance, reviewing the quality of business retained and matching of costs to revenues,” the group said.“In this regard an amount of USD 804 000 in retrenchment costs were incurred at Zimnat Lion Insurance.” The group recorded a top line of USD 62m compared to USD 52m the previous year.

TA Holdings’ insurance business recorded a profit after tax of USD 9,1m compared to USD 3,3m. The group said the main features for this business performance were “an improved mix of business with better risk profiles resulting in lower claims ratio and consequently an improved underwriting outcome. However, retrenchment costs of USD 804 000 resulted in an underwriting loss for the year.

Investment income also declined during the year due to lower fair value gains on the company’s equity investments.The hotel business recorded a profit of USD 1,1m. The group’s agro-chemicals division, Sable Chemicals, production volumes were 8% below last year’s figure due to shortages of power as the company was subjected to periodic load shedding.

“This reduced the company’s ability to manufacture ammonia, the principal feedstock for making ammonium nitrate fertiliser. “As a consequence, the company did not have sufficient working capital to import the required ammonia to augment local production,” the group said.

Zimbabwe Fertiliser Company production was constrained due to tight liquidity conditions resulting in the company being unable to secure inputs needed to make compound fertilisers. *(News Day)*

Interfin Securities and Remo Investments were yesterday suspended from trading at the Zimbabwe Stock exchange (ZSE). ZSE chief executive officer Emmanuel Munyukwi, acting on the directive of the Securities Commission of Zimbabwe (SEC), made the announcement at the start of trading in the morning.

An official from the stock market confirmed the development, but said the reason for the suspension had not been disclosed.

"Interfin and Remo Securities have been suspended, but we have not been given the reason why," he said. "There were a series of high-level closed-door meetings at the stock exchange today (Wednesday)." But market sources said the suspension emanated from settlement challenges between Interfin and Remo with the former having difficulties in meeting its obligations to settle deals.

ZSE is expected to set up a committee to investigate the issue, as it is believed it could just be a tip of the iceberg. The two stockbroking firms were among those recently licensed by SEC. Efforts to get comments from Interfin and Remo were fruitless at the time going to Press yesterday.

Several stockbroking firms have been struggling as a result of an illiquid market with less coming from foreign investors and little from local institutional investors. Only five stockbrokers are said to be contributing meaningfully to market turnover. Daily turnover is averaging USD 300 000. SEC chairperson Willia Bonyongwe in January said stockbrokers were competing for a small market.

"Basically, that is why we are saying we need to grow the market. We have the potential as an economy," she said. Brokers receive a fixed brokerage fee of 1% on every transaction they make. The money they make is determined by deals they make a day on approximately two hours of trade they have.

According to the latest African Development Bank Monthly Economic Review foreign investments on the ZSE declined in February. The report said although the country recorded a net inflow of USD 3,4m, this was a decline from a net inflow of USD 13m received in February 2011. "This is mainly due to the prevailing economic environment, with February 2011 being a period prior to the implementation of the indigenisation policy which later in the year weighed down on stock performance," reads part of the report.

"The USD 3,4m was also a decline from USD 17,8m received in January 2012. "Such a development could be attributable to a decline in bearish behaviour by foreigners, which had begun in January, who wanted to take advantage of the low price of shares that had been obtaining during the festive season." *(News Day)*

CBZ Bank has announced plans to list the Zimbabwe Economic Recovery Bond on the Zimbabwe Stock Exchange (ZSE)after successfully issuing a three-year bond on the Cayman Islands Stock Exchange. The USD 50m bond arranged and guaranteed by the African Export-Import Bank was listed and admitted to trading on the Cayman Islands Stock Exchange in June last year.

A bond is described as a debt security in which the authorised assurer owes the holders a debt and, depending on the terms of the bond, is obliged to pay interest (the coupon) to use and/or to repay the principal at maturity. Analysts said the listing of the first bond on the ZSE would broaden choices of assets on the market. Currently the stock market has preference shares and debentures.

CBZ chief executive officer John Mangudya told an analysts briefing in Harare on Tuesday, the group planned to raise an additional USD 21m from the Diaspora bond. "The group is also aiming to have a facility of USD 7,5m for

housing loans," Mangudya said. Mangudya said CBZ was in good shape despite speculation it was broke. "For the past three months we have had a lot of rumours about the bank, something that is unhealthy and counterproductive," he said.

CBZ Holdings recorded a 61% increase in earnings during the period under review. The group's basic earnings per share rose from 2,99 cents to 4,833 for the year ended December 2011. Profit after tax jumped to USD 30,3m from USD 18,8m the previous year after total income for the group increased to USD 123m up from USD 81,5m the previous period. "People can buy and sell the bond, but it will have a price to it which move according to market forces," he said. *(News Day)*

ABC Holdings subsidiary BancABC Zimbabwe plans to venture into the microfinance business in the next few months, group chief executive officer Doug Munatsi has said. Munatsi said the bank received the nod from the central bank last week. "We got the Reserve Bank of Zimbabwe approval for the microfinance segment last week," he said. "We hope we will be able to launch it in the next few months. We will be in partnership with government employees and seek to understand their needs and meet them."

The group offers microfinance lending in Zambia and consumer lending in other countries that include Botswana and Tanzania. Munatsi said the group would be closing its USD 50m rights issue by mid-year. The company's major shareholder African Development Corporation will underwrite the rights issue. "In the past two years we have been using internal resources, but now there is need to raise more capital," he said. Munatsi said out of USD 50m Zimbabwe would get USD 15m. Botswana and Zambia would also get some funding.

He said the group would grow this year, but there was need for additional capital for the growth to be realised. Munatsi said the company will be mobilising mortgage finance from Shelter Afrique after the realisation demand for mortgage finance was high. BancABC Zimbabwe last year received USD 7m from Shelter Afrique for mortgage finance which the bank said was oversubscribed.

"We will be engaging Shelter Afrique for more money, but I wouldn't have a figure," he said. "But we are happy because we have a zero default rate from mortgage borrowers." Munatsi said the bank's market share continued to be on a growth path with the bank well positioned as depositors had been very supportive. BancABC Zimbabwe loan book increased by 132% to P2bn from P895m while the retail loan book was up five fold to P378m.

"ABC Holdings Limited loans and advances almost doubled from P3,1bn to P6,1bn supported by growth in Zimbabwe," the group said. While BancABC Zimbabwe deposits were up 158% to P2bn. *(News Day)*

Diamond output at Rio Tinto's Zimbabwe unit more than doubled to 324,000 carats last year, the local minority shareholder in the venture said on Friday. RioZim Limited, which holds a 22% stake in the Murowa mine in southern Zimbabwe, said in a statement production rose to 324,000 carats from 141,000 in 2010. It did not give further details.

Murowa is planning a USD 300m expansion to lift output to 1.8m carats but has delayed the project due to a law that seeks to force foreign-owned firms,

including mines, to cede 51% shares to locals. Rio Tinto controls 78%. Rio Tinto told Zimbabwe's government last October that it had agreed to give up 51% stake in Murowa to comply with the economic empowerment law.

The heavily criticised law is aimed mainly at mining firms and banks operating in the resource-rich country, which is in a fragile recovery after a decade of contraction. Rio Tinto, the world's third-largest miner, effectively invited bids on Tuesday for its diamond business, including the Zimbabwean operation, and joined BHP Billiton in a retreat from an industry that has lost its sparkle for mining majors. *(Reuters)*

The Zimbabwean unit of British American Tobacco swung back to profitability in its full-year results published on Thursday, driven by high volumes of quality tobacco. BAT Zimbabwe said its basic earnings per share rose to USD 0.28 in the year to December 2011, from a loss of USD 0.03 previously, on the back of increased demand.

Revenue jumped by 74% to USD 39.8m in the year, while profit after tax was USD 4.88m, up from a loss of USD 499,000 in 2010. The southern African country's tobacco output plummeted after President Robert Mugabe's seizure of white-owned farms to resettle landless blacks. But the new farmers are starting to raise output from low levels of 48m kg in 2008 to about 131m kg last year.

BAT Zimbabwe, of which BAT Plc controls nearly 60%, is one of several foreign-owned companies that have been targeted under Mugabe's empowerment drive to turn over foreign control to local blacks. In a statement accompanying its results, BAT Zimbabwe said the empowerment law remained a worry for foreign investors. *(Reuters)*

The Zimbabwe unit of South Africa's Standard Bank Group has reported a 44% rise in profit for the year to December, but said Zimbabwe's economy remained constrained by a local ownership law and frequent power shortages. Stanbic Bank said its full-year profit rose to USD 11.1m in 2011, from USD 7.7m previously as fees and interest income increased.

Stanbic said the economy, which has stabilised over the last three years, was still hamstrung by a lack of long term capital and lines of credit, electricity shortages and uncertainty over the government's drive to force foreign-owned firms to surrender majority stakes to locals. The government has already forced South Africa's Impala Platinum to surrender 51% shares in its Zimplats unit to a state fund, employees and local communities.

Saviour Kasukuwere, the youth and empowerment minister told reporters in December that the unlisted Stanbic had presented a "comprehensive plan" to comply with the local ownership law which the government was reviewing. Kasukuwere has dismissed offers by local units of British banks Barclays Plc and Standard Chartered Plc to sell 10% stakes to black Zimbabweans as "paltry". *(Reuters)*

Rising local demand for cement spurred Lafarge Cement Zimbabwe to a 19% increase in turnover of USD 49,7m for the year ended December 2011. The company remained bullish as it anticipated demand for cement to remain strong. Profit before tax was up 35% to USD 5m from USD 3,7m recorded in the previous year. The profit before tax margin increased to 10% from 9% in 2010.

Profit for the year amounted to USD 3,5m up from USD 2 682 the previous year. In a statement accompanying the company's financial results, Lafarge chairperson Muchadeyi Masunda said total sales volumes of cement rose by 4%. Export volumes were, however, down 19% as more emphasis was placed on meeting local domestic demand.

"The year ended December 31 was characterised by a liquidity crisis resulting in low cement uptake," Masunda said. "However, cement demand for individual home projects increased as people focused on improving and building residential houses. "I remain bullish about the Zimbabwe economy which is expected to continue growing with increased activity in mining, construction and infrastructure development.

"Prospects for further growth in domestic demand for cement remain strong." The company's finance costs increased by 64% to USD 0,7m as the business increased short-term borrowings to bridge working capital constraints during a major plant shutdown period. Basic earnings per share improved to USD 0,04 per share from USD 0,03. Masunda said the financial position showed an improved current asset position that would provide necessary working capital for the business going forward.

"Net cash generated from operating activities improved from USD 3,7m in 2010 to USD 5,6m due to improved management of working capital," he said. Masunda said the company had benchmarked its activities against fellow subsidiaries in the group in an endeavour to contain the high operating costs. "Accordingly, various cost–cutting steps, such as right-sizing the headcount, have already been set in motion, among other measures," he said. *(News Day)*

Ecobank, which is in the process of a transition from a merchant to a commercial bank, yesterday announced a loss after tax for the year ending December 2011, attributable to the restructuring exercise. The pan-African bank's managing director, Daniel Sackey, said the restructuring was specifically focused on realigning bank operations, structures and processing to suit the commercial banking model of the Ecobank group. The bank posted an after tax loss of USD 5,9m during the 2011 financial year compared to USD 6,8m in the same period last year.

Sackey said the bank had succeeded in upgrading its entire technology and communication infrastructure. "All these developments have established a firm foundation for the bank to provide excellent service to the customer while positioning the bank for major client acquisition drive," he said.

The bank's operating income before impairment charges grew by 17% to close the year at USD 4,9m, driven by loan book growth and successful implementation of initiatives aimed at reducing the bank's cost of funds. Operating expenses decreased by 12% to USD 8,4m from USD 9,5m in the previous year. Ecobank staff costs were down 20%, reflecting the impact of the staff optimisation exercise carried out in 2010 and 2011. Sackey said the bank was properly capitalised despite recording a loss. He said during last year the shareholders injected a total of USD 12,4m into the bank to improve its capital base and to meet both regulatory and business developments requirements.

"Subsequently to the reporting date, shareholders have injected USD 7,5m in

additional capital to meet the requirements of the new commercial banking mandate, making a total of USD 20m injection from the shareholders. “The bank is well positioned for growth and has properly position itself,” Sackey said. He said in one month the bank will be launching a commercial branch in Harare. *(News Day)*

Economic News

The Zimbabwe Stock Exchange (ZSE) is planning a restructuring exercise where it will fill all vacant posts at the local bourse by the second quarter to ensure that it is professionally run, chairperson Eve Gadzikwa has said. She said ZSE currently had 12 staff members including the chief executive officer, operations executive, compliance officer and an administrator.

The new board is looking at how to strengthen capacity of the stock exchange, restructuring the skills at all levels from top to bottom, Gadzikwa said. We dont have a finance manager and a listing manager. Recruitment is not a one-day affair, but we are in the process of identifying the finance and listing manager. She said a lot still had to be done for the bourse to work properly.

Gadzikwa said at the strategic meeting that was held in January board members felt ZSE was found wanting in certain areas. The ZSE plans to have a similar structure to that of the Johannesburg Stock Exchange, which has achief executive officer, chief finance officer, company secretariat, head agricultural products, chief information officer, director equity market, director issuer regulation, director interest rate products and a surveillance and director trading services position among other key posts.

The Securities Commission of Zimbabwe (SEC) said it was still processing the licence application by the ZSE to regularise its operations. SEC chief executive officer Tafadzwa Chinamo said the commission became operational after the stock exchange and do not have records on the stock exchange. ZSE has applied for a formal licence to operate as an exchange. They submitted the papers first week of February.

We looked at the application and we have requested additional information from the ZSE, he said. We believe the current structure needs to be improved. It is not adequate in terms of running an exchange. We actually did not know the structure for ZSE, but we had details for all brokers in the country. The brokers had fulfilled all our requirements as SEC. *(News Day)*

Zimbabwe has short-listed eleven bidders for the expansion of its Hwange and Kariba South power plants, with a winner expected to be announced in the third quarter of this year, its energy minister said on Tuesday. It has been battling power shortages due to growing demand and ageing plants, limiting supplies to industry and the key mining sector. Zimbabwe produces around 1,000 MW of electricity, compared with peak demand of 2,200 MW.

The extension of the Hwange thermal power station will add 600 megawatts (MW) to the Zimbabwean national grid, while the extension of the Kariba South

hydro plant will add 300 MW. Elton Mangoma said companies from China, India, South Korea, Italy and Brazil were among the shortlisted and the firms have until the first week in June to submit a detailed proposal.

"I'm hoping that it will not take more than three months to adjudicate and thereafter award the tender. We are hoping that in the fourth quarter we can move on the projects," he told Reuters on the sidelines of an African power conference in Johannesburg. Mangoma said additional units at the two plants will be operated in a public-partnership between the Zimbabwe government and whoever is chosen to build the plants.

The minister said Zimbabwe still owed around USD 85m in unpaid power imports, mainly to neighbouring Mozambique. Mangoma said he was meeting Mozambican officials on Thursday to address the issue, especially after Mozambique halved its exports to Zimbabwe to 50 MW due to the unpaid bills.

The minister said that together with neighbouring Zambia his country had in February decided to revive the Batoka Gorge hydroelectric power project, estimated to cost USD 2.5bn, and expected to supply a total of 1,600 MW to the two countries. The two neighbours will look for an independent power producer to construct the plant on a build-operate-transfer basis.

The 1,600 MW, which could later be upscaled to 2,000 MW, would be evenly split between the two countries, he said. Mangoma said the project was in the preliminary stages and it would be too early to comment on time lines. In the meantime, the minister hoped to convince utilities in the region to boost trade of electricity during off-peak times to alleviate the most pressing shortages. *(Reuters)*

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