SECURITIES AFRICA
RESEARCH & CAPITAL MARKETS

PAN-AFRICA

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

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

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

AFRICA STOCK EXCHANGE PERFORMANCE

				WTD % Change		YTD % Change	
Country	Index	30-Nov-12	7-Dec-12	Local	USD	Local	USD
Botswana	DCI	7,569.90	7,527.30	-0.56%	2.92%	7.98%	5.43%
Egypt	CASE 30	4,894.64	5,051.96	3.21%	3.90%	39.47%	38.60%
Ghana	GSE All Share	1,172.39	1,172.39	0.00%	-1.88%	20.99%	1.02%
Ivory Coast	BRVM Composite	162.65	161.88	-0.47%	-5.32%	16.56%	8.46%
Kenya	NSE 20	4083.50	4038.00	-1.11%	1.71%	25.99%	27.58%
Malawi	Malawi All Share	5,932.90	5,973.80	0.69%	19.74%	11.26%	-32.49%
Mauritius	SEMDEX	1,682.10	1,708.40	1.56%	-0.69%	-9.53%	-16.54%
	SEM 7	326.40	334.20	2.39%	0.12%	-4.60%	-12.00%
Namibia	Overall Index	919.88	940.67	2.26%	7.99%	12.25%	11.15%
Nigeria	Nigeria All Share	26,494.40	26,671.70	0.67%	0.09%	28.66%	31.53%
Swaziland	All Share	284.32	284.32	0.00%	6.40%	5.92%	5.49%
Tanzania	DSEI	1,474.59	1,474.81	0.01%	1.86%	13.17%	14.29%
Tunisia	TunIndex	4,672.20	4,656.40	-0.34%	-2.87%	-1.39%	-6.97%
Zambia	LUSE All Share	3,609.79	3,589.69	-0.56%	4.96%	-13.91%	-11.32%
Zimbabwe	Industrial Index	150.20	148.60	-1.07%	-1.07%	1.88%	1.88%
	Mining Index	68.70	65.90	-4.08%	-4.08%	-34.56%	-34.56%

CURRENCIES

	30-Nov-12	7-Dec-12	WTD %	YTD %
Currency	Close	Close	Change	Change
BWP	7.81	7.79	- 0.33	5.66
EGP	6.09	6.11	0.26	1.56
GHS	1.87	1.88	- 1.29	16.00
CFA	505.80	501.89	- 0.77	1.45
KES	84.88	84.46	- 0.49	1.08
MWK	318.28	309.21	- 2.85	90.40
MUR	29.82	29.64	- 0.63	5.34
NAD	8.68	8.63	- 0.62	5.99
NGN	155.39	156.68	0.83	- 1.94
SZL	8.70	156.68	- 0.67	6.12
TZS	1,573.50	1,576.15	0.17	1.01
TND	1.57	1.56	- 0.41	4.81
ZMK	5,156.18	5,164.65	0.16	2.93

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Botswana

Corporate News

Letshego Holdings' ambitions to become a fully-fledged financial institution is nearing fruition after it approached the Bank of Botswana (BoB) for a commercial banking licence. In the Government Gazette released this week, BoB governor, Linah Mohohlo announced that Letshego applied for the licence in September. "Notice is hereby given that in accordance with Section 61a of the Banking Act, a Botswana registered company Letshego financial services has applied to the Bank of Botswana for a licence to transact banking business," the notice from the governor says. The Botswana Stock Exchange listed micro-lender has already acquired commercial banking licences in some of the 10 African countries it operates in like Namibia.Early this year, it acquired an integrated core banking solution from a leading Indian IT services firm, Tata Consultancy Services. The technology will allow the micro-lender to process loans and receive deposits faster as the company's greenfield retail banking project takes shape. Letshego is Botswana's most successful micro-lender with a loan book of over P3 billion. It announced plans to venture into fully-fledged commercial banking as a way of diversifying income streams last year. In an earlier interview with Business Week, finance director Colm Patterson said that the selection of Tata's BaNCS suite as the co-banking system is a shot in the arm for the micro-lending business.

"As we have already announced, Letshego wants to go into retail banking and this new system will be used for that purpose. But it (the system) will also be used in our micro-lending business," he said. As part of efforts to transform it from a pan-African financier into a retail-banking firm, Letshego says it is already in the process of applying for banking licences in targeted countries. Operations are expected to commence in Lesotho during the January 31, 2013 financial year."The group will continue to explore new markets, including applications for banking licences in targeted countries," reads a statement from the company. According to Tata, with the modularised and scalable TCS BaNCS solution, Letshego will be able to easily configure the solution for its specific lending needs, while fostering innovation in the form of a range of retail banking solutions from the same platform. Letshego is likely to become the first homegrown bank to operate in Botswana. Apart from Letshego, two Indian banks have expressed their interest to open shop in Botswana. Bank of India has already approached BoB for a commercial banking licence. *(Mmegi)*

Galane Gold has increased exploration work at its Tekwane prospect to extend the lifespan of its flagship, Mupane Mine. Since taking over the company from Iamgold in August last year, Galane has dug 250 pits and conducted samples in three phases. The fourth phase of 176 pits is in progress at theTekwane prospect."The exercise is meant to define gold mineralisation found in a flat-lying quartz rubble bed in the soil profile, close to surface at the Tekwane prospects," the company announced through a statement to the Botswana Stock Exchange (BSE) early this week. In May, the mine's executives announced a P28 million ($3.4 million) exploration budget, including a comprehensive programme comprising 16,000 metres of drilling near the existing mine and in other prospecting areas. Galane also announced plans to revive the long-closed Monarch Mine near Francistown as part of the search for more gold deposits. Prior to its closure in 1998, Monarch was the country's most successful gold mine among the numerous mostly small-scale operations scattered in the North-Eastern gold belt. Galane Gold estimates that Monarch Mine, a landmark dating back to the 19th century, pumped out approximately 240,000 ounces of gold during its lifespan.

The company is studying the mineralisation of the region beyond the 200-metre depth mined previously. Estimates suggest the potential for 250,000 ounces every 200 metres below the region. The company has also stated that it has received sample results from the first phase of 72 pits. Each collected sample was transported to the independently run sample preparation facility operated by Genalysis Laboratory Services Pty Ltd in Botswana. The facility prepares samples for analysis and ships them to the Genalysis laboratory in Johannesburg, South Africa, where the gold is determined by a fire test of a 50-gram sample. "Overall our pitting work to date has shown that the auriferous quartz rubble horizon appears to be the cause of the geochemical anomaly. This has helped define the objectives of the exploration program, which are two-fold; Firstly to evaluate the quartz rubble horizon in the pits and ascertain its continuity, and to try determine the source of the quartz rubble," the company stated. The Tekwane prospect is located approximately 11 kilometres down the main road from

the company's processing plant at the Mupane Mine north of the Achaean Tati greenstone belt in Botswana. *(Mmegi)*

Economic News

The deputy secretary of the US Treasury Department says despite the difficulties involved in making broad structural changes to economies, Botswana is advancing in the diversification drive designed to ensure sustainable growth. Neal Wolin, a long-term US administration technocrat, was recently in Botswana on a one-day visit during which he met with several senior government and private sector officials on various aspects of the two countries' relations. In an exclusive interview with Mmegi Business ahead of his departure, Wolin said he is impressed with the commitment and energy around efforts to diversify the Botswana economy. "I am pleased with the conversations I have had and more pleased to hear from government about the continuing efforts towards economic diversification as well as the progress being made," he said."It was also very useful to have constructive conversations with members of the private sector and young entrepreneurs who are working to create more economic diversification. Based on my conversations with the government and the private sector, there's a broad consensus that the economy of Botswana should and will continue to diversify. That will involve an increased role for the private sector as an important generator of this diversification and inclusive growth."

Under the Economic Diversification Drive (EDD), government is going ahead with a range of initiatives aimed at achieving both import substitution and support for economic actors involved in diversification. According to the trade ministry, EDD purchases by government in manufacturing and services for 2012/13 are expected to reach P2.5 billion, out of the total forecast outlay of P4 billion."I heard from everyone I spoke to that progress is being made and while more of course needs to be done, structural changes to economies take time," Wolin said. "I understand that there is continuing commitment towards diversification."Among its various roles, the department of treasury is among key advisors to the US president on both domestic and international economic policy. Wolin is the second highest office-bearer in the department and one of the most senior US economic official to visit Botswana. *(Mmegi)*

Debswana's contribution to government coffers from diamond sales is likely to reduce by 35 percent this year as sluggish market conditions has forced the company to curtail production. Preliminary figures indicate by last October, Debswana had paid government P8.8 billion in revenues, almost half of the P16.3 billion the company contributed to the national coffers in 2011. Debswana managing director Jim Gowans has told Business Week that the market down turn together with the production disruptions at Jwaneng Mine would see contributions towards government revenues totaling between P9 billion and P10 billion in 2012. "As at October, we have distributed close to 8.8 billion. Our November Sight is usually the smallest of the year, so I would estimate the total figures for the year to end at around P10 billion," Gowans said. This will see government getting around P6 billion less from Debswana this year, a 35 percent reduction from 2011. The government gets 80 percent of Debswana revenues through dividends, royalties and taxes with its partner, De Beers getting the remainder. Government usually gets about 40 percent of its income from the diamond industry but revenues from SACU have become the largest contributor to the budget in the past year due to the sluggish demand. Preliminary estimates from the Ministry of Finance predict a total of P47.6 billion in revenues and P43.5 billion in expenditure in the 2013-2014 fiscal year resulting in a P4 billion budget surplus. Despite the weaker diamond market this year, which will translate in lower mineral revenues, the economy is poised to post a second successive budget surplus thanks to an extra R6 billion expected to be shared among SACU's five member states.

Debswana traditionally contributes the lion's shares to government mineral income with copper and silver chipping in with paltry figures.The company, which is an equally owned by De Beers and the government of Botswana, has produced 16.3 million carats as at October 2112 down from 20 million at the same time last year. The weak diamond market has forced Debswana to cut down its production target for 2012 by 16 percent from 23.9 million to 19.9 million. Briefing the media on Wednesday, Gowans said that the throughput reduction is reflective of the depressed market conditions and production disruptions at its flagship Jwaneng Mine due to a slope failure in June this year. "There is uncertainty in the global economic outlook. However, consumer demand has been reasonable even though better quality goods are moving more slowly. The sluggish market resulted in the company reducing production by 2.6 million carats, as well as the impact on production by 1.4 million carats due to a slope failure incident," said Gowans. Production at Jwaneng, the world's richest diamond mine, was halted for

four weeks in June this year following a slope failure accident which resulted in one fatality.

Debswana produced 22.8 million carats in 2011. From a high of 34 million carats in 2007, diamond production has plateaued in the last few years as Debswana caps production to match weakening market conditions. Botswana's economy is forecast to grow at a slower rate this year from an eight percent growth in 2011 due to lower out put from the mining sector, particularly the diamond industry. In his State of the Nation Address early this month, President Ian Khama said that lower-than-expected output from the mining sector would drag growth below the 4.4 percent rate projected in the February budget. *(Mmegi)*

Egypt

Corporate News

No Corporate News this week

Economic News

The government has resolved disputes with 46 companies, gaining about LE20 billion for Egypt, Prime Minister Hesham Qandil said during an economic conference, while adding that boosting investments and developing legislation, laws and the financial sector are at the top of the government's priorities. "Democratic Egypt offers great chances for investors. Now they can invest in an unprecedented atmosphere of transparency. On the other hand, there are some challenges still facing us. We are determined to face and overcome them," Qandil said during the opening of the 16th annual African Stock Exchanges Association conference. Two weeks ago, the government announced its plan for social and economic reform, which Qandil referenced in his speech, saying, "The plan includes resolutions and other plans in consideration to deal with challenges we've been facing."

The International Monetary Fund's approval for granting Egypt a US$4.8 billion loan "represents confidence in Egyptian economy. It will enable us attract foreign investments," the prime minister said. The short-term plans, which extend from 2012 to 2014, increases the economic growth rate from 2.2 percent in 2011/12 to 3.5 percent in 2012/13 and 4.5 percent in 2013/14, which would achieve development that could increase the growth rate to 7 percent until 2022, hence providing at least 800,000 jobs before end of the current financial year, Qandil said. *(Egypt.com)*

Egypt's balance of payments deficit decreased to $518.7 million in the third quarter of 2012/13 (July-September) compared to $2.4 billion during the same period last year, the country's central bank said. Transfers from Egyptians living abroad saw an increase of $839.7 million compared to the same period last year. Imports of commodities decreased by $760 million which helped narrow the current account deficit. The trade deficit also saw also an improvement as it narrowed to $6.9 billion in the third quarter due to a 5.2% decrease in imports. The balance of payments is an accounting record of all monetary transactions between a country and other countries. *(Ahram)*

Ghana

Corporate News

No Corporate News this week

Economic News

No Corporate News this week

WEEKLY AFRICAN FOOTPRINT

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Kenya

Corporate News

yuMobile's shareholders have given go ahead for the telecom to invest Sh17 billion to revitalize its network infrastructure in the country over the next two years. The investment was scheduled to start earlier but delays in the reduction of mobile termination rates (MTR) eroded confidence among the company's shareholders in the local telecoms business. In an interview with Nation last week, yuMobile country manager Madhur Taneja said the company's shareholders had suspended all investments into the local arm following the industry regulator's delay in making key decisions. "Our business plan was guided by the promise from government to reduce the rate at which mobile operators charge each other for completing calls from rival networks. The one-year delay shook the confidence of our shareholders but we are now glad the regulator has kept its promise," Mr Taneja said.

The Communications Commission of Kenya (CCK) last week slashed the MTR from Sh2.21 to Sh1.44 bringing close a long and winding discussion that tore the telecom industry apart as mobile phone firms took different stands on which direction the rate cut should take. On one hand Airtel Kenya and yuMobile supported a lower MTR and accused CCK of sabotaging their growth trajectory by delaying the rate cut because it was a significant factor in the roll out of their strategies while Safaricom and Telkom Orange on the other hand pushed for a higher rate. The company now plans to grow its market share and become a big player in the industry by 2015. *(Daily Nation)*

A showdown looms at Kenya Airways after the Industrial Court ordered 447 employees to report back to work after they were laid off two months ago. Judge James Rika rejected an application by Kenya Airways' lawyers for a stay of orders reinstating the workers as the airline studied the ruling with a view to appeal. "All the affected 447 unionisable employees are hereby reinstated to their roles at KQ held as of August 30 without loss of seniority, continuity, benefits and privileges," Mr. Justice Rika ruled in a judgement read over three hours. The decision is a major setback for the airline which was hoping to slash Sh1.3 billion off its payroll annually through the retrenchment. The airline reported a Sh4.8 billion net loss for the six months to September 30, this year. Kenya Airways chief executive officer Titus Naikuni said the company was studying the ruling and its implications. "We shall advice on the next steps in due course," Mr. Naikuni said. Mr. Justice Rika said he reinstated the workers because their contracts were terminated unitarily and unfairly. He also ordered the airline to pay the affected workers salaries and allowances for the three months from September to date. The national carrier shed 578 jobs in September to control a wage bill that had doubled from Sh6 billion in 2007 to Sh13.4 billion last year. The rationalisation was expected to reduce staff costs by between 10 to 15% or about Sh1.3 billion annually. The number of Kenyan employees had grown from 3,729 to 4,170 during the period while that of overseas employees rose from 425 to 664. (Read: Kenya Airways now renews its search for expatriate pilots) The ruling puts Kenya Airways' hopes of reversing the loss made in the first half of the year in doubt. While releasing the results last month, Mr. Naikuni had said that reversing the losses in the next 5 to 6 months would depend on a lot of things in the market-place going right. The airline issued a profit warning that its full year results would be a quarter less than the previous year's in line with capital market regulations. For the year ended September 30, 2011, the airline made a net profit of Sh1.7 billion having been pinned back by high fuel costs. Revenues dipped by Sh5.1 billion to Sh49.8 billion and passenger traffic, which account for 90% of the business, dipped 10% to Sh43.6 billion in the first six months of the year. The airline made a net profit of Sh2.0 billion in the first six months of last year. Its share at the Nairobi Securities Exchange has lost 44% in the past year to trade at Sh11.60 Monday, down from Sh11.90 last week on Friday. *(Business Daily)*

KenolKobil has lost its position as the country's largest oil marketer to rival Total Kenya after ending its fuel price discounts. Data from the Petroleum Institute of East Africa, the industry lobby, shows that Kenol's market share dropped to 21.4% in the nine months to September compared to 25% in the year ended December 2011. This gave Total a slight lead with a market share of 21.5% in September compared to 23.3% in December last year, when it first lost market leadership to Kenol. Kenol's market share was munched by Total and several smaller oil marketers after Kenol ended its popular fuel price discount promotion on August 27. The company has credited its previous market share gains to the promotion. "The popular 'Deal Poa' promotion offering Kenyan motorists fuel savings of Sh3 per litre off the official pump price has come to an end," Mr. David Ohana, Kenol's general manager, said in a statement. Mr. Ohana added that customers on Kenol's loyalty

card will continue to enjoy daily discounts of Sh2 per litre. The promotion, which has seen Kenol's customers save more than Sh300 million, has been running on Sundays since March last year and it has significantly raised the company's sales volume. However, the company reverted to the prices set by the Energy Regulatory Commission, a move that has opened the doors for rivals, including Total, Bakri, Gulf and Hashi Energy to eat into Kenol's market share. Total, for instance, increased its sales 14% to 779,000 tonnes in the nine months to September compared to 685,000 tonnes a year earlier. Total said it has won several contracts to supply the oil industry with refined products under the Open Tender System in what it expects to sustain its market leadership. "As a result, the company expects to continue to enjoy significant market share through more secured supply, lower working capital requirements and, therefore, lower financial expenses," Total's Managing Director Alexis Vovk said in a statement. Despite the gains, Total posted a net loss of Sh243.6 million in the nine months to September as sales increased 15.2% to 86.7 billion. Its share price has lost 14.4% in the past six months to Sh13.7 in contrast to Kenol's that has gained 18.8% to Sh14.8 over the same period. *(Business Daily)*

Economic News

The East African Community has eliminated 36 barriers to trade in the past year in a move aimed at boosting the region's bid to attract investment from other economic blocs and countries to its expanded market. With a population of 140 million, the EAC is still expanding and aims to accommodate South Sudan, Somalia and the Democratic Republic of Congo into a wider market. The community also enjoys good relations with the Common Market for Southern Africa (Comesa) with a population of 385 million, and the Southern Africa Development Community (SADC) with 230 million people. The chairman of EAC Council of Ministers Shem Bagaine said 36 non-tariff barriers (NTBs) have been eliminated and five remained. But he noted that another 11 NTBs have emerged. Speaking at the 14th Heads of State ordinary summit in Nairobi on Friday, Mr Bagaine, Ugandan minister for the East African Community, praised Rwanda for enacting new immigration legislation that covers free movement of people. And Kenya has passed the Citizen and Immigration Act. Kenya and Rwanda has also won accolades for removing the requirement for work permits for East Africans. President Kibaki, the bloc's outgoing chairman, said the EAC had marked significant milestones since its revival in 1999. The introduction of the Customs Union and the Common Market has increased intra-EAC trade threefold to about $4 billion annually. "In addition, a number of non-tariff barriers have been eliminated, and we have embarked on joint infrastructure development projects. A case in point is the Arusha-Namanga-Athi River road which has been completed and which we launched this (last) week," President Kibaki said.

To ease the movement of people across borders, he said, the East African Passport has been put into effect, student visas for East Africans abolished and the issuance of temporary travel documents within the region eased. The Head of State said key community institutions such as the Secretariat, Legislative Assembly and Court of Justice were fully operational and contributing significantly to the integration process.
President Kibaki and Uganda's Yoweri Museveni agreed that much still needs to be done, especially developing priority infrastructure in rail transport, electricity generation, and maritime transport which are critical to regional integration, wealth creation and youth employment.
This year's summit centred on infrastructure development. President Kibaki called on political, business, religious and other sectoral leaders in East Africa to "work together and mobilise our citizens so that we can create synergies of integration and achieve a vibrant vision of a stronger and more prosperous East African Community." President Museveni said the market for goods produced in the region was sufficient, but what is needed is infrastructure to link to goods to markets and electricity to power production. He said delays at ports and borders were another a major barrier to trade in the region. While it costs about $4,000 to transport a 40-foot container from Hong Kong to Mombasa by ship, the Ugandan leader noted that it costs $10,000 to move the same from Mombasa to Bujumbura.

President Museveni said the use of trucks instead of rail consumes 50 per cent of the cost; delays were responsible for the rest. The Ugandan leader said regional land, minerals, water and human resources should be treasured as they are crucial to growth. African Union Commission deputy chairperson Erastus Mwencha said African was emerging as a global power house and the EAC would be the entry point. Similar sentiments were echoed by acting US Secretary of Commerce Rebecca Blank who noted that the economies of EAC member states grew by about six per cent last year while other parts of world did poorly. Dr Mwencha said plans to establish Africa Free Trade Area were

on course. Dr Blank said the US would work closely with EAC to improve trade in the region. She also urged EAC leaders to ensure necessary reforms were carried out. The United States also signed a letter of intent on commerce and trade with the EAC, its first in Africa. The US has signed similar dialogue agreements with Brazil and India. The pact is the only one the US has pursued on a regional, not a bilateral basis, and Dr Blank said this was due to US confidence in the EAC and its leaders. The pact, she said, will promote trade and investment in key sectors, adding that a thriving private sector was important for economy to flourish. The US move comes at a time when China has been trying to make inroads in the region as it eyes the continent's huge resources. EAC secretary-general Richard Sezibera also said as one of fastest-growing economic regions in the world, the EAC has great potential and needs only to address the issues of NTBs and other challenges facing it. *(Daily Nation)*

Kenya's national power grid is now 115 megawatts richer following the completion and commissioning of a Sh11 billion electricity generation plant at Kipevu in Mombasa. President Mwai Kibaki on Tuesday officially switched on the Kipevu III Thermal Plant, whose output now raises the country's installed electricity capacity by 10 per cent, bringing it to 1,232 megawatts. Its planning and construction is part of an energy sector revamping scheme initiated by Kenya Electricity Generation Company with the objective of raising power production to support economic production. Speaking during the ceremony, President Kibaki, Energy minister Kiraitu Murungi and other leaders termed the completion of the plant as a milestone in the country's efforts to attain self-sufficiency in its energy sector. "This plant, which is already generating 115 megawatts of power for supply to the national grid, marks an important development in our energy sector," the President said. He added that the project, constructed with funds raised through a local infrastructure bond floated by KenGen three years ago, was a good example of what can be attained through mobilising domestic funds to augment government resources. Economic blueprint "Participation of citizens confirms our people's confidence in infrastructure projects that we are currently implementing," he said.

Boosting energy production to support industrial growth is a key plank of the Vision 2030 economic blueprint which envisages growth of electricity capacity to 21,000 megawatts in the next 17 years to cater for a projected peak demand of 17,000 megawatts and a reserve of 23 per cent. By the expiry of the Vision 2030 timeline, it is anticipated that more than 90 per cent of Kenya's population will be connected to power supply, largely from the national grid. KenGen intends to raise its total generating capacity to 3,000 megawatts by 2014. This, together with 2,000 megawatts injected by independent power producers, will help address the energy shortfall. The President said the government's key strategy was to diversify the electricity generation mix with a focus on green energy sources such as solar, geothermal and wind. The project was stated in January 2012 was completed in time. (Read: KenGen to open thermal plant)

Whereas thermal generation of electricity is currently the most expensive, largely due to high prices of oil in the international market, it would be ideal for Kenya when it starts producing its own oil as anticipated. Heavy diesel. Mr Kiraitu said: "Most power generation from oil normally uses heavy diesel, which is a by-product of the oil refining processes, an area in which Kenya is strategically positioning itself." The country is also looking at possibilities of generating cheap electricity from natural gas, which is more environmentally friendly, he added. KenGen's chief executive officer Eddy Njoroge, who will formally leave office by July next year, described the plant as the largest in East Africa with an inbuilt ability to generate power from natural gas, too. *(Daily Nation)*

Cooperative Bank of Kenya on Wednesday said it will hold 2013 dividend pay-out at this year's level to preserve cash for expansion in Kenya and South Sudan. This means the Nairobi bourse-listed lender will maintain its dividend at Sh0.40, a level it has held since last year, in a year it is expecting profit before tax to rise 37% to Sh10 billion. Managing Director Gideon Muriuki told the Business Daily that the dividend freeze will see the bank transfer an estimated Sh6.5 billion to its retained earnings ruling out the need for a rights issue or corporate bonds for fresh funds. "We will maintain the same level of dividend we paid last year to keep more cash for our expansion," Mr. Muriuki said. "We believe it is better to maintain the same level of dividends than raise it and go back to the same shareholders and ask them to pump more money for expansion." Banks worried of their strategic positioning have triggered a fund-raising cycle in Kenya's banking sector. Local lenders like Standard Chartered, NIC, CFC Bank, Family Bank, Jamii Bora and Diamond Trust Bank have turned to right issues while Housing Finance and Consolidated Bank have done corporate bonds. Co-operative Bank reckons that shareholders will earn higher dividend in the medium term on increased returns from a larger bank. This will mark the third straight year since 2010 that shareholders of the bank will be

earning a dividend of Sh0.40 per share, with the lender having paid a dividend of Sh0.10 per share in 2008 and Sh0.20 in 2009. Co-op's net profit increased 30% to Sh5.9 billion in the nine months to September, outperforming the Sh5.3 billion it posted in the whole of last year. Besides the Sh0.40 per share dividend, the bank also gave its shareholders a bonus issue of one for every five ordinary shares held to compensate for the flat dividend pay-out. The bank's share has gained 3.8% over the past three months to Sh12.15. Co-op has already spent Sh4.5 billion this year in opening 35 new branches in Kenya and setting up a subsidiary in South Sudan where it will formally start operations in February 2013 with about four branches. It has taken up a 51% stake in the South Sudan subsidiary, which is a joint venture with the government that holds the remaining 49% in trust for that country's co-operative movement. The movement will acquire the stake in five years In Kenya, the new expansion is modelled around the counties that are expected to register increased economic activities after devolution of resources from the central government. Mr. Muriuki said the profit retention strategy will see the bank keep about Sh6.5 billion in profit boosting its reserves that stood at Sh11.6 billion in December last year. *(Business Daily)*

Investors have protested against a court ruling directing Kenya Airways to reinstate 447 sacked workers. The ruling failed to take into consideration the employers' perspective and might end up having negative consequences on the performance of businesses, Kenya Association of Manufacturers chief executive Betty Maina said. "Courts should appreciate that employers are under distress before making such decisions," said Ms Maina. In a statement, the Kenya Private Sector Alliance said that it would soon engage the Judiciary on rulings which have an effect on the labour industry and investments in the country. The discontent among industry players shows the extent to which the ruling could affect labour relations. However, the Central Organisation of Trade Unions welcomed it, saying it would compel employers to engage workers before sending them off in retrenchment plans. "It is a warning to all employers that they should enter into negotiations with workers to ensure a smooth transition during retrenchment," said Cotu secretary-general Francis Atwoli.
The management of Kenya Airways on Tuesday moved to comply with the court order directing it to reinstate the workers, who were retrenched in a staff rationalisation programme in September. But just moments after the company issued them with reinstatement letters, the former employees rejected the recall terms. They opposed a bid to send them on compulsory leave pending redeployment. "The employees…will be sent on leave awaiting redeployment," a statement signed by managing director Titus Naikuni read in part. This forced the union to enter into fresh negotiations with the company. "We expect them to call the workers for the new letters by mid-morning tomorrow," said Aviation and Allied Workers Union chairperson Perpetua Mponjiwa. In his ruling on Monday, Industrial Court Judge James Rika said the retrenchment was unprocedural and lacked consultation. The airline said it took the decision as a cost-cutting measure after it reported a Sh4.7 billion loss in the six months to September 2012.*(Daily Nation)*

Increased scrutiny of large taxpayers accounts by the taxman is paying off, with notable increases in tax revenue collection. According to the Finance minister Njeru Githae, this has led to a 20 per cent increase in tax collected in October. The Kenya Revenue Authority, Mr Githae noted, attributes this to a drive to audit large tax payers on compliance. "The audit of large taxpayers is ongoing. The efforts are paying off and we hope when we get the figures for November, there will be another increase," noted Mr Githae. Large taxpayers, with an excess of Sh750 million in turnover, contribute significantly to Kenya's tax revenues. Last year, the top 10 companies remitted Sh115 billion to the taxman, or 17 per cent of total tax revenues. The Treasury, however, says that the growth is not as high as it ought to be, partly due to leakages in Value Added Tax (VAT) collection. In the first quarter of this financial year, KRA collected Sh165.7 billion, missing its target by Sh45 billion. This was largely due to underperformance of Value Added Tax (VAT) where revenue collected was 24 per cent lower than expected.

In 2011/2012, VAT collected from consumption tax increased by 6.7 per cent, compared with 21.1 per cent the previous year. The intensified campaign to get more money from corporates has seen a number of large taxpayers sue KRA over disputed tax assessment, the latest to hit the headlines being the four Coca Cola bottlers. Others include Bidco, Kapa Oil and Keroche Breweries. The Treasury in October launched an audit of large taxpayers following slow remittance of VAT and to increase government collection against dramatically rising expenditure demands. Earlier this week, the Treasury revealed that the public wage bill would balloon by Sh48.4 billion in the 2012/2013 fiscal year, eating up more than one quarter of the country's Sh1.26 trillion budget. Bankrolling this wage bill will be a big challenge for the Treasury, given that Kenya's revenue collection has not increased in tandem with economic growth. The Treasury had proposed a new Value Added

Tax (VAT) Bill to help increase revenue collection. But the Bill is yet to be enacted by Parliament and is unlikely to be passed by the current government. "We would have achieved more if the new VAT Bill had been enacted. But in view of the short time left, we don't see this happening," said Mr Githae.

The tax collector is also set to go after the motor vehicle sector, with government data indicating possible revenue leakages in the issuance of Transport Licence Board (TLB) documents. Mr Githae said the government will seal these leakages by introducing electronic receipt systems that would eliminate cash transactions. Further, efforts to eliminate the importation of counterfeit products are expected to net the government at least Sh30 billion. This is addition to taxes on financial transaction fees and the proceeds property and share transfer in the minerals sector that were announced in October. Mr Githae was speaking on Thursday during a signing ceremony for a Sh13.5 billion loan from the African Development Bank (AfDB). Sh9.8 billion of the funds will go towards the construction of electricity infrastructure between Kenya and Ethiopia as the government gears up to import power from its northern neighbour. Sh3.7 billion will go into higher education scholarships and capacity building in engineering and technical courses across the country. *(Nation)*

Malawi

Corporate News

No Corporate News this week

Economic News

Malawi's central bank said on Tuesday it would raise its benchmark interest rate by 400 basis points to 25% as it seeks to stabilise the kwacha currency to contain inflation. "Reflecting the decreasing foreign exchange reserves and the increasing inflationary expectations, the kwacha continued to depreciate faster than anticipated," the Reserve Bank Of Malawi said in a statement on its website. The southern Africa country's economy had been in a tailspin earlier this year after former President Bingu wa Mutharika picked a fight with international donors, who withheld aid that traditionally accounted for about 40% of the national budget. President Joyce Banda, who took office in April after Mutharika died of a heart attack, has restored aid flows and reversed policies that led to a foreign exchange shortage where items purchased abroad with hard cash, including petrol and pharmaceuticals, became scarce. But the recovery has been slow. The central bank said foreign exchange reserves fell to $142.7 million, or about 0.8 months of import cover, at the end of October. Malawi's year-on-year headline inflation quickened to 30.6% in October from 28.3% in September due to soaring food and fuel prices as well as a depreciation of the kwacha that took place under Banda. The country also relies heavily on tobacco sales to generate hard currency. *(Business Recorder)*

Mauritius

Corporate News

No Corporate News this week

Economic News

No Corporate News this week

Nigeria

Corporate News

Dangote Sugar, a subsidiary of Dangote group has made public its Q3(third quarter 2012) result showing the company's performance was upswing, for the period, with profit before tax rising by N5.53billion – from N6.49billion to N12.01billion. The company's profit after tax also soared from N4.41billion to N8.17billion representing a growth of N3.76billion. During the period under review, the refinery recorded improvements in efficiencies as cost of sales dipped from N69.44billion to N65.96billion, indicating a gain of N3.48billion gain. Meanwhile a previous review of the company's performance, Q2, to be precise show that the company had reported a profit after tax of N5.728billion in the second quarter ended June 30, 2012, depicting an increase of 91% above the N2.999 billion recorded in the corresponding period of 2011. The company ended the period with a turnover of N53.698billion, up by 10% from the N48.597billion posted in 2011. Profit before tax rose from N4.41bn to N8.493billion, while profit after tax went up by 91% to hit N5.728billionn in 2012. In the first quarter ended March 31, 2012, the company reported a profit before tax of N4.12billion compared to N2.05billion in the corresponding period in 2011. Its gross profit rose to N5.34billion in the period in contrast to gross profit of N3.24billion posted in the preceding year, while profit after tax rose to N2.80billion from N1.39billion and revenue grew from N21.54billion to N26.73billion. Commenting on the company's result, chairman, Dangote Sugar Refinery Staff Consultative Forum, Emmanuel Sheidu the refinery's performance received a boost with the introduction of Dangote Vitamin A fortified sugar packages in one kilogram, 500 grams and 250 grams packs. Following this good performance brought about by our dedicated staff and our loyal customers, strategies by the new Management of Dangote Sugar (DSR) have started to pay off positively as the company's profits have been on the upswing. To celebrate the success recorded by the company with its customers, the Management recently approved incentives, worth N341 million in the first three quarters of 2012. *(Business Daily)*

Should the shareholders of the Code Division Multiple Access operator—Starcomms, approve its consolidation with Multilinks and MTS, the proposed injection of $210 million by an American investment company—Capcom would have been sealed. Already, the yearly general meeting of Starcomms is slated for December 28 in Abuja, where issues relating to share reconstruction and rights issues among others are expected to be ironed out between the management board and shareholders. Starcomms, the first telecommunications firm to be listed on the Nigeria Stock Exchange, claimed to presently have about 6.9 billion shares. Speaking in Lagos Monday, at a press briefing to formally disclose the planned injection of $210 million investment into the company by Capcom, the Acting Chief Executive Officer, Mr. Olusola Oladokun said the CDMA sector in Nigeria, where Starcomms play a dominant role, had for some period of time been passing through some major challenges, which have led to dwindling fortunes of all the players in the sector. Specifically, Oladokun, who listed some of the challenges to include tough business environment; GSM dominated market; low financial muscle, hinted that the challenges have resulted in Starcomms operating with an unsustainably high level of debt and a stagnating operating performance. He said as result of the challenges, Starcomms faces a severe liquidity crisis, which prompted the Board of Directors to consider options available to introduce new capital into the company, stressing that without this new capital the company will fail as a going concern and shareholder value will be lost.
According to him, the company has reduced outstanding financial debt from N31.9 billion in Q1 2010 to N15.1 billion as at Q3 2012. "Starcomms has experienced significant challenges over the past two years, at the heart of which have been the changing competitive and operational dynamics of the Nigerian telecommunications industry, especially in the voice business. As a result, the Board of Directors has been considering a number of options to re-position the company for growth. "After careful consideration, we believe that the investment by Capcom, which will provide the capital required for continued operations as well as enabling investment in new technology, combined with the injection of new spectrum and the CDMA assets of Multi-links, creates the best possible platform for Starcomm's future. We strongly recommend – and look forward to - the transaction being approved by our Shareholders", he stated.

Oladokun explained that trade creditor balances have increased significantly to N9.6 billion in Q3 2012 as Starcomms has struggled to meet its ongoing obligations due to lack of available cash. He said the proposed transaction is essential to reduce creditor balances and re-establish strong supplier relationships going forward. On the transaction details, the Acting CEO said, "The transaction will be effected through a Scheme of Arrangement ("the Scheme") to be followed by a Private Placement and a Rights Issue. The Scheme will involve the

cancellation of N3, 448,646,872 in the company's share capital, comprising 6,897,293,744 ordinary shares of 50 kobo each, and the subsequent issuing of 662,550,000new, fully paid up ordinary shares to Capcom, constituting 90.5% of the post scheme-reorganised, issued share capital." "The Scheme is subject to Starcomms' Shareholders vote and approval at court ordered and annual general meetings to pass the special resolutions to give effect to the Scheme's terms and to Capcom's investment. "The transaction is subject to obtaining various regulatory approvals including those of the Federal High Court, the Securities and Exchange Commission and the Nigerian Communications Commission which has already confirmed it's "approval-in-principle". Giving more insight into the deal, Capcom's CEO designate for Starcomms post transaction completion, Demola Elesho said the aggregation of spectrum allocations from Multi-Links and MTS, which is a contiguous 20MHz of spectrum in the 1900MHz range, the largest allocation of any telecoms provider in Nigeria will enable Starcomms to deliver a complete range of mobile broadband services using new generation IP-enabled, high speed broadband 4G/LTE technology. Elesho said parts of the plan was to attract more highly profitable data subscribers in the short term; launch high speed 4G mobile Broadband services in the next 12-18 months among others.*(Guardian)*

Lafarge Cement WAPCO Nigeria Plc said it is investing N100 million in the development of its host communities. The company is also spending over N100 million in various empowerment programmes targeted at youths and farmers in its host communities. Speaking at the Lafarge WAPCO-Ewekoro Day and launch of a dual empowerment programme in block making and technical apprenticeship scheme, in Ogun state, Mr. Joe Hudson, Managing Director/Chief Executive Officer, Lafarge WAPCO, said the company is currently undertaking various projects within its 12 host communities to help bridge their developmental challenges. According to him, some of the projects include rehabilitation of roads and bridges, building of culverts and drainages, various borehole projects, schools and many others. He said: "As you are aware, Lafarge considers the community as a key stakeholder in all its businesses worldwide. At Lafarge, we place local stakeholder relations at the core of our business, basing our approach on dialogue , transparency, responsibility and the contribution to the economic and social development of our local territories." The launch of the dual economic empowerment programme will see the company providing support to 10 persons, comprising four undergraduates of Block Making and Concreting from the Federal College of Science and Technology, Ijebu Imusin, Ogun State and six upcoming block makers, while 12 persons are to benefit from the company's apprenticeship programme, designed to enable youths from its host communities acquire the necessary technical skills in the field of electrical, mechanical and automation. Hudson stated that the Block Makers Empowerment Programme, BMEP, will help willing and committed block makers to either start up or expand their businesses and move from unemployment or small scale artisans to medium sized entrepreneurs and employers of labour. *(Vanguard)*

Ecobank Capital, the investment banking division of the Ecobank Group, Tuesday disclosed that a group of banks had successfully raised a total of $202 million syndicated facility for IHS Holding Limited. Other financial institutions involved in the deal were Afriland First Bank, United Bank for Africa Plc (UBA), BDEAC, BGFI, Orabank, Bank of Africa and Banque Nationale d'Investissement. Ecobank Capital acted as the Mandated Lead Arranger for the transactions. IHS is one of Africa's largest independent mobile infrastructure providers. A statement said the proceeds would be utilised as part of IHS's acquisition of MTN Group Limited's 1,757 mobile network towers in Cameroun and Côte d'Ivoire and also for the continuation of IHS's solar energy and build-to-suit programmes for other wireless operators. Chief Executive Officer, IHS Holding, Issam Darwish, said: "The facility was oversubscribed and securing this credit facility reaffirms our excellent reputation on the local and international credit markets.

We are delighted the consortium shares our long-term vision of creating an indigenous force in mobile network infrastructure and collectively has the financial capacity to support our pan-African expansion." On his part, Ecobank's Group Head of Investment Banking, Ehouman Kassi, said: "This funding is in line with Ecobank's strategy of supporting our key clients in their pan-African development. This transaction reinforces the commitment of the arrangers and participating banks to ongoing financing of the mobile network infrastructure, which is crucial to the economic development and growth of the continent. The facility comprises two transactions, one in Cameroon and one in Côte d'Ivoire." *(This Day)*

The management of Dangote Cement Plc has finalised arrangements to temporarily close down its four million metric ton per annum

Gboko plant as a result of glut in the cement market. The Group Head, Corporate Communications, Dangote Group, Mr. Anthony Chiejina, who confirmed this in Lagos said the move was necessitated by the current glut in the market arising from the exponential increase in local production of cement and further compounded by the continued importation of subsidised cement into the country. He disclosed that the production figures for the first 11 months of the year showed increased local production, with supply now surpassing demand. The total supply of cement to the market at the end of November, according to him, when compared to the same period last year, has shown a record increase of 11.4%, the highest ever. He said it was therefore disheartening to note that despite the glut in the local cement market, some cement importation, though reduced, has continued, thus calling to question the rigorous implementation of the backward integration policy introduced to encourage local production. Giving the reason for the choice of the Gboko plant for temporary closure, the Dangote Group spokesman noted that "…with the dumping of subsidised imported cement in the South-eastern market, there is no way our Gboko cement plant can survive. In fact, workers have been asked to proceed on forced leave pending when the situation improves. "Our inventory of finished products is beginning to build up at our plants. And don't forget that projects from our investment of about N280 billion in additional capacity are already on stream, with lines three and four at Ibese and line four at Obajana, coming on stream early this year." Chiejina said other manufacturers are also experiencing the same problem of low sales and high inventory and called for urgent solutions to the ugly development. He advised that government should vigorously implement the provisions of the cement backward integration policy, which are necessary to protect local manufacturers from dumping.

According to him, one potent solution is for government to consider the total ban on the importation of cement in view of the fact that local production now surpasses demand for cement, and in the interim, increase duty and the levy on imported cement to the maximum charge. If the backward integration policy is to succeed, Chiejina said government should help to spur demand for cement by encouraging construction of concrete roads, as they are only marginally more expensive (less than 10%), than roads built with bitumen but last longer. Concrete roads, he explained, would save substantial outflow of foreign exchange, while reducing the importation of asphalt. He said: "Nigerians should be proud of what the cement sector has done by making the country self-sufficient and our Ibese plant is ready to start exporting as soon as we receive the ECOWAS permit to hit the ground running." Speaking on the development, a renowned economic expert and Chief Executive of Financial Derivatives Company, Bismark Rewane, expressed concern that government was yet to stop the importation of cement despite the increased local production, and called for a concerted effort to save local cement manufacturers. *(This Day Live)*

Fidelity Bank Plc Wednesday said it has gone into partnership with ABC Transport Plc on the implementation of the Book-on-Hold payment option for the transport company. The bank, which said this in a statement, explained that the move was to ease the burden of ABC passengers. It explained: "We are pleased to inform you that Fidelity Bank has successfully completed the implementation of the Book-on-Hold payment option for ABC transport via the Paydirect platform. "The implication is that ABC transport intending passengers can now book their travel ticket online, select the Book-on-Hold payment option, generate the booking reference and then visit Fidelity Bank or any other participating Banks to make payment 24 hours before their travelling date. This innovation is first of its kind in land travel in Nigeria." Fidelity Bank said it is the Lead Bank for the collection of payment of all ABC transport ticket booking nationwide. "In view of this, all Branch Tellers have been enabled and advised to collect and process payment via Paydirect," it added. *(This Day Live)*

Commissioner for Insurance/Chief Executive Officer, National Insurance Commission (NAICOM), Mr. Fola Daniel said Thursday that it had resolved to evoke sections of the Insurance Act of 2003 to make government more committed to premium obligations as well as pay large amount of debts it owed the insurance industry. He said the 'No Premium No Cover' rule would henceforth be implemented to save the industry from collapse. It also emerged that a good number of public properties may not have been insured. Speaking to journalists in Abuja at the opening of a sensitisation workshop on the implementation of "No Premium No Cover" rule for insurance stakeholders, the NAICOM boss said delayed or unpaid insurance premium had reached an alarming level and threatened to drive the industry into extinction if the trend was not reversed. He said: "The biggest customer of the insurance industry is the government. So the bulk of the debt resides with the government. One of the efforts to ensure government meets up to their debts is this gathering. The insurance officers, would be adequately informed of the dangers, risks and implications of non-payment of premiums to the effect that let's not pretend that we have cover: if we don't pay the premium, there would be no cover." He explained that the 'No Premium, No Cover' policy was not a new

regulation as it was already contained in Section 50 (1) of the Act.

That portion of the Act clarified that "The receipts of an insurance premium shall be a condition precedent to a valid contract of insurance and there shall be no cover in respect of an insurance risk unless the premium is paid in advance." The commissioner said NAICOM as the industry regulator, has no alternative than to implement the law in order to save the industry from mounting debt and levity on the part of government. According to Daniel, annually insurance companies make huge provisions for outstanding premiums in their books but delays or non-payment of premiums invariably affect their ability to make profit, pay dividends to shareholders and attract investment to enable growth. "This avoidable situation is unhealthy and dangerous to the industry and it is time to put a stop to it, "he said. He noted that even where such provisions were made, payment of premiums to insurance companies were either delayed for months or diverted to meet other needs by ministries, departments and agencies of government (MDAs) in breach of the insurance Act 2003. He lamented that current budgetary vote for the insurance of government assets and properties were either inadequate or provided at all. He said: "I suspect that some government properties may not have been insured. What is my evidence? I have seen a few number of properties burnt down and the relics are there for two, three years-why? "If there's an insurance cover in place, the process of settling these claims and rebuilding should start immediately." *(This Day)*

Economic News

Barring any unforeseen circumstance, Nigerian banks are poised to end the 2012 financial year on a high as consistent growth in both interest and non-interest income has continued to boost their earnings, findings by THISDAY have revealed. Four years after the 2008 banking crisis, the Nigerian financial sector has continued to reap the benefits of the reforms that followed, with rapid growth in profitability and a significant decline in bad debt. Also, asset quality has improved and capital and liquidity positions remained solid, despite heightened uncertainties in the external environment. Experts believed that given the high margins recorded across their bottom-line, the first five banks might end the year with a combined profit of $6.4 billion (N1.01 trillion). Furthermore, the five biggest banks in the country saw their growth doubled in the first half of this year. Their combined profits soared to $1.6 billion, four times the $400 million they achieved in 2005. For instance, the Nigeria's fourth-largest bank by market value, Access Bank Plc's first-half net income more than trebled to N26.3 billion ($165.09 million) from N8.05 billion ($50.53 million), while revenue doubled to N108.7 billion ($682.37 million).

The release of third-quarter results have also given investors encouraging news. For example, United Bank for Africa Plc's unaudited results for the third quarter ended September 31, 2012 showed that its gross earnings grew to N168.2 billion ($1.05 billion) in the third quarter, up 21.4 per cent on N138.5bn ($869.44 million) in the same quarter of 2011. Total assets rose 11.1 per cent year-on-year to N1.95 trillion and profit before tax surged 376.25 per cent to N44.86 billion. Analysts at Oxford Business Group (OBG) said the figures represented a turnaround after the prolonged effects of the 2008/09 crisis, when 10 banks accounting for 40 per cent of the system were signalled out by the Central Bank of Nigeria (CBN) for auditing and were subsequently sold off, nationalised or recapitalised. According to the experts, "the crash came after several years of rapid growth that were fuelled by "margin lending" – banks' lending to investors who then used the cash to buy the banks' shares – and other soft and suspect lending deals. "The clear-up is estimated to have cost $21.5 billion, including bailouts, forced mergers, the sacking of leading banking figures and the purchase of $11billion in Non-Performing Loans (NPLs) by the Asset Management Corporation of Nigeria (AMCON)." *(This Day)*

Nigeria is pushing to reverse years of neglect of its agriculture and mining industries by revamping railways in a bid to reduce the economy's dependence on oil. The West African nation, the continent's top crude producer, is spending more than $3 billion to build about 300 kilometers (186 miles) of rail lines in the next three years. That will help move more of everything from peanuts to coal from the northern Sahel belt to ports on the Atlantic coast, as well as serving Nigeria's growing consumer class. Oil has dominated the economy since the 1970s, now making up 95% of export earnings and 80% of government revenue. Agriculture and non-oil mining have shrunk by more than 40%, making Nigeria more vulnerable to oil price shocks. President Goodluck Jonathan plans to reverse that by expanding and rebuilding railways, ports and power plants, benefiting companies including Dangote Cement Plc, the nation's biggest company, and Flour

Mills Nigeria Plc, the largest miller. "Profitability will increase and economic growth will be achieved faster," Ayo Teriba, chief executive officer of Economic Associates Ltd., a business consulting firm in the commercial capital, Lagos, said in a phone interview. "Rail is necessary to grow Nigeria's very diversified internal economy." Dangote, Flour Mills, Oando Plc, a fuel retailer, and Guinness Nigeria Plc, the second-biggest beer maker, have agreed to transport contracts with Nigerian Railway Corp., operator of the lines. Still, rail expansion faces a lack of planning, as well as corruption and violent conflict. Nigeria is ranked 143rd on Transparency International's Corruption Perceptions Index of 182 nations. While an armed insurgency in the oil-rich southern Niger River delta region that cut oil production has eased since 2009, a wave of bomb and gun attacks in the mainly Muslim north and in Abuja has killed more than 1,500 people, according to New York-based Human Rights Watch. "A lot more needs to be done," Teriba said. The government needs the "political will" to push through with its rail plans, he said. China Civil Engineering Construction Corp., or CCECC, on Aug. 30 signed an agreement to build a 157-kilometer double carriage railway between Lagos and Ibadan, Nigeria's third- largest city. CCECC is building another 186.5-kilometer double carriage link connecting the northern city of Kaduna to Abuja, the capital, at a cost of $875 million. The projects are partly financed with loans from China's Export and Import Bank.

The government is also building a two-line light rail network for Abuja at a cost of $500 million to help ease congestion. Rail improvements "will break a lot of supply bottlenecks and lower a huge chunk of manufacturing cost," Chibuzo Ivenso, head of research at Lagos-based ARM Equity Research Ltd., said in a phone interview on Dec. 3. "It will also help create markets that are much further off." ARM has a buy recommendation on Dangote, which has gained 8.2% to 121.5 naira in the past six months. Flour Mills has climbed 12% to 66 naira in the period, while Oando has dropped 23%. Nigeria needs about $10 billion over the next five years to repair and build new railways, according to James Milne, an analyst at Frost & Sullivan in Cape Town. Years of neglect of railways while Nigeria was in political flux during military rule that ended in 1998 resulted in freight-rail capacity dropping to 15,000 tons a year in 2005 from 3 million tons in 1964, Milne said in a phone interview on Dec. 3. Most freight is transported on worn-out and congested roads, he said. "The structure and network is still there for 3 million tons of freight to be moved, but a large part of that has fallen into disrepair," he said. "If the rail network is improved, it increases the likelihood of agriculture playing a bigger part in the economy." Nigeria has gone from growing enough food to feed itself in the 1960s to the world's largest importer of rice and sub- Saharan Africa's biggest buyer of wheat and sugar. More than half of the population of 160 million live in rural areas. The government wants "to resuscitate and revamp the railway" to become a "major component of economic development and social integration," Transport Minister Idris Umar said on Aug. 30.
Rail investment will help benefit retailers and consumer goods companies, such as soap-maker PZ Cussons Nigeria Plc (PZ), trying to tap a growing middle class in Africa's most populous nation, said Milne. Nigeria's economy is set to grow 7% this year and 6.7% in 2013, according to the International Monetary Fund. "It's such a huge population, and accessing the population is very difficult," Milne said. "A large part of the market is informally structured, so easing transport problems is going to give better access to that huge population." *(Bloomberg)*

Nigeria's central bank governor said on Wednesday that monetary tightening earlier in the year had largely achieved its objectives of stabilising the naira and taming inflation, which were less of a worry than four months ago. Lamido Sanusi, who spoke to Reuters on the sidelines of the Nigeria Economic Summit in Abuja, also reiterated his concern that oil prices could fall due to global economic uncertainty, posing risk for Nigeria, one of the world's 10 biggest oil exporters. The Nigerian central bank kept interest rates on hold at 12% at its last Monetary Policy Committee meeting on Nov. 20, for the seventh time in a row. Sanusi at the time cited the need to tread a fine line between concerns over food inflation and threats to Nigeria's growth from global economic weakness. Yet his comments during the meeting were seen by analysts as unusually dovish on inflation, leading some speculate that loosening could be in the pipeline in the near future. "It's clear the objectives we set for ourselves when we tightened have been largely achieved," Sanusi told Reuters on Wednesday. "We've stabilised the exchange rate and we've stopped inflation from spiking. Core inflation has come down for the fourth consecutive month." Nigeria's naira currency had been under pressure earlier this year, but central bank intervention at the end of June has seen it gradually appreciate since. Analysts expect the current 12% base interest rate to be maintained until at least March next year, after which it may come down a bit, if inflation continues to stabilise, they say. "There are underlying widespread pressures on imported food inflation ... But in terms of where we were 4-5 months ago, the concerns are more muted," Sanusi said, declining to comment on whether that means rates could soon come down. "(At the last MPC meeting) We really didn't think it was time yet to start loosening, which is not to say we will not

loosen," Sanusi said. Nigeria, Africa's second-biggest economy, grew 6.5% in the third quarter from a year earlier, up slightly on the previous quarter but below last year's levels. Sanusi is concerned about the economic impact of an oil price shock. "The major concerns are around the external environment: what's happening in America, what's happening in Europe and what will happen to commodity prices as a result," he said. He added that the accumulation of foreign exchange reserves - they are currently at a more than three-year high - would help cushion Nigeria against a possible oil price shock. But he remained concerned about the government spending too much of its oil windfall, especially with the legislature trying to inflate the benchmark oil price above the administration's proposed $75 a barrel, which would mean saving less. Oil revenues above the benchmark are deposited into a savings account, so the higher it is, the less is saved. "I don't think it is appropriate for the legislature to be increasing the benchmark price," he said. *(Reuters)*

Deputy Chairman House of Representatives Committee on Finance, Hon. Micheal Ogunnusi, yesterday accused the Federal Government of playing politics with the $600 million loan which the government of Lagos State is seeking from the World Bank. In a chat with journalists at the National Assembly, Ogunnusi said given the fact that the loan was already a running facility, its non-inclusion in the 2013-2015 External Borrowing Plan of the federal government was suspicious. He expressed concern that the federal government, which gave loans to neighbouring countries such as Ghana and São Tomé, could frustrate Lagos State in its bid to obtain the World Bank loan. "If the South West is doing well, it is to Mr. President's advantage and if a credit has been approved based on past performance of the State, then it should not be truncated for any justifiable reason. "If the door of the World Bank facility is closed by the Federal government, then we are right to say that it is political and discriminatory which is grossly unfair to the people of Lagos State. "The question is, if you can give loan to other countries, why truncate a certified and flexible World Bank loan for a component part of your own country? It is clear that Governor Babatunde Fashola of Lagos State has been performing and will still use the loan to perform more. "Our collective responsibility is that we must improve on the standard of living of our people, generate employment and create wealth," Ogunnusi said. The lawmaker argued that playing politics with the loan amounted to playing politics with unemployment and the standard of living of our people. He appealed to President Goodluck Jonathan to direct the Ministry of Finance to include the loan in the borrowing plan to avoid a situation where infrastructure development projects would be frustrated in Lagos State. Governor Fashola was recently at the National Assembly to make a case for the approval of the second tranche of the $600 million World Bank facility. (*This Day Live)*

Tanzania

Corporate News

No Corporate News this week

Economic News

ATTRACTING Information and Communication Technologies (ICT s) investment in developing countries is important in meeting increased demand for retail and corporate internet services. ICTs have the potential to help in the provision of quality services when it comes to education, health, commerce and public administration. Statistics show that in Tanzania, the sector is growing at between 15 and 20% annually, which is the highest in the East African Community (EAC) Region. It is argued that ICTs are vital in protecting the interests of various stakeholders such as consumers, service providers and the government, who have now embraced e-learning, tele-medicine and e-commerce. The private sector is seen as a key player in bringing about flow of investments in the ICT sector, while the government has been showing commitments to improving the business environment to ensure both local and foreign investors benefit from their investments.
Increased investment in the ICT sector is necessary for the transformation of the country into a knowledge society. It is also necessary to transform the country's economy into one with higher income and quality growth over the next decade with knowledge and innovation. Substantial investments in ICT s are crucial not only for enhancing healthy competition geared at promoting quality of education, but more importantly to bring the nation to the middle income status by 2025. To foster efficiencies mobile operators, for example, have in recent days came up with a tower sharing strategy aimed at cutting down costs while offering quality services to clients. "Infrastructure sharing is also expected to impact positively on quality of services across operators as they leverage on existing network to boost their coverage and capacity requirements," the Helios Tanzania, Chief Executive Officer, Mr. Norman Moyo said during an interview over the weekend.

Tower sharing has proved fruitful in fulfilling the increase demand for retail and corporate data and internet services in both urban and rural areas. The company was founded by Helios Investment Partners, an Africanfocused private equity investment firm with particular expertise in telecommunications and tower operations in the continent. Helios Towers Africa reduces telecom carbon footprint and was early this month awarded the "Best Network Improvement," 2012 AfricaCom in Cape Town, South Africa. The award seeks to recognize an eye-catching, successful initiative that has significantly improved network in Africa. Helios Towers Africa (HTA), an independent telecoms towers company in Africa, gave a keynote speech at the 2012 AfricaCom conference at the International Convention Centre in Cape Town, South Africa. The Helios Towers Africa Chief Executive Officer, Mr. Charles Green, said one of the main advantages of mobile telecoms over landline technology is the reduced cost of providing infrastructure; tower sharing is becoming a popular option to reduce the cost of mobile infrastructure. "The timing is right because of the infrastructure investment deficit in most sub-Saharan African markets," he said. He said unless telecoms infrastructure investment in Africa increases, it will be impossible to serve the burgeoning levels of consumer demand for 2G voice, let alone the site densification required for 3G coverage, improved capacity and the rapid growth in data traffic. "It has been estimated that without an increase in the sharing of infrastructure, the number of telecoms towers will have to double over the next 5 years from 75,000 to 150,000 and that is just for 2G traffic," he added. In a presentation at a conference held in South Africa early this month, Mr. Green said the growth in mobile subscribers, the need for telecoms coverage and capacity, the huge infrastructure investment required to provide telecoms towers are some of the factors behind increased demand for telecoms towers provision. He said the independent tower model of infrastructure sharing has been successful and led to improved site 'uptime', financial certainty via Service Level Agreements, superior cost savings and a reduced carbon footprint. An additional benefit, he said, is the delivery of better networks via the increased availability of capital and coverage in rural areas becoming more economically viable. ICTs have impacted the way business is conducted, facilitated learning and knowledge sharing, generated fast global information flows, empowered citizens and communities in ways that have redefined governance and created significant wealth and economic growth. However, dangers posed by the digital divide and the risk of

being excluded from the knowledge economy and social development caused by development disparities between rural and urban areas need swift measures to ensure that the benefits brought by ICT benefits all. ICT is one of the sectors which offer huge potential for creating massive employment, a necessary element in the government efforts to alleviate abject poverty in the country. *(Daily News)*

MARKET development and product diversification are vital for developing countries to enhance their manufacturing sectors that play a pivotal role in bolstering economic growth as well as helping in poverty alleviation. Tanzania has recently improved its performance in terms of exporting a product mix that is more in line with world demands. When looking at the market destination structure for the past decade, 78% of Tanzania's manufactured exports used to be concentrated in two markets -- the European Union (EU) 49% and sub- Saharan Africa 29%. But in 2010, the concentration of manufactured exports in the EU had decreased substantially, while exports to sub-Saharan Africa increased to 36%. On the other hand, the East Asia and Pacific markets gained significantly to 34%. The results of the Market Diversification Index reveal that Tanzania ranks eighth among fourteen countries in 2010, gaining two positions since 2000. This indicates that the country has made some progress by diversifying its market destinations in line with world market demand. In the context of Tanzania's regional neighbours, the country's diversification performance is generally better than that of EAC partners, mainly due to the country's more limited dependence on the EAC as a major market. However, the Tanzania Industrial Competitiveness Report (TICR 2012), states that by looking at the value of the index, it is obvious that Tanzania still lies far behind other African countries considered to be role models. Kenya, for instance, is the EAC member state with the most diversified manufactured exports structure - displays a very high market concentration (72% to sub-Saharan countries), positioning it at the end of the market
diversification ranking. Both South Africa and Kenya display a substantially more diversified manufactured export pattern, which closely matches world demand than Tanzania's. The TICR suggests the necessity for policy-makers to keep in mind that the best strategy for a country is always to respond to world demands, but also to ensure that the country is not too vulnerable because its export basket depends on very few products only. To address the shortcomings, the government has been showing commitment aimed at putting in place necessary business climate for the private sector, including both local and foreign investors to take advantage of business opportunities.

Speaking at the opening of the Turkish International Trade Fair which took place at the Julius Nyerere International Trade Fair Grounds over the weekend, the Minister of Industry and Trade, Dr Abdallah Kigoda, challenged the local business community to take advantage of existing bilateral relations with Turkey, to double trading activities among the two countries. For example, the government signed a trade agreement with Turkey in 2010 and since then there has been a strong bond in the relationship founded on solid principles of mutual respect laid down by the leaders of the two nations. The Trade Agreement signed in 2010 has consequently resulted in an exorbitant increase in the volume of trade between the two countries from 12.3 million US dollars to 196 million US dollars last year. "The strong bond of friendship is founded on solid principles of mutual respect laid down by the leaders of the two nations. Indeed, the existing friendship is being translated into increased bilateral trade and economic cooperation," he said. Turkey has become a strong and dynamic economy, producing world class quality goods and services, particularly textiles, construction materials and agricultural, tourism, mineral and energy products. He said Tanzania will continue being a preferable destination of Foreign Direct Investments (FDI) and to maintain that, continuous improvements leading to creation of enabling business environment has been made. He mentioned some of them as high degree of investment security due to unparallel political stability, democratic rule that respects diversity of opinion and strong tradition of observing the rule of law and business friendly macro-economic stability. He invited the Turkish to come and invest in the country where lucrative investment opportunities in agro processing, value addition, trade, mining, tourism, infrastructure and agriculture are available. I therefore take this opportunity to invite the Turkish private sector to invest in Tanzania for the mutual benefit of the two countries," he said. The Turkish Minister for Food, Agriculture and Animal Husbandry, Mr. Mehmet Mehd Eker, said he was confident the bilateral cooperation with Tanzania will be strengthened even further. He emphasized on the need to keep on forging new trade relationships that will reach at least 500 million US dollars in the next two years. *(Daily News)*

Zambia

Corporate News

MTN Zambia Limited says it grew its subscriber base to about 3.5 million by the end of the third quarter of 2012. The wireless phone company also spent up to US$200 million on rolling out the network countrywide over the last two years, according to the new chief marketing officer Philip Besiimire. Mr Besiimire was speaking during a media briefing held at Lusaka's Radisson Blu Hotel yesterday as he added that the growing subscriber base may soon ensure that MTN gets the lion's share on the mobile phone industry in the country as income levels among working class Zambians continue to grow. Among the new products boosting numbers are products such as mobile money, according to Mr Besiimire. Mobile money is a cash transfer facility that does not involve going to either a bank or a cash point. "We have seen a number of customers growing significantly," Mr Besiimire said, "our customers are fascinated with mobile money hence the participation increasing. Other exciting promotions such as the 90 days of yellow Christmas and Google SMS are some of the interesting products." Commenting on the investment, Mr Besiimire said while the company invested over US$200 million in network roll out, US$65 million was spent on improving the services. He said apart from this, K700 million was spent in corporate and social responsibility programmes as the firm believes in investing in communities as a way of paying back to them.

Speaking at the same function, Deputy Minister of Finance Miles Sampa said Government is losing between US$1.5 billion to US$2 billion (K10 trillion) through tax avoidance every year, predominantly by the mining firms. Mr Sampa, however, said Government is in the process of enacting a law to punish any false reporting by companies which is likely to be a criminal offence. He said government has observed that there is so much tax avoidance due to existing laws which mining firms are taking advantage of to by-pass tax obligations. Mr Sampa expressed satisfaction at the services MTN and other wireless phone companies are proving in Zambia but urged them to continue improving the services in order to help boost communication in Zambia. Apart from providing mobile phone communication services, MTN is also in the process of holding a multi-million Kwacha media excellence - the second of its kind - for Zambian journalists who report on various issues that relate to development and health. The first one was hosted at Hotel Intercontinental in Lusaka last year and attracted more than 1,000 entries in various categories of both print and electronic media. The company is expected to raise both the bar and prize this year as it seeks higher calibre entries in order to encourage issue-based journalism in Zambia. The Post newspaper's Chiwoyu Sinyangwe won the overall prize last year as did Zambia Daily Mail staffer Darlington Mwendabai in the features category. *(Daily Mail)*

Economic News

THE Bank of Zambia has maintained the policy rate for the month of December at 9.25%. According to a press statement released yesterday by BoZ head of Public relations Kanguya Mayondi, the Monetary Policy Committee made a decision at its November 2012 meeting to maintain the Policy Rate at 9.25% for December 2012. The Committee noted that inflation projections for end-December 2012 remain broadly in line with the target of 7.0%. A projection was also made that Inflationary pressures were expected to be moderated by relatively stable prices of some vegetables, reflecting an improvement in seasonal supply. In addition, the price of maize grain and maize products is expected to remain stable as the Food Reserve Agency (FRA) supplies maize to the millers in December. However, the Committee noted that there may be upward risks to inflation during December 2012 arising from the following the global grain deficit that may induce higher domestic and imported grain prices. The lagged effects of the recent exchange rate depreciation as it may result in higher prices of imported goods and expected increases in prices of beef products mainly on account of demand arising from the festive season and fish prices as the fish ban comes into effect on 1st December 2012. The Committee weighed these risks and was of the opinion that the moderating factors will outweigh the upside risks for inflation and therefore decided to maintain the policy rate at 9.25%. *(Lusaka Times)*

Zimbabwe

Corporate News

NATIONAL Social Security Authority has increased its direct shareholding in Afre Corporation to 51 percent after underwriting the group's US$8,6 million rights offer. Before the transaction, NSSA had a 21 percent shareholding in Afre. Indirectly, NSSA also holds some shares in Afre through Capital Bank, previously known as Renaissance Merchant Bank. But Capital Bank, which owned 33 percent of Afre stake before the cash call did not follow its rights and the extent of the dilution could not be ascertained by the time of going to print. Prior to the rights issue, NSSA, directly and indirectly owned 54 percent of Afre. If the transaction resulted in NSSA's shareholding exceeding the Zimbabwe Stock Exchange Listing Requirements threshold, the fund said it would submit to the ZSE and the Securities Exchange Commission a plan to lower its stake to the required levels. Of the 162 842 928 shares issued, 27,1 percent were subscribed with NSSA taking over the remaining 118 737 045 shares. NSSA bought Econet's 19,7 percent stake in Afre in February this year through a special bargain involving 42 798 497 shares at a price of US18,42c per share, reflecting a premium of about 514 percent. The deal came a few days after NSSA took over an 84 percent stake in RMB in a deal worth more that US$24 million.

Before acquiring Econet's stake, the social fund had about 2 percent in the insurance firm. The rights offer was undertaken to address minimum capital and solvency requirements of Afre's insurance businesses, namely Tristar Insurance, FMRE Life & Health, FMRE Property & Casualty Zimbabwe and FMRE Property & Casualty Botswana. Of the rights offer proceeds, US$1,5 million will go to FMRE Life and Health, US$1,6 million to FMRE Property and Casualty Zimbabwe, US$2 million to FMRE Property and Casualty Botswana, US$1,65 million to Tristar, while the balance will go towards settling amounts owed to policyholders and the costs of the offer. First Mutual Life, the largest subsidiary of Afre Corporation, will not be allocated fresh capital as the business is deemed to be on a sound financial footing. The rights offer was approved despite opposition from former chairman Mr Patterson Timba who had written to the SECZ seeking to stop Afre from holding an extraordinary general meeting that sought shareholders approval for the right issue. *(Herald)*

Government has appointed Neverseez & Mussa Capital as financial advisors for the restructuring of Agribank, the State Enterprise Restructuring Agency has said. Sawyer & Mkushi were also appointed legal advisors, SERA executive director Mr Edgar Nyoni said in a statement. "The appointments were undertaken following the approval the State Procurement Board of the two firms through an open tendering process," said Mr Nyoni. "In line with restructuring procedures manual which outlines for Government Restructuring Guidelines, the advisors will work with the Agribank Restructuring Technical Committee which was appointed Government to spearheading restructuring programme." Agribank is among 10 state enterprises and parastatals listed for urgent restructuring. The restructuring of Agribank is part of the strategy to re-capitalise the Bank in its pursuit to meet the RBZ's new capital requirements for commercial banks.
The restructuring programme will culminate in the engagement of a strategic partner who will re-capitalise the bank and bring additional lines of credit for on-lending to the agricultural sector. In addition, and in the spirit of broad-based economic empowerment, farmer organisations will also be invited to participate in the programme through equity partnership.

The restructuring of Agribank should be completed in six months' time. According to Mr Nyoni the Government is expected to retain a significant stake in the bank due to its strategic significance. "The Government will, however, retain a 51 percent shareholding against the background that the bank has a developmental role through its strategic contribution to the economy by supporting agriculture," he said in a statement. It is anticipated that the restructuring of Agribank will help in improving the bank's capacity to underwrite more business to the agricultural and productive sectors. It will also assist in the acquisition of a strategic investor that will support Government operations of the bank by providing equity finance and lines of credit and offering other strategic support services such as technical assistance, capacity-

building and information technology enhancements. In this respect SERA has already begun calling for expressions of interests from potential strategic investors. The appointment of financial advisors for Agribank's restructuring marks a significant step in the process, which observers say has been protracted. *(Herald)*

ZIMBABWE Stock Exchange listed industrial concern, Radar Holdings (RHL) Limited, is seeking shareholder support for a transaction which could result in the re-distribution of shares in the group. The transaction will see RHL relinquish shareholding in one of its subsidiaries. According to a circular released by the board yesterday, shareholders are expected to vote for or against the distribution in specie of RHL equity held in Border Timbers Limited. An extraordinary general meeting on the transaction is scheduled for December 13. The group contends that this would allow RHL to focus on construction and related businesses. RHL has interests in quoted agro-industrial group Border Timbers Limited, MacDonald Bricks, Radar Corporate Services and Radar Investments. "The RHL board is seeking approval from the RHL shareholders for the proposed distribution in specie of the BTL shares to RHL shareholders comprising 22 005 087 ordinary shares in BTL, as a specific payment to RHL shareholders registered as such on 3 January 2013," reads the circular in part. Under the proposed plan, RHL shareholders would receive approximately three million BTL shares for every seven million shares held in RHL. This, according to the circular, would have no impact on the shareholding at RHL level, but RHL's direct shareholding of 51,24% in BTL would no longer exist. "In light of the competitive dollarised environment, the board deems the demerger of BTL from RHL as a necessary event given the differing financial needs and sectoral focus of each business," the circular said.

"In the board's opinion, this transaction will position RHL as a pure construction group to attract new capital. This will allow RHL to build on the already positive performance achieved by the company in the construction sector. "In summary, the demerger will allow for clear operational focus, which is both attractive to investors and positions RHL to pursue its own independent direction. "The strong standalone company will have the ability to undertake mergers and acquisitions with entities in the same and complementary spheres of operations, which will drive shareholder value." *(News Day)*

FURNITURE and household retailer Pelhams Limited has posted a $508 842 loss for the half-year to September 30 compared to a profit of $586 427 during the same period last year, weighed down by operating expenses. Earnings per share dropped to -0,05 cents from 0,06 cents. Despite plunging into a loss-making position, the board undertook to break even through improved credit terms during the last half of the group's financial year. The group's revenue was 39% down to $4,2 million due to a decline in the contribution of credit to total sales. Credit, which is traditionally a key source of revenue for the company, contributed 65% of total sales compared to a prior year comparative of 73% on the back of liquidity constraints on the domestic market. "In order to improve cashflow, the company has had to encourage cash sales and shorter credit terms to reduce the credit funding gap to a level that the business could sustain," said group chairman Tawanda Nyambirai in a statement accompanying the financials. "This limited the ability of the company to restock effectively and stimulate demand.

The business is driven by an effective credit model and the inability to support this had the effect of reducing sales significantly." The company's manufacturing unit, Tradewinds, contributed 6% of total sales during the period under review. Operating expenses rose to $1,9 million during the period under review from $1,2 million. "The gross margin decrease to 23% from a prior year comparative of 27% was mainly a result of continued reliance on local products with higher production costs," Nyambirai said. "This was further reduced by a deliberate strategy to incentivise cash sales to improve cash inflows. "The company debtors that were not securitised contributed $1,9 million through finance income against a prior year comparative of $1,5 million." The debtors book, Nyambirai said, reduced to $6,5 million from an opening balance of $8,4 million as a result of subdued credit sales. *(News Day)*

BAT Zimbabwe has finally denied allegations of espionage levelled against the tobacco cigarette manufacturer by its Zimbabwean

competitors. In a press statement released over the weekend the multinational company said it "strongly denies any involvement in industrial espionage and/or illegal activity that may be linked to other local tobacco manufacturers." "It should be underscored that BAT Zimbabwe does not export any cigarettes outside Zimbabwe, and as such, our products are not exposed to the risk of alleged hijackings of cigarette trucks while in transit to neighbouring countries," said the company adding that its operations does, however, export semi-processed tobacco leaf. The statement comes in the wake of allegations that BAT Zimbabwe is employing industrial espionage against its Zimbabwean competitors - Kingdom, Savanna Tobacco, Breco (Fodya), Cutrag, Trednet and Chelsea. Zimbabwean president Robert Mugabe last week joined the chorus when he threatened BAT with unspecified action after accusing the cigarette manufacturer of blocking products of their competitor, Savanna from getting into the market. "I want you to straighten yourselves, it will be sad if some of you have been taking action or engaging in activities detrimental to Savanna.

That information we have and it appears to be authentic," said Mugabe who accused police and soldiers involvement in the sabotage without naming from which side of the border between South Africa and Zimbabwe were the security details involved in the sabotage. Meanwhile a local paper The Zimbabwe Independent says it has gathered information showing BAT's "grimy business practices on the continent." According to a report by Premium Times of Nigeria, in April 2002 a legal team from the South African city of Port Elizabeth secretly obtained urgent court orders in three South African High Courts authorising them to raid the offices of BAT, South African Revenue Services (Sars) and a firm of private detectives called Forensic Security Services - the same firm believed to be covertly running the company's local operation with the help of a Zimbabwean security company, Ticoz Protection Services. The investigations came in the wake of phone-tapping and industrial espionage allegations levelled by Pretoria-based cigarette manufacturing company Apollo Tobacco, against BAT, Sars and Forensic Security Services.

On April 9, three High Court judges ordered searches at BAT offices in Durban, Johannesburg and Pretoria as well as the offices of the Sars and Forensic Security Services, a private investigating firm allegedly hired by BAT. In a 95-page court application, Apollo Tobacco accused BAT of plotting with tax authorities and private detectives in "industrial espionage". Apollo alleged BAT conspired with the Sars officials using hired detectives and bugging devices to obtain confidential information about Apollo's business operations. The raids on BAT offices yielded incriminating documents from seized computers. After a week of silence, BAT denied it had done "anything that was aimed at undermining Apollo Tobacco's legitimate business", admitting however they had sent allegations to the proper authorities - in this case Sars. BATZ has also denied involvement in espionage activities. According to the Premium Times extensive report, the secret surveillance of Apollo began when BAT, which had a business presence in 180 countries and was the market leader in 50 countries, formed BAT South Africa in 1999 as a result of the global merger of Rothmans International and British American Tobacco plc. Detectives claimed in some cases the phone tapping was a prerequisite for payments from BAT. Apollo's phones were bugged for as long as two months - at a time - and the tapping took place on at least three occasions. *(Fin24)*

HOSPITALITY group African Sun Limited (AFL) said Monday it was now looking to reduce borrowings posting its first profits since the dollarization of the economy back in 2009. ASL chief executive Shingi Munyeza said the strategy would see short-term loans partially reduced or replaced by medium to long-term loan facilities. The company, with operations across the continent, recorded a profit after tax of US$2,6 million for the year to September from a loss of US$10,2 million over the same period last year. "Going forward to enhance accessibility of our hotels in the digital market place, we will complete the roll-out of OPERA property management system and install a seamless reservations and distribution platform to manage booking and payments online," Munyeza said. The company has since completed the first phase of an extensive refurbishment program of its hotels and will now move into the second phase of the project which will cover hotels at the Victoria Fall resort. "The group is expecting to achieve a full year EBITDA margin of 12% and revenue growth of at least 10% in the financial year 2013," Munyeza said. Meanwhile, ASL Finance Director, Nigel Mangwiro said group revenues also grew by 12% to US$54,4 million from US$48,7 million last year. "The growth was spurred by a stronger performance particularly from the resort hotels in Victoria Falls and a 14% growth in ADR. RevPAR grew by 18% to close the year under review at US$47 from US$40 last year," he said. The increase in

operating expenses was limited to 2%, three percentage points behind average inflation, as savings from the staff restructuring exercise were realised in this financial year. Net interest expenses increased by 86% from year to close at US$2,86 million following an increase in short-term loans and average cost of borrowing. Profit before tax of US$3,37 million was a turnaround from a loss of US$4,75 million reported in the prior year. And after a full draw-down on the refurbishment facilities and the increase in short-term loans, net debt increased by 83% to US$15,49 million. Borrowings of US$1,5 million relating to the Botswana project were paid off from the proceeds to the disposal of the project.*(New Zimbabwe)*

ZIMBABWE'S biggest gold producer, Metallon Gold, risks losing its operating permit after failing to comply with the country's indigenisation programme, a Cabinet minister has warned. Empowerment Minister Saviour Kasukuwere said Metallon Gold, owned by South African businessman Mzi Khumalo, was resisting pressure to set up community share ownership schemes at its mines around the country. Kasukuwere said the company, along with John Mack Gold Mine and Canada-based Vumbachigwe Mines face punitive action which could include the revocation of their licences. "We have always been very worried about Metallon Gold. They are the biggest gold mining company in the country, but do not want to comply," Kasukuwere told the Sunday Mail. "We have now written a final warning to the three mining companies, telling them that if they do not comply they will lose their licences." Zimbabwe's economic empowerment legislation require foreign firms to transfer control and ownership of at least 51% of their operations to locals including setting up share ownership schemes for communities where they operate. Last month, South African media reported that Metallon planned to hand over 5% equity in the group to an employee ownership scheme as part of its indigenisation programme. But Kasukuwere said the company's compliance proposals did not meet the government's requirements. "We have always been very worried about Metallon Gold. They are the biggest gold mining company in the country, but do not want to comply," he said. "We have now written a final warning to the three mining companies, telling them that if they do not comply they will lose their licences." Valued at more than US$320 million and employing some 3,600 workers, Metallon Gold owns 5 mines in Zimbabwe, including Arcturus mine, Shamva mine, How mine, Redwing mine and Mazowe mine. Kasukuwere also warned that Vumbachigwe Mines, which has operations in Mashonaland Central province, could also be kicked out of the country. "We consulted them numerous times, asking them to give us their proposals for compliance. We even approached and asked them to contribute to the Mashonaland Central Community Share Ownership Trust," he said. "They, however, refused, yet they have the biggest gold mines in the province. Our patience has run out; we will not be deterred in implementing the law when dealing with them."*(New Zimbabwe)*

AIR Zimbabwe has put in place a payment plan to clear its $2,8 million debt owed to a European navigation agency, which will see the airline resume the Harare-London route early next year. The airline, saddled with an estimated debt of $140 million, stopped flying to London last December after fears its planes would be seized over the debt. Air Zimbabwe spokesperson Shingai Taruvinga told NewsDay the airline had plans in place to gradually increase its frequencies on current routes, while regional and international routes would be introduced in phases. "The London route will be introduced early next year following the resumption of the Harare-Johannesburg flight," she said. The airline resumed four times-a-week flights to Johannesburg after the debt it owed to South African aviation companies was cleared. The economy class air fare is currently on promotion till the end of December at $317 on a route serviced by a Boeing 767-200. Currently the plane flies on a growing 60% capacity. However, the airline is still using the manual check-in system as World span has not yet cleared it following its year's absence even though it had renewed its membership. World span is a provider of travel technology and content, and a part of the Travelport GDS business. Zimbabwe Tourism Authority chief executive officer, Karikoga Kaseke, noted that it was unfortunate that other airlines had been reaping benefits from the route all along with Zimbabwe getting nothing out of it. He said now that Air Zimbabwe was flying again, the airline might tap into the lucrative $7 million/week revenue international airlines had been getting. "From a transport economics point of view, Zimbabwe was economically disadvantaged. "But now that it (Air Zimbabwe) has started to fly again, some benefits, though not equal, will be realised," Kaseke said. He, however, said Air Zimbabwe could expect to regain its share of the market in just three months. "It will take a minimum of a year provided government is willing to support them financially. Without that, it could be longer," said Kaseke. Kaseke said the airline had lost its brand and should implement an intensive marketing strategy. He added that Air Zimbabwe must capitalise on its record of safety, reliability and customer care to re-establish itself. "But a lot of work has to be done," he said. Taruvinga said the airline would soon reintroduce the Bulawayo-Johannesburg route, which is as lucrative as the Harare-

Johannesburg route. The domestic route load factor is averaging around 80%, while it is full to capacity during weekends. The Harare-Bulawayo-Vic Falls route is serviced by a Boeing 737-200. *(News Day)*

Ziscosteel workers have gone for seven months without salaries and wages as the government continues to shift goal posts on the $750 million Essar Africa takeover deal. They have been urged to hold on. Prime Minister Morgan Tsvangirai told hundreds of workers last Friday that the Essar deal would not be allowed to fail. "That deal will not fail. That will not happen. My team is putting all efforts to ensure that we revive Ziscosteel and turn it into a billion-dollar investment project that not only has the capacity to transform Redcliff, but Zimbabwe," he said. Indian ambassador to Zimbabwe, Jeiteendra Tripathi, a fortnight ago said several prospective Indian investors had now resolved to hold on to their investments until the dust over the Essar deal had settled. "There are some problems. There are some vested interests here in Zimbabwe who don't want this deal to go through," he told NewsDay in an exclusive interview. "I don't know why they are projecting things in a very negative manner." Tsvangirai said the Mines ministy had since issued a letter facilitating the release of major iron ore reserves to Essar Africa Holdings bringing the deal closer to finality. He said those intending to get bribes before the deal sailed through could be blocking it. "The deal is failing because I am sure there are some people who wanted to be given money so that they would release the mines," Tsvangirai said. "Because these corrupt elements were not paid, they want to scuttle the deal. There is, however, some movement because I have been told the Ministry of Mines has since written a letter to release some of the mines to Essar." "I tell you, if the deal does not happen during the life of the inclusive government, it will happen during my time." The future of Ziscosteel workers has remained bleak despite the coming in of Essar. The PM said he would meet top management to try and persuade them to pay out salaries ahead of the festive season. *(News Day)*

AFRICAN Sun Limited chief executive Dr Shingi Munyeza believes the hospitality group has effectively turned the corner and is now poised to sustain its growth trajectory. The hospitality giant reported a US$2,6 million full year profit to September this year compared to a US$10,2 million loss last year. This is the first time that the group has realised a profit since 2009 when the country dollarised. This was largely as a result of a reduction in operating costs through retrenchments, significant growth in inbound visitors due to increased flight capacity and improvement in average daily rates following refurbishment of its hotels. "We went through a painful yet needed and needful process and I can say we are out of the woods. We reduced our operating costs through retrenchment and this achieved annual savings of US$3,2 million. Our costs are now much aligned hence our desire to return to dividends (in the next financial year). Things are actually looking up. We have witnessed a sustainable growth in city hotels while our resort hotels are showing significant growth. "This, I am sure, can be sustained. For instance, our numbers for the month of October (this year) are showing that RevPar (revenue per every available room) has increased by 15 percent while total revenues are up 47 percent. November is also looking good," said Dr Munyeza.

Revenues for the period under review grew 12 percent to US$54,4 million due to growth in average daily rate while revenue per available room rose by 18 percent to US$47. But revenue would have been better had it not been cancellations at Victoria Falls hotels as a result of flight suspension by Air Zimbabwe. RevPar is projected to grow to US$57 next year. EBITDA improved by 131 percent to US$6,3 million. EBITDA margin came in at 5,5 percent better at 11,5 percent and 3,5 percent better than management's 8 percent projection. Interest expenses rose 86 percentage points following an increase in short-term loans and effective borrowing rates. African Sun also booked an impairment charge of about US$900 000 due to the disposal of Hotelserve and earned a total of US$1,63 million in other income from the Ghanaian management contract. Next year, the group forecast revenue growth of 10 percent and EBITDA margins of 12 percent. Dr Munyeza said despite an expected 3 percent growth in global tourism, African Sun is confident that revenue and income in 2013 will grow far ahead of that number. "Our forecasts are more conservative. We are most likely to perform better," he said. When asked to what extent the forthcoming elections would affect operations, Dr Munyeza said: "Volumes would pick up due to conferences linked to elections." He said chances of violence in the run-up to elections were "slim" as they are coming almost at the same time as the United Nations World Tourism Organisation conference.

Dr Munyeza noted the group has, and will benefit from increased weekly flights to Harare, now at 84 from 70 in May while flights into Victoria Falls have risen to 32 from 18. Growth in visitors from the US has also strongly benefited Victoria Falls hotels. In addition, the domestic market, which was partly affected by closed rooms as a result of refurbishments, is expected to rebound. The closure of The Grace Hotel in Rosebank and The Lakes in Benoni, both in South Africa, resulted in the avoidance of an annual loss of up to US$3,3 million. The group raised US$10 million in long- term debt for refurbishment of its top six hotels and this has seen improvement in average daily rate by about US$30. African Sun intends to spend an additional US$4 million for refurbishment from the cash flows. Dr Munyeza indicated that differences with Dawn Properties were resolved "amicably and we are now jointly pursuing mutually beneficial value unlocking initiatives". He added the group would continue evaluating hotel portfolio performance with the view of further value addition and "imperative disposals" would also be considered. On the net borrowings, currently at US$15,4 million, Dr Munyeza said: "We are confident about reducing our debt. As for our short-term debt, it will be restructured within the first quarter and the repayment of long-term debt is on course." The group is also looking to re-enter Ghana "to hedge the concentration risk" but also in a manner that does not "compromise growth and without adding the costs". *(Herald)*

CAIRNS Holdings was yesterday suspended from trading on the Zimbabwe Stock Exchange after the group voluntarily applied for provisional judicial management. The ZSE made the announcement yesterday but no reasons were given. However, Cairns has been facing financial constraints after the group failed to recapitalise since the adoption of multi-currencies three years ago. In June this year, its management said the group required USD 20m for working capital, debt payment and plant refurbishment. The group was saddled with debts amounting to USD 12m. Its operating capacity had dropped to 20%. The Reserve Bank of Zimbabwe, the majority shareholder through Fintrust, has since invited potential investors to buy its 65% shareholding in the group. Cairns has lost 90% of its value year-on-year with market capitalisation now at USD 240 000. Meanwhile, PPC Zimbabwe's shares fell 14,5% yesterday, dragging the ZSE main index back in the red. The dual-listed firm dropped US35c to US205c as the industrial index retreated 0,28% or 0,42 points to 149,25. Some selective heavyweight shares also traded in the red, but the losses were partially offset by slight gains in Delta Corporation. PPC lost USD 2,28m in value to USD 31,17m from USD 33,45m on Tuesday. Managing director Mr. Zak Limbada said recently that the company was intending to build a USD 200m cement plant in Mashonaland Central Province. The exploration of the raw material was already underway. PPC is the country's largest cement company ahead of Lafarge Limited and Sino Cement. Yesterday's fall took PPC's negative performance this year to date 2,38%. The market was fairly active on thin volumes. Turnover improved to USD 1,51m from USD 922 000. The bulk of the funds went into Delta that saw a total of 463 000 shares changing hands and Econet crossed over 160 000 shares at US480,09c. Econet, the country's second largest company in value, dropped US4,91c to US480,09c. CBZH lost US1c to US8c, bring its negative performance this year to date to 42,86%. TA Holdings shed a cent to US10c. Year to date, the conglomerate is down 16,67%. The mining index also shed eased 1,54% or 1,02 points to 65,05 on losses in Falgold. Hwange was the lone gainer, after advancing US0,5c to US17,50c. The company recently sealed a USD 22m supply credit deal with a Chinese mining equipment company Norinco. *(Herald)*

ECONET Wireless has partnered with CBZ Bank in the provision of mobile phone-based banking services through EcoCash, a development that will further enhance convenience for customers of the two leading institutions. The partnership would allow Econet and CBZ Bank customers to carry out a number of banking transactions on their cellphones from any location in or outside the country. This arrangement enables balance transfers to and from the EcoCash wallet and CBZ Bank accounts while other benefits include bill and commuter fare payments, retail or airtime purchases and interbank transfers among others. Further, the EcoCash-CBZ partnership enables account balance inquiries, processing of mini statements and provision of merchant banking services on the cellphone. It can also be used to pay salaries. Econet Services' chief executive Mr. Darlington Mandivenga said the partnership was a result of their desire to introduce innovative solutions that address challenges people face in their lives. "Without customers we would not exist, we exist to identify their needs and their

wants. "We exist to identify their problems and offer solutions to those problems," he said. Mr. Mandivenga said EcoCash had eliminated challenges around small change, which often resulted in forced purchases by customers, inconveniences when paying commuter fares and risks of moving around with cash. "The initiative, considering the coming on board of the country's biggest bank, would impact people's lives in a big way as EcoCash has evolved into more than just a money transfer service, but a mobile money financial service. In terms of benefits to Econet and CBZ, the sky can only be the limit considering EcoCash is now handling in excess of USD 300m mobile money transfers every month, which will enhance the companies' top and bottom lines," he said. Speaking during the unveiling of the partnership, CBZ Bank executive director Mr. Collin Chimutsa said the marriage would bring immense benefits to account holders when they transact through EcoCash. "This CBZ-Econet partnership allows existing bank account holders to easily make payment from their accounts through EcoCash. This partnership makes it quite easy for any of our clients to make transfers to any beneficiary without visiting our banking halls.

"That will be a pleasure in terms of the retail operations where our banking halls will concentrate on other areas rather than just people withdrawing cash from the banking halls," he said. Mr. Chimutsa said the country's biggest retail banking institution would continue striving to introduce innovative and convenient banking service delivery channels at a lower cost, which Government has been pushing for. This was well within reach, Mr. Chimutsa said, considering that this was a partnership between the country's most innovative banking institution and mobile phone operator. Econet chief executive Mr. Douglas Mboweni said the partnership would bring unforeseen convenience for customers who are now able to transact from any location, something they were not able to do before. "The joy of it is that I can check my bank balance in the comfort of my village, as long as there is (mobile phone network) coverage. I can also transfer money from my wallet to my account and from my account to my wallet," said Mr. Mboweni. The Econet boss said the partnership with CBZ Bank was proof that better and exciting times lay ahead and the initiative was only but the beginning of many similar innovations. Already, CBZ Bank customers can transact using the latest real-time technology such as Visa and ZimSwitch, but the bank is also working on introducing the MasterCard soon. *(Herald)*

Beverages manufacturer Delta yesterday announced new beer selling prices at bottle stores and supermarkets. This follows Government's decision in the 2013 National Budget to review upwards the rate of excise duty of clear beer from 40% to 45% as a revenue enhancing measure. Delta corporate affairs director Mr. George Mutendadzamera said the recommended new prices had a difference of between USD 0,05 and USD 0,10. "The price of the 375ml brown bottle is now USD 0,80c from USD 0,75c while 340ml green bottles are selling at USD 0,90c from USD 0,80c. "The 750ml brown bottles quarts are selling at USD 1,55 from USD 1,45 while green 660ml bottles are now USD 1,75 from USD 1,50," he said. Prices for the other Delta beer products remain unchanged. Mr. Mutendadzamera said the company was certain it would meet demand during the festive season as it had invested heavily in production capacity. The beverage manufacturer last month commissioned a new USD 17m bottling line with capacity to produce 70m litres per annum at its Southerton plant in Harare. Mr. Mutendadzamera, however, said the beverage manufacturer would have preferred the duty to remain at the current rate of 40% or even be reduced to regional levels. "We, however, appreciate the pressures on the Government to raise additional revenue." Since dollarisation of the economy in 2009, Delta has invested around USD 250m to boost its capacity. The investment has also resulted in the company generating business to the tune of USD 1,2 billion during the same period. *(Herald)*

TOBACCO processor BAT Zimbabwe's shares fell 12 percent yesterday after police launched investigations into allegations of industrial espionage levelled against the firm. After trades yesterday, BAT lost US50c from US400c with the industrial index falling 0,27 percent or 0,41 points to 148,83. The company's market capitalisation dropped from US$73 million on Wednesday to about US$69,5 million. Police said this week investigations into BAT operations were underway and that the main focus of the probe was on alleged smuggling of cigarettes to South Africa. They added that the investigation was also targeted at allegations that BAT was behind the hijackings of trucks carrying cigarettes from Zimbabwe to South Africa. "BAT in response to recent allegations in the media, strongly denies any involvement in industrial

espionage and any illegal activity that may be linked to other local tobacco manufacturers," said the company in a statement. "As a company listed on the Zimbabwe Stock Exchange, in addition to our own internal governance on responsible market-place practices, we are confident that our business activities are ethical transparent and legitimate." *(Herald)*

MIMOSA Mining Company says it will need to maintain stringent cost management, high efficiency and optimum production levels to counter the negative effects of slowing metal prices. Speaking during the launch of the firm's Let's Go Zero Campaign in Zvishavane recently, resident director Mr Peter Chimboza said world market platinum prices were falling. "Things sometimes get really difficult. Right now we have a major challenge on the world market prices for platinum. Prices are starting to drop and they are dropping very fast," he said. "The only thing we can do ourselves is to work very hard, continue to manage our costs, continue to get good production, continue to get the right efficiencies, continue to do the right things in terms of quantities we use and continuously try to improve the processes," Mr Chimboza said. He added that these objectives would only be achievable if the workers demonstrated dedication and commitment to work to achieve optimal results at a time prices are going down. Platinum prices opened the year at US$1 415 per ounce and rose to hit a five-month high of US$1 728 per oz in February. Thereafter, they started fluctuating but peaked briefly at US$1 714 in September before falling again to current levels of US$1 515. An unanticipated fall in the price of metal prices may negatively impact-targeted revenue and profits for companies resulting in the affected companies shares taking serious knocks.

While Mimosa Mining Company is not a listed entity, any negative effect on profits or revenue reflect in the accounts of its joint owners, Aquarius and Impala Platinum of South Africa, both of which are listed on the Johannesburg Stock Exchange. Mimosa's "Let's Go Zero" initiative, which is a partnership with the Traffic Safety Council, Buy Zimbabwe's My Own Boss reality TV series, Environmental Management Authority and the National Aids Council is aimed at ensuring zero work-related accidents, avoiding all road accidents, eliminating new HIV infections and halting deforestation. Mines and Mining Development Minister Dr Obert Mpofu had earlier launched the campaign at national level on October 15, 2012, before the recent launch on the initiative in Zvishavane. "Mimosa has always carried the Zero Harm message, placing strong emphasis on our most valuable asset — human resources. "This emphasis was exhibited recently by the swift reaction and crisis management of our teams during a recent fire incident which threatened the lives of our workers," said Mr Chimboza. Ex-Midlands governor Mr Cephas Msipa said Mimosa's "Zero Harm" campaign was an important safety initiative targeting zero road accidents, zero pollution and deforestation, zero new HIV infections and zero accidents at the workplace. *(Herald)*

ZIMBABWE Stock Exchange listed property group Mashonaland Holdings profit for the year ended September 30 dropped to $17,2 million from $34,2 million due to growing administrative costs. Revenue for the period under review was 31% up to $7, 4 million due to continued rent reviews, the company said. Property management costs and voids related to operating costs continued to be key drivers of this expenditure. Turning to mortgage financing, the group said the long-term financing of properties was yet to stimulate activity in the sector due to capital constraints on the domestic market. "The market witnessed the return of limited mortgage finance. The impact of these real estate financing instruments are yet to be realised. "Policy inconsistencies and liquidity constraints continued to stifle the general," said group chairman Elisha Mushayakarara in a statement accompanying its financial results. "Pressure on rental growth began to manifest against a backdrop of lukewarm economic performance. "There were also limited developments in the office sector. "These were of speculative nature, with developers taking positions ahead of a possible economic turnaround. "On the other hand, the residential developments were driven by tangible demand in the form of huge housing backlog."

The government last month announced plans to reintroduce Paid-Up Permanent Shares (PUPS) as Treasury seeks to stimulate mortgage financing. Presenting the 2013 National Budget Finance minister Tendai Biti said PUPS would enable building societies to raise long- term funding for periods up to two years. The PUPS were designed to mobilise private sector funds for housing by enhancing building societies'

competitiveness in attracting deposits. The conditions entailed that at the end of each financial year, each building society had to make up a quarter (25%) of the mobilised funds available for low-income housing. Biti said government would soon introduce a piece of legislation to allow banking institutions to offer mortgage finance. He added that the changes also sought to exempt banks offering mortgage finance from paying income tax with effect from 2013. *(News Day)*

Economic News

INSURERS have castigated side marketing within the tobacco-growing sector saying that it is seriously affecting their relationship with tobacco farmers. Addressing delegates at the 2012 National Tobacco. Workshop in Harare last week, SFG Insurance chief executive Mr Charles Madziva who was representing the Insurance Council of Zimbabwe said farmers were using side marketing to avoid paying their premiums. He said that tobacco farmers currently owed insurance companies US$150 000. "From every US$1 we are supposed to get in premiums we are only collecting US$0,56. "Side marketing is one evil that we need to stand against because the future of the sector is at risk," he said. He added that one of the ways that farmers were evading paying premiums was through the use of multiplicity of grower numbers per family unit in order to understate yields. He added that they were also facing challenges in the late remittances of premiums collected from farmers by auction floors and contractors. "This presents a dilemma in that when the farmer comes to us with a claim. In their view they will be covered because the money for the premiums will have been deducted from their proceeds. "However the problem is that we will not have received the money and that creates a challenge for us," he said.

Mr Madziva also added that they were also facing undue pressure in terms of claims from some farmers who were even going to the extent of seeking political influence in order for their claims to be processed. In order to deal with the issue of side marketing, Mr Madziva suggested the use of credit referencing to flush out bad debtors among tobacco farmers. Speaking at the same occasion Mr Tusketee Sithole from ZB Bank said there was need to introduce mobile banking to attract tobacco farmers into the banking system. He said that this was important because it allows farmers to treat farming as a business. "At the moment when farmers get their money they tend to spend it on non-productive goods because they will have the cash in their hands but a bank account creates time for them to think about what they want to do with the money before spending it," he said. This, he added was critical in promoting a savings culture in the economy to improve liquidity. He also called for a speedy resolution of 99-year leases so that tobacco farmers can have collateral value of their farms.

Mr Sithole said that this was critical if banks are to play a central role in farming. He noted that tobacco contractors were funding 65 percent of the tobacco crop in the country while the banking sector was playing a complementary role, by providing the balance of 35 percent.
Responding to the issue of side-marketing Tobacco Industry and Marketing Board chairpersom Mrs Monica Chinamasa said that they were actively engaging stakeholders on the matter with a view to coming up with a solution. TIMB chief executive Dr Andrew Matibiri however said that their main problem was lack of fact on the issue. "We have heard about side marketing and its being brought up at different foras but no-one has actually approached us with fact on side marketing. "We need such information to assess the extent of the impact of side marketing in our industry," he said. *(Herald)*

THE European Union has softened its stance on Marange diamonds and has, for the first time, lauded the Kimberly Process Certification Scheme for withdrawing monitors and allowing unhindered exports. Government immediately welcomed the new position, saying it hoped the stance might lead to accelerated remo-val of illegal sanctions the bloc imposed on Zimbabwe. EU high representative for Foreign Affairs and Security Policy and Vice President of the Commission, Mrs Cathrine Ashton, confirmed this last Friday. "The decision to lift the special monitoring measures under the Kinshasa (Democratic Republic of Congo) administrative decision with respect to the Marange mining area in Zimbabwe is a positive step forward. "This recognises the significant progress that Zimbabwe has made to improve KP compliance," she

said. The KP's Working Group on Monitoring in November last year appointed a team to monitor and certify the sale of Marange diamonds when it met in the DRC. However, during the just-ended KP intercessory meeting in Washington DC, the WGM told delegates that the Government of Zimbabwe had shown full transparency and accountability by ensuring that 15 percent of royalties from Marange diamonds were channelled to the Zimbabwe Revenue Authority. It is against this backdrop that it was agreed that Zimbabwe should now sign Marange export certificates without consulting KP monitors, Abbey Chikane and Mark Van Bockstael.

"High representative (Mrs) Catherine Ashton welcomes the positive progress that the Kimberley Process has made this year to strengthen controls on the global trade in rough diamonds. "The EU believes that the Kimberley Process Certification Scheme remains a unique tool for conflict prevention and plays an important role in supporting participants to ensure good governance and transparency." Mrs Ashton said the EU appreciated the contribution of the Civil Society Coalition representatives in Zimbabwe and welcomed the country's renewed commitment to allow them access to the Marange diamond mining area. Diplomats accredited to Zimbabwe have been allowed access to Chiadzwa diamond fields although some of them continue peddling false reports of human rights abuses. "The EU also welcomes Zimbabwe's willingness to sustain efforts on KP compliance and to enhance revenue transparency," she said. Mines and Mining Development Minister Obert Mpofu yesterday described the EU stance as positive. "It's a welcome development for the EU to say that given that they were in the forefront for demonising our diamonds. "It is also important to note that the Washington (KP) decision was done under the chairmanship of the EU. We hope this will accelerate the removal of the sanctions they imposed on Zimbabwe," said Minister Mpofu. Mrs Ashton said the EU also welcomed progress that had been made by Guinea to improve KP compliance, as well as Liberia's commitment to addressing current shortcomings.

"The EU notes with appreciation Cote d'Ivoire's programme to work towards reintegration into the KPCS. The EU chairs the "Friends of Cote d'Ivoire" group which supports this aim. The EU's Joint Research Centre is helping to develop a common methodology for satellite monitoring of diamond mining in Cote d'Ivoire and supporting projects in the artisanal mining sector to improve chain of custody through the Property Rights and Artisanal Diamond Development Project (PRADD) which is co-funded by the EU's instrument for stability. "The EU affirms the importance of the KP's work on reform in order to address the challenges of the future. The EU warmly welcomes the ongoing work to improve implementation of KP and congratulates South Africa on its appointment as chair of the KP for 2013. "The EU looks forward to working closely with the South Africa chairmanship to bring renewed impetus and strength to the KP," she said. The KP is a voluntary and international certification scheme which requires governments to certify that shipments of rough diamonds are conflict-free. The KP, established in 2003, has 51 members representing 76 countries (the European Commission represents all EU member-states).The EU chairs the KP WGM and in that role oversees issues of KP participants' compliance, together with members of the WGM. Zimbabwe has become a major player in diamond mining and during the Zimbabwe Diamond Conference in Victoria recently, experts said the country has potential to produce over 160 million carats a year, which translates to about 25 percent of global output. *(Herald)*

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